



2020

ANNUAL REPORT



PUBLIC JOINT
STOCK FINANCIAL
CORPORATION

[//sistema.com](https://sistema.com)

ABOUT THIS REPORT

This annual report presents information on business operations of Sistema Public Joint Stock Financial Corporation and its portfolio companies in 2020.

The annual report of Sistema PJSC for the year 2020 has been prepared in compliance with Federal Law on Joint Stock Companies, Federal Law on Securities Market, Bank of Russia Regulation on Disclosure by Issuers as amended.

Unless specifically noted otherwise, all financial performance indicators in this annual report are based on consolidated financial statements under IFRS.

Certain immaterial discrepancies in percentage calculations and in arithmetic operations of addition in tables and charts in this annual report are attributable to rounding.

You may access other annual reports of the Corporation at its official website, www.sistema.com, in Information Disclosure and Investors & Shareholders

DISCLAIMER

Certain statements in this annual report may contain assumptions or projections regarding forthcoming or expected events related to Sistema PJSC or its portfolio companies. Statements of this nature may be expressed by using the words "expect," "estimate," "intend," "will," "could," negations of such words, as well as similar expressions. These statements are only predictions, and actual events or results may differ materially.

Sistema PJSC does not commit to reviewing these statements in order to correlate them with actual events and circumstances that may occur after the above-mentioned date or to highlight the events that were not expected to occur when this annual report was prepared. Many factors could cause the actual results of Sistema PJSC or its portfolio companies to differ materially from those set forth in our projections or forward-looking statements, including, among others, macroeconomic conditions, our competitive environment, country-specific risks of operating in Russia, rapid technological and market changes in the industries where Sistema PJSC and its portfolio companies operate, the impact of the COVID-19 pandemic on the macroeconomic situation in the markets where Sistema PJSC and its portfolio companies operate and on their financial performance, as well as many other risks specifically related to Sistema and its operations.

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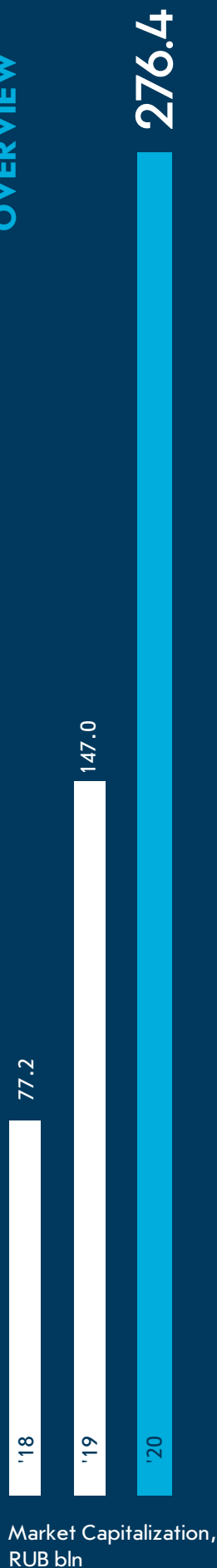
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OVERVIEW



Sistema overview

Sistema is the largest publicly traded investment company in Russia. Founded in 1993, Sistema is today represented across over 15 high-potential sectors of the Russian economy through its portfolio companies that serve over 150 million consumers. Sistema's investment portfolio includes mostly Russian companies in such sectors as telecommunications, forestry, agriculture, healthcare, real estate and electronic commerce, and others

The Corporation's shares trade on Moscow Exchange (ticker: AFKS) and on London Stock Exchange in the form of global depositary receipts (ticker: SSA). One GDR represents 20 ordinary shares.

Strategy

Sistema's strategic goal is to create long-term growth of shareholder value by boosting returns on investments in existing assets and reinvesting available cash in new investment projects to diversify its portfolio and increase overall returns on investment.

2020 Results¹

RUB
691.6 bln
Revenue

RUB
236.3 bln
Adjusted OIBDA

RUB
16.0 bln
Adjusted net income

RUB
1.421 bln
Total assets

FITCH
BB—
stable

S&P
BB
stable

RAEX
ruAA—
stable

2020 RESULTS

Market position

Top-
25
Largest Russian companies by revenue (RBC)

Top-
20
Public Russian companies in Forbes Global 2000 rating

>150 mln
Consumers

MOEX:
AFKS

LSE:
SSA

INVESTMENT PORTFOLIO

Assets

>15
Sectors

MTS
NYSE: MBT, MOEX: MTSS

50.02%

Ozon
NASDAQ and MOEX: OZON

33.1%

Segezha Group
MOEX: SGZH

73.7%

Etalon Group
LSE and MOEX²: ETLN

25.6%

AWARDS

"THE FIRST WELL-KNOWN INVESTMENT BRAND IN RUSSIA"

ИНФОРМАЦИОННОЕ
CBONDS
АГЕНТСТВО

"THE BEST PRIMARY OFFERING IN THE COMMUNICATIONS SEGMENT"

Sistema's series 001P-15 bond issue for RUB 10 bn.

Cbonds Awards 2020

SUSTAINALYTICS
a Morningstar company

NO 11 OUT OF 725 GLOBAL DIVERSIFIED FINANCIAL COMPANIES

Sustainalytics ESG rating

RUB
39.5 bln
Investments in 2020

¹ Here and hereinafter results for 2020 are presented to reflect the divestiture of AGK Yuzhny. The results for 2019 have been restated to reflect the effect of the divestiture.
² Etalon's GDRs started trading on Moscow Exchange from 03.03.2020.

ASSETS



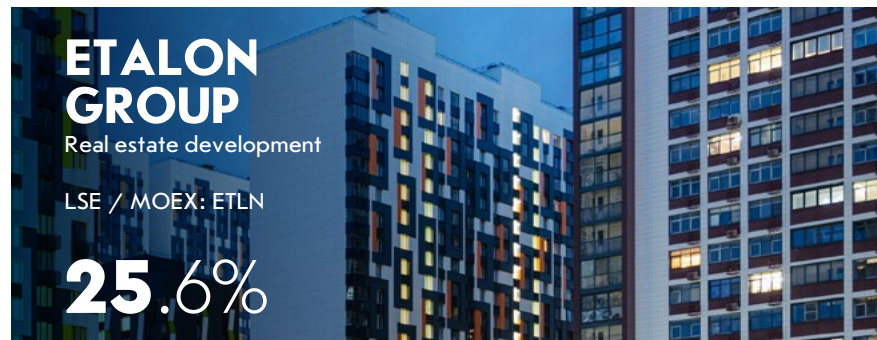
MTS
Telecommunications
MOEX: MTSS / NYSE: MBT
50.02%



OZON
Online retailer
33.1%



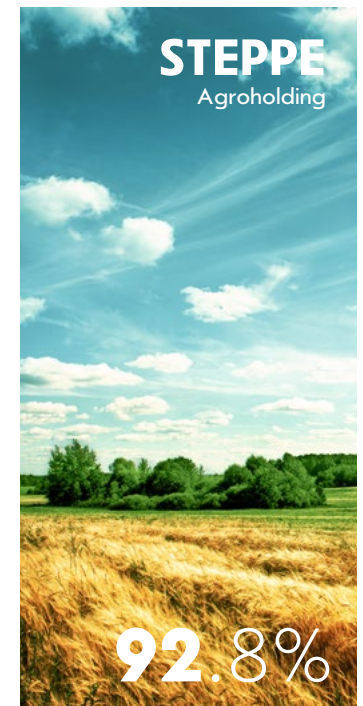
SEGEZHA GROUP
Forestry holding
73.7%



ETALON GROUP
Real estate development
LSE / MOEX: ETLN
25.6%



MEDSI
Private healthcare chain
95.5%



STEPPE
Agroholding
92.8%

OTHER ASSETS



49.53%
ELEMENT
High tech



43%
CONCEPT GROUP
Retail



100%
EAST-WEST UNITED BANK S.A.
Banking

FUNDS



90%
SISTEMA VENTURE CAPITAL




83%
SISTEMA ASIA FUND



49%
SISTEMA CAPITAL PARTNERS GROUP



70%
SISTEMA CAPITAL MC



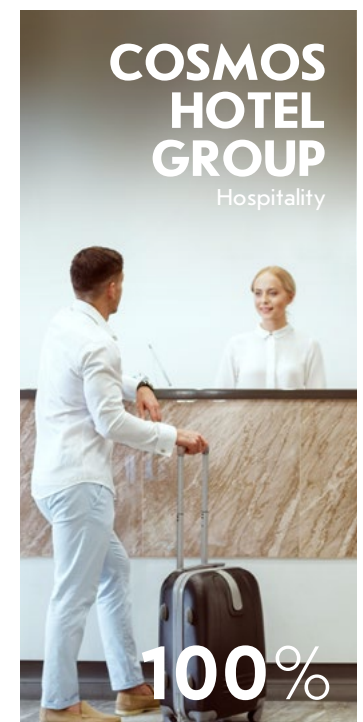
BINNOPHARM GROUP
Pharmaceuticals business
79%



BPGC
Power grids company
91%



BUSINESS NEDVIZHIMOST
Real estate
100%



COSMOS HOTEL GROUP
Hospitality
100%

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CEO's Statement



Vladimir Chirakhov

Sistema President

For Sistema, 2020 was a year of both trials and inspiring achievements. In the face of challenges created by the pandemic, our assets delivered robust performance, confirming the strength of our diversified portfolio and our disciplined investment strategy.

In 2020, the Corporation increased revenue by 5.7% and adjusted OIBDA by 5.5%, thanks to contributions from MTS, Segezha Group, Steppe and Medsi.

Drastic changes in consumer demand and behavior amid the pandemic affected many sectors where we have a presence, requiring quick and decisive action. I am pleased that our portfolio companies overcame the challenges resulting from the COVID-19 pandemic, and were able to quickly adjust their business models and adapt their products and services to the new reality, which is reflected in their strong annual financial performance.

MTS delivered robust growth due to both revenue growth in the core telecommunications segment and strong performance in other segments. Segezha Group reported record revenue for the year and maintained a high level of profitability. Steppe delivered significant growth across its financial metrics as global grain prices increased and the company's operational efficiency improved. Medsi grew revenue and OIBDA even despite the impact of restrictions on patient footfall in the first half of the year.

While our hospitality and power grid businesses suffered more severely from COVID-related restrictions and turmoil, many of our other assets were able to leverage new opportunities that emerged as a result of the pandemic. This also highlighted the increasing role that our portfolio companies play in their markets and in the Russian economy overall. At Medsi, for example, we saw a tenfold year-on-year growth in the number of telemedical consultations. Our pharmaceuticals business, Binnopharm Group, established itself as a leading manufacturer of COVID drugs and vaccines and saw rapid growth of demand across many key product groups.

Ozon is another example of a business that became essential amid the new COVID reality. The company delivered exceptional growth, increasing its GMV¹ by over 140% during 2020 and significantly expanding the number of active customers to 5.4 mln. Ozon did a great job in addressing the sharp rise in online consumer demand thanks to the expanded product mix, timely investments in last mile and fulfilment infrastructure, and fast development of the marketplace.

2020 was a year of transformation for our business. We completed our exit from Detsky Mir, held a successful IPO of Ozon on the NASDAQ and obtained a listing of its ADSs on Moscow Exchange that crystallised the value of this asset and established a foundation for further expansion of the business. Total proceeds of the company from the IPO and a parallel private placement amounted to USD 1.25 bln.

These transactions also testified to our capabilities to not only grow high quality businesses, but also to take them to public markets. This has allowed thousands of retail investors – alongside some of the world's largest and most sophisticated funds – to share in the success of our market-leading portfolio companies.

We also expanded our presence in the pharmaceuticals sector, combining our assets into Binnopharm Group, which is already one of Russia's largest pharma producers and has the potential to become a focus of consolidation in the industry. In 2020, Binnopharm Group entities demonstrated an impressive performance. Their combined revenue grew by 30.1% to RUB 21.4 bln, with an OIBDA margin of 25.5%. This opens the way towards transforming the holding into a fast-growing innovative operation, with a diversified product portfolio and significant production and research potential.

The Corporation continues to seek out new sources of growth, using the significant dividend income received from our portfolio companies as an investment resource. As part of this strategy, our joint venture with Sber has acquired a stake in Elektrozavod Group, which includes transformer equipment production facilities in Moscow and Ufa, maintenance divisions, research and design institutes, an engineering centre and land plots totalling 19 hectares in the centre of Moscow. Our ambition is to create a leading Russian producer of transformer equipment using the acquired production facilities.

As a result of our long-term and systematic approach to local capital markets and strong relations with banks we have significantly reduced our weighted average cost of debt and shaped comfortable debt repayment schedule.

As a major investor in the Russian economy, we see our role in supporting the evolution of responsible, competitive, and self-sustaining businesses. In 2020, our approach to sustainable development management was included in the updated strategy of the Corporation. For the first time, we adopted a sustainable development policy, while principles of responsible investment were integrated in the investment criteria and the business model. Amid continuing market uncertainty and ever-changing business needs, we aim to build up the robustness of our investment portfolio through the management of non-financial risks and the implementation of best global ESG practices.

Our diversified portfolio of high-quality assets, stable financial position and commitment to ESG principles create a solid foundation for new investments and a long-term growth of shareholder value.

¹ Gross Merchandise Value (GMV) is the value of goods sold on Ozon and revenue from services rendered to buyers and sellers, inclusive of VAT, less discounts, cost of returns and canceled orders.

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Strategy and governance model

Mission

Sistema's mission is to build Russia's leading investment company with diverse expertise and a strong track record, which will become an investment platform for managing both its own and third-party capital, while also providing access to unique investment opportunities in the most attractive industries and high-potential technologies and fuelling long-term growth in shareholder value.



Strategic goals of Sistema

- › Steady growth of the Corporation's shareholder value;
- › Building profitable and growing companies that are leaders in their industries;
- › Maximising net asset value;



Strategic focus

- › Building and continuously developing businesses worth over USD 1 bln;
- › Embracing unique investment opportunities in traditional and new sectors;
- › Creating value in assets through team strengthening, strategic repositioning, business transformation, operational improvements, equity structure optimisation, digitalisation, etc;
- › Continuous enhancement of corporate governance and increased focus on ESG.

Governance model

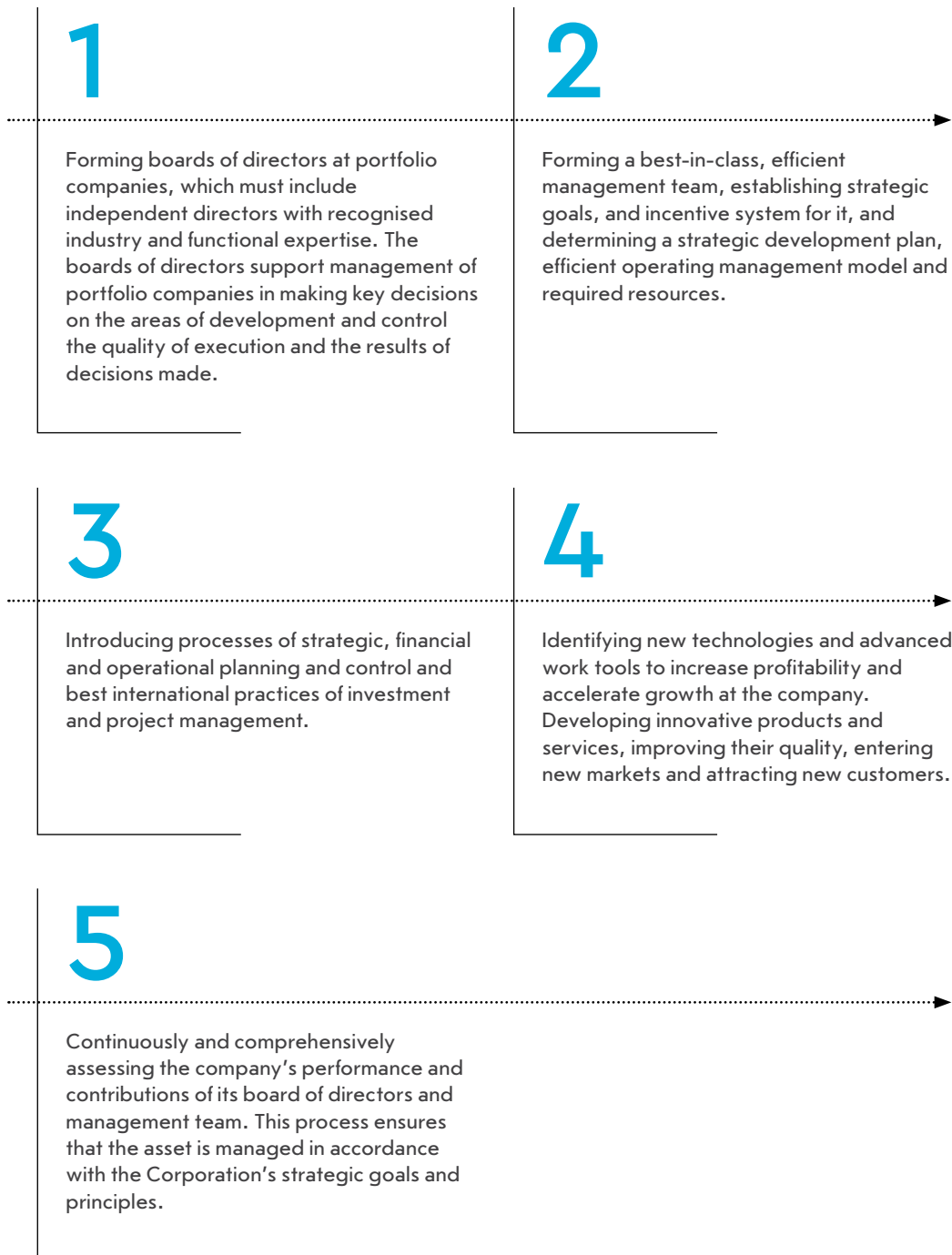
The Corporation has adopted a partnership management model that allows the Managing Partners to share the risks and returns from investment activities with the shareholders. Managing Partners are responsible for implementation of investment strategies of portfolio companies. In most cases, Managing Partners chair the boards of directors and are in charge of forming the board and organising its work. They also bear responsibility for recruitment and appointment of top management.



Asset management principles

Investing in the development of existing portfolio assets to grow their value is one of the key stages of Sistema's value creation model.

VALUE CREATION IN ASSETS:



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Investment principles

Current investments



FOCUS: Investments in portfolio companies with potential to become businesses worth over USD 1 bln.

Investment strategy:

investments in portfolio companies to increase their competitiveness and market share, enter adjacent segments and launch new products with a synergistic effect.

Geography:

in accordance with the approved strategy for portfolio companies.

Industries and business segments:

companies' industries and adjacent sectors/segments with a synergistic effect.

Discounted payback period (DPBP):

3-10 years.

New investments



FOCUS: Unique investment opportunities in traditional industries in Russia

› MATURE UNDERVALUED ASSETS

Investment strategy:

acquisition of substantial or controlling stakes in large assets in attractive markets with a possibility of increasing shareholder value, getting a premium in valuation and selling within 2-3 years.

› GROWING ASSETS

Investment strategy:

acquiring and consolidating players in certain industries or market segments, enhancing the asset's competitive advantages, leveraging economies of scale and entering new market segments; exit in 4-5 years through a sale to a strategic investor or IPO.

Geography:

mainly Russia.

INDUSTRIES AND BUSINESS SEGMENTS:

sectors with large markets, high growth or transformation rates, and significant potential for growing efficiency, digitalisation, import substitution or exports.



FOCUS: Investments in tech sector and technologies of the future

› TECHNOLOGY ASSETS

Investment strategy:

direct investments by Sistema's Corporate Centre in large stakes in technology companies that do not meet the requirements of investment theses of Sistema's own funds, with an opportunity of creating new fast-growing businesses, make a breakthrough in the development of key technologies of the future and monetise them in 5-7 years.

› VC FUNDS

Investment strategy:

investments by Sistema's existing and new VC funds; investment monetisation. Mandatory engagement of external investors as financial partners (the share of outside partners in new funds is at least 50%).

Geography:

no restrictions.

Industries and business segments:

e-commerce, internet of things, artificial intelligence, cloud and edge computing, machine learning and neural networks, autonomous vehicles, robotics, AR/VR, blockchain and others.

Responsible investment and ESG¹ principles

For Sistema, responsible investment is an integral element of its investment strategy and long-term success. It means that at all stages of its investment activities and asset ownership the Corporation takes into account not only financial and operating aspects but also significant environmental, social and governance (ESG) factors to create long-term value for shareholders and other stakeholders.

In 2020, the Board of Directors approved updated investment criteria as part of the Corporation's investment strategy. Among other things, the investment process for the first time involved the consideration of ESG factors reflecting the Corporation's guiding principles on responsible business conduct and international ESG standards, which solidified Sistema's strategic approach to responsible investment.

At the portfolio building stage, Sistema excludes "sin stocks", which is consistent with the Corporation's established investment culture, and also considers ESG profiles of acquisition targets in other industries when making investment decisions.

Sistema's indirect ESG impact through its portfolio assets is more significant than the direct one. Therefore, at the stage of asset management the Corporation makes efforts to promote the following principles in Sistema Group companies through their governance bodies using established corporate procedures:

- › Compliance with high standards of corporate governance and principles of responsible business conduct;
- › Improvement of their sustainability management approaches and performance indicators;
- › Minimisation of negative and maximisation of positive impact through innovation, services, products and investments in local communities.

To learn more about responsible investment and sustainability management, please refer to the section "Sustainability management".

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¹ Environmental, Social and Governance.



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Key events at the corporation in 2020

and after reporting period

Corporation

Corporate governance

In April 2020, Sistema's Board of Directors appointed Vladimir Chirakhov, Chairman of the Board of Directors of Detsky Mir, as President and Chairman of the Executive Board of Sistema.

In 2020, a new law was passed in Russia allowing joint-stock companies to conduct their annual general meetings of shareholders in the year 2020 in the form of absentee voting. In addition to absentee voting, Sistema's Board of Directors decided to organise live streaming for shareholders on the final date of voting. In the course of the live stream the Corporation's management reported on the results of 2019 and took questions from shareholders.

Monetisations

Placements of Detsky Mir shares

In June 2020 and September 2020, Sistema and the Russia-China Investment Fund (RCIF) held two successful offerings of Detsky Mir shares, resulting in an increase of Detsky Mir free float up to almost 100%¹ and full exit of Sistema and RCIF from Detsky Mir. Proceeds to Sistema amounted to RUB 8.9 bln in June 2020 and RUB 16.9 bln in September 2020.

Investments and transactions

Agreement on construction of an R&D laboratory

In January 2020, Sistema and its subsidiary LLC Sistema BioTech signed an investment agreement with the International Medical Cluster Fund on establishment of a multi-specialty biotech R&D lab and a centre for non-clinical testing of latest international products and technologies at the International Medical Cluster in Skolkovo. The agreement envisages construction of a lab building with a total area of 15,000 sq m. The lab will be made operational in late 2022 – early 2023 and will become one of Russia's largest private R&D centres.

Focus on investments via funds

In 2020, Sistema continued investing in attractive projects in the Russian and global markets through its funds, Sistema_VC and SAF. In February 2020, the Corporation established a new fund, Sistema SmartTech, which will invest in companies at early development stages (from seed investment to round A). The fund's life is 8 years, and its target size is RUB 5 bln. Sistema's investment in the fund will not exceed RUB 1.5 bln. Sistema SmartTech is expected to support about 20 early-stage VC projects, with investments in each individual project ranging from RUB 50 mln to RUB 300 mln.

In April 2021, Sistema SmartTech invested RUB 200 mln in LLC Urentbike.ru (Urent), which develops one of the largest kicksharing services in Russia.

IPO of Ozon

In November 2020, Ozon held an IPO of American Depositary Shares (ADSs) on NASDAQ and obtained a listing of its ADSs on the Moscow Exchange. Gross proceeds to Ozon amounted to approximately USD 1.25 bln, including from the underwriters' overallotment option and the concurrent private placement through which Sistema invested USD 67.5 mln. Following completion of the IPO, fulfilment of the private placement agreement and conversion of convertible loans previously provided to Ozon, Sistema's total stake in Ozon stood at 33.1%.

Development of the pharmaceuticals business

In August 2019, Sistema, together with VTB Group, acquired a 46.5% equity stake in OJSC Sintez. In May 2020, Sistema and VTB Group increased their stake in OJSC Sintez to 56.2%.

In February 2021, Sistema and VTB Group contributed their 56.2% stake in OJSC Sintez to the equity of Binnopharm Group to create a pharmaceutical holding company. At the same time, Sistema, VTB Group and a consortium of investors consisting of the Russia-China Investment Fund and major Middle East funds contributed an 85.6% stake in JSC Alium to the equity of Binnopharm Group. As a result, the effective stake of Sistema together with VTB Group in Binnopharm Group is 79%.

In March 2021, Group acquired a 32.4% stake in OJSC Sintez from JSC National Immunobiological Company controlled by State Corporation Rostec.

As a result of the operational integration of OJSC Sintez (includes CJSC Biocom) and JSC Alium (includes JSC Binnopharm), Binnopharm Group has become a major pharmaceutical player, ranking 5th by sales in monetary terms among Russian companies in the commercial segment in 2020.

IPO of Segezha Group

In April 2021, Segezha Group conducted an IPO on the Moscow Exchange. Through its IPO Segezha placed 3,750,000,000 new shares and raised gross proceeds of RUB 30 bln, with be used to finance further business expansion and reduce debt leverage. Upon completion of the IPO, Segezha Group will have a free float of 23.9%, while Sistema will retain a 73.7% ownership stake².

Creation of leading manufacturer of transformer equipment in Russia

In December 2020, the Group and Sberbank Investments LLC ("SberInvest") through their joint venture Megapolis-Invest LLC ("Megapolis-Invest") acquired 64.37% in Elektrozavod JSC and 100% in Elektrokombinat LLC ("Elektrozavod Group") from certain private investors for RUB 24.7 bln.

In February 2021, Megapolis-Invest acquired an additional 29.64% stake in Elektrozavod JSC from a private investor for RUB 5.8 bln. Following completion of the transaction, Megapolis-Invest held a 94.01% stake in Elektrozavod JSC. The goal of the transaction is to create Russia's leading manufacturer of transformer equipment and implement a real estate development project on land plots in Moscow owned by Elektrozavod Group.

Elektrozavod Group includes transformer equipment production facilities in Moscow and Ufa, maintenance divisions, research and design institutes, an engineering centre and land plots totalling 19 ha near the Elektrozavodskaya metro station in Moscow.

Strengthening of financial profile

Debt level

As of 31 December 2020, the financial liabilities of Sistema's Corporate Centre remained at the level of 2019 and amounted to RUB 190.4 bln.

Active participation in capital markets

Sistema was active in capital markets on the back of a strong demand for its debt securities in 2020. Sistema PJSC issued five series of local bonds for an aggregate amount of RUB 54 bln (001P-13, coupon rate of 6.60%; 001P-14, coupon rate of 6.35%; 001P-15, coupon rate of 6.70%; 001P16, coupon rate of 6.10%; 001P-17, coupon rate of 6.75%), and also organised a secondary offering of two issues repurchased earlier in a tender offer for RUB 7.8 bln (001P-04, coupon rate of 6.35%; 001P05, coupon rate of 6.85%).

In February 2021, Sistema issued two series of local bonds for a total amount of RUB 17.5 bln (001P-18, coupon rate of 6.90%; 001P-19, coupon rate of 7.35%), and organized a secondary offering of one issue purchased earlier in a tender offer for RUB 2.8 bln (001P-07, coupon rate of 6.90%). Also, in April 2021, Sistema completed the book-building process for RUB 10 bln series 001P-20 bonds with an 8.20% coupon rate.

¹ Excluding quasi-treasury shares and shares held by management and directors of Detsky Mir.

² Assuming no exercise of the over-allotment option to purchase shares in the amount equivalent to up to 15% of the total number of new shares granted by Sistema to Renaissance Capital as Stabilization Manager and exercisable for a period of up to 30 days from 28 April 2021.

Upgrade in credit ratings

In September 2020, S&P upgraded Sistema's rating from BB- to BB with a stable outlook, and Expert RA upgraded Sistema's rating by two notches from ruA to ruAA- with a stable outlook.

Dividends and shareholder returns

Dividends

In June 2020, the Annual General Meeting of shareholders of Sistema decided to pay dividends for 2019 in the amount of RUB 1.25 bln or RUB 0.13 per ordinary share.

Extension of share repurchase programme

In December 2020, Sistema PJSC announced the extension of the share buyback programme until 31 December 2021. The Programme, launched on 17 September 2019, initially stipulated that Sistema's ordinary shares were to be repurchased by a wholly-owned subsidiary of Sistema for up to a maximum pecuniary amount of RUB 3.0 bln. The maximum number of shares to be repurchased under the Programme were not to exceed 300 mln. As of 31 December 2020, Sistema's wholly-owned subsidiary repurchased 120.6 mln shares for an aggregate amount of RUB 1.6 bln.

Enhancing sustainable development

In 2020, the Board of Directors of the Corporation approved two internal regulatory documents reflecting Sistema's commitment to the ESG agenda: Sustainability Policy and a new version of the Corporate Governance Code. These documents were made in accordance with international standards and reflect best practices in the area of sustainable development. Sistema has made a commitment to implement these practices in its portfolio companies acting through representatives on the boards of directors.

In November 2020, in confirmation of its commitment to the principles of sustainable development, Sistema signed an agreement with Sberbank for a RUB 10 bln credit facility where specific interest rates may be linked to the company's sustainability performance.

In December, the Board of Directors approved updated investment criteria as part of the Corporation's strategy, for the first time including ESG factors in the investment process and solidifying Sistema's strategic approach to responsible investment.

Events at portfolio companies in 2020 and after reporting period

MTS



Dividend payouts

In August 2020, MTS completed the payment of dividends for 2019 in the amount of RUB 41.1 bln, or RUB 20.57 per share (RUB 41.14 per ADR). In November, the company completed the payment of interim dividends for the first half of 2020 in the amount of RUB 17.84 bln, or RUB 8.93 per share (RUB 17.86 per ADR).

Share buyback

In December 2020, PJSC MTS completed the share repurchase plan in the amount up to RUB 15.0 bln announced on 31 March 2020. Since the launch of the repurchase plan, MTS's wholly-owned subsidiary LLC Bastion has acquired 45,501,316 shares of common stock (including shares of common stock represented by ADSs) representing 2.28% of the share capital issued by MTS.

In March 2021, the board of directors of MTS approved a share repurchase plan in the amount of up to RUB 15 bln. The programme will run till 31 December 2021.

Upgrade in credit ratings

In September 2020, the rating agency Expert RA upgraded MTS's rating from ruAA+ to ruAAA with a stable outlook.

Appointment of MTS President

In March 2021, the Board of Directors of MTS appointed Vyacheslav Nikolayev, First Vice President of MTS for Customer Experience, Marketing and Ecosystem Development, as new President of MTS (effective 13 March 2021).

Etalon Group

Dividend payouts

In January 2020, Etalon Group's Board of Directors adopted a revised dividend policy and approved minimal guaranteed dividend payments in the amount of RUB 12 per share/GDR unless the ratio of EBITDA to interest payments made by the company in the reporting period falls below 1.5.

Listing on the Moscow Exchange

In February 2002, the global depositary receipts of Etalon Group, previously trading only on the LSE, were also listed on the Moscow Exchange and included in the Level 1 Quotation list.

Segezha Group

Debut in debt capital markets

In January 2020, Segezha Group issued RUB 10 bln bonds with a 7.1% coupon rate.

Expansion of production facilities

In November 2020, Segezha installed a new paper packaging production line in the city of Segezha (Karelia), with the capacity to manufacture 87 mln paper sacks per year. The line uses a unique technology to digitally apply glue to packaging, which improves both the quality and speed of gluing as well as the environmental impact of the finished product. Moreover, in December 2020, preparations began to install four new consumer packaging production lines in the Moscow region with a combined manufacturing capacity of over 96 mln bags per year.

After the reporting period, in February 2021, Russia's first cross-laminated timber (CLT) plant was launched in the Vologda region. Segezha Group's investments exceed RUB 3 bln. The plant's capacity is 50,000 cu m of finished products per year.



Increasing equity capital

In April 2021, the Board of Directors of Etalon Group approved an additional offering of up to 88,487,391 ordinary shares in the company representing 30% of Etalon Group's total issued ordinary shares. The subscription price will be USD 1.7 per share. The net proceeds from the offering will be used for the acceleration of the company's investment programme and business expansion.



ESG progress

In December 2020, Segezha Group's Board of Directors approved a new health and safety strategy, as well as a new environmental strategy. Both strategies aim to implement global best practices and standards in the Company's business processes.

In March 2021, Segezha Group became a member of the UN Global Compact. The initiative brings together over 16,000 organisations from more than 160 different countries who have strategies that meet certain ESG criteria.

In April 2021, the Board of Directors approved the group's Sustainability Strategy as well as an ESG Policy for the period through 2025. Segezha's new Sustainability Strategy is based on four pillars: innovative forest business; making Russia's forest regions a better place to live; climate-smart forest management and production; and responsible forest supply chain.

Dividend payouts

In April 2021, the Board of Directors of Segezha Group approved the Group's updated Dividend Policy. Segezha Group aims to pay dividends of between RUB 3 bln and RUB 5.5 bln each year from 2021 to 2023. Starting from 2024, dividend distributions are expected to be based on adjusted free cash flow, with a 75%-100% payout stipulated in the Dividend Policy and potentially higher payouts in case of stronger markets and/or leverage headroom.

IPO of Segezha Group

In April 2021, Segezha Group conducted an IPO on the Moscow Exchange. Through its IPO Segezha placed raised gross proceeds of RUB 30 bln, with be used to finance further business expansion and reduce debt leverage. The shares are included in MOEX's Level 1 List under SGZH ticker.

Steppe AgroHolding



Expansion of land assets

In 2020, the land assets of JSC Steppe AgroHolding (Steppe) totalled 565,000 ha, up from 416,000 ha at the end of 2019, mostly due to the acquisition of an 116,000 ha asset in the Rostov region in the first half of the year. On top of that, in May 2020, Steppe acquired three agricultural enterprises in the Stavropol region, including a dairy farm which, following renovation, will have the capacity to accommodate 9,000 head of lactating cows and will become the largest dairy farm in Russia, with milk production volume exceeding 100,000 tonnes per year. The deal also increased Steppe's land assets by 28,000 ha.

In May 2020, Steppe sold 100% of shares in the Yuzhny agricultural enterprise, which specialises in tomato and cucumber production, to focus on the key business segments: crop production, grain trading and dairy farming.

Medsi



Business expansion

As a step to expand its regional chain, in March 2020, Medsi acquired ASPEC clinic chain in Izhevsk, which includes a CDC with a daytime in-patient clinic, an adult clinic, a children's clinic and a women's health clinic with a total area of 4,344 sq m.

In 2020, the first three clinics of the Smart 500 format were opened in Moscow. This new format of "convenience" clinics, with an area of 500 sq m, includes 12-15 rooms for out-patient medical care for children and adults, laboratory and functional diagnostics facilities, and ultrasound. Medsi plans to open a family clinic with advanced diagnostics in Maryino in the summer of 2020, with a total area of 4,400 sq m.

Construction of a new multi-specialty centre at Michurinsky Prospekt, with more than 34,000 sq m of floorspace, is nearing completion, with the opening planned for 2022. The medical centre will include a CDC for children and adults, a daytime in-patient clinic, and a 24-hour in-patient clinic with a centre for high-tech surgery.

Ozon



Investments in the logistics infrastructure

In 2020, Ozon increased the area of its fulfilment centres (to almost 220,000 sq m), mostly due to the opening of a fulfilment centre in Rostov-on-Don with total floorspace of more than 22,000 sq m in October 2020.

Raising funds for development

In November 2020 Ozon had an IPO on NASDAQ and obtained listing of its American Depositary Shares on the Moscow Exchange. Gross proceeds to Ozon amounted to approximately USD 1.25 bln, including from the underwriters' over-allotment option and the concurrent private placement through which Sistema invested USD 67.5 mln.

In February 2021 Ozon placed a USD 750 mln convertible bond. The company plans to deploy the funds to support organic growth, expand into new business verticals and for general corporate purposes.

Ecosystem development

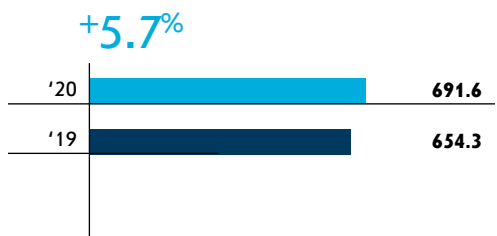
In 2020, Ozon began to actively develop the ecosystem of financial services. As of 31 December 2020, the company issued approximately 450,000 active debit cards dubbed OZON.Card. The card's key advantage is cashback in the form of points for goods purchased on Ozon, which can be used to pay for subsequent purchases. In December 2020, Ozon began issuing these cards in digital form.

Financial overview for 2020

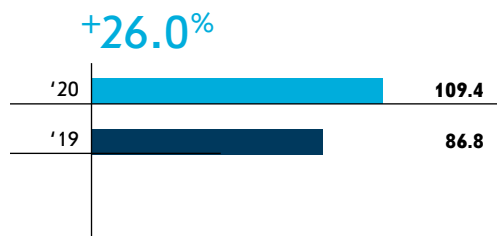
CONSOLIDATED FINANCIAL RESULTS¹, RUB mln

INDICATOR	2020	2019	CHANGE, %
Revenue	691,626	654,303	5.7
OIBDA	229,897	201,788	13.9
Adj. OIBDA	236,340	224,016	5.5
Operating income	109,404	86,828	26.0
Adj. operating income	115,848	109,057	6.2
Net Profit	10,216	28,597	(64.3)
Adj. net profit	15,998	53,379	(70.0)

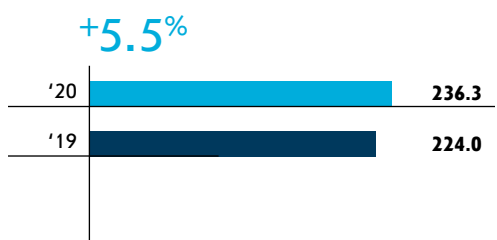
REVENUE, RUB bln



OPERATING INCOME, RUB bln



ADJ. OIBDA, RUB bln



¹ Hereinafter, adjusted OIBDA, adjusted operating income and adjusted profit are used to evaluate the financial performance of the Corporation and Sistema Group companies and represent underlying financial measures adjusted for a number of one-off gains and losses that are not related to business operations.

In 2020 Sistema’s consolidated revenue increased by 5.7% year-on-year, to RUB 691.6 bln, driven by revenue growth at key assets: at MTS thanks to higher mobile services revenue and strong growth in new business segments (Fintech, Media and B2B Digital & Cloud); at Segezha Group as a result of revenue growth due to increased sales volumes of paper packaging and sawn timber, as well as higher prices for plywood and sawn timber; at Steppe AgroHolding thanks to increased revenue in all key segments; and at Medsi as a result of a higher average cheque largely driven by the launch of COVID-19 diagnostics and treatment services, as well as an expansion of the clinic chain in Moscow and the acquisition of new clinics in Izhevsk. The Group’s Adjusted OIBDA1 in 2020 grew by 5.5% year-on-year, to RUB 236.3 bln, primarily due to increases in adjusted OIBDA at portfolio companies: at MTS following revenue growth, despite a significant decrease in revenues from international roaming charges and new provisions being accrued at MTS and MTS Bank; at Segezha Group following revenue growth and despite higher logistics costs and a downward pressure on the prices of most products throughout the year; at Steppe due to increased operational efficiency at new land assets, an effective trading strategy, growth in sales prices for agricultural produce, increased profitability in the grain trading segment and performance enhancements in international trading, as well as a growth of production volumes in the dairy farming segment and a successful time arbitrage strategy in the sugar and grocery trading segment; and at Medsi following revenue and thanks to participation in a JV with Capital Group to build the Nebo residential complex.

The Group’s selling, general and administrative (SG&A) expenses in 2020 increased by 4.5%, to RUB 134.2 bln. The SG&A/revenue ratio declined across most assets in 2020 year-on-year thanks to strict cost control. In 2020, the Corporate Centre SG&A/Group revenue ratio remained almost unchanged year-on-year, standing at 2.0%.

The 2020 adjusted net profit amounted to RUB 16.0 bln, down from RUB 53.4 bln in 2019. The decline in net profit is in part a result of the sale of 100% shares in LeaderInvest and its deconsolidation, the public offering of 18.3% of shares in Detsky Mir, and the deconsolidation and reclassification of the remaining stake in Detsky Mir (33.4%) as investment in associates in 2019.

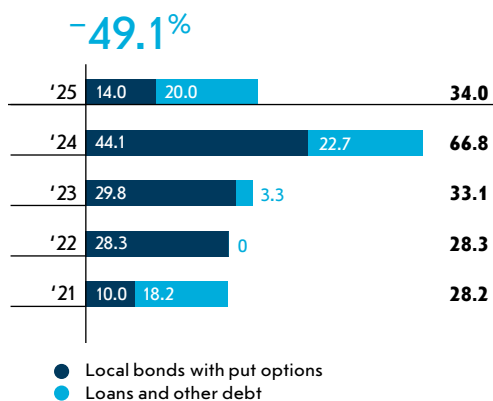
The Group’s 2020 Capex increased by 8.6% year-on-year, to RUB 127.8 bln, as a result of an increased investment at MTS in network development, and also impacted by the FX-denominated component of Capex in the context of rouble depreciation, as well as expansion and modernisation of production capacities at Segezha Group.

Debt portfolio overview

In 2020 the Corporate Centre’s debt remained on par with 2019, at RUB 190.4 bln. Steady NAV growth driven by the solid performance of Ozon and other portfolio companies and significantly decreased debt servicing costs allow Sistema to maintain the current level of debt burden. Besides, in 2020 Sistema and Sberbank signed an agreement fully releasing from pledge 16% of shares in MTS (previously used as collateral under a loan issued to Sistema in February of 2018).

In order to optimise and diversify its debt portfolio, Sistema was active in the capital markets in 2020, having issued five series of bonds¹ for a total of RUB 54 bln and also having improved the terms of a number of loan agreements. As of the end of the year, Sistema had significantly optimised the structure of its financial liabilities, with the share of rouble-denominated bonds up from 44% in 2019 to 66% in 2020. The Corporation also managed to extend the duration of its loan portfolio, achieve a record-low coupon rate (6.10%) on the bonds issued in December of 2020, and shape a comfortable debt retirement schedule.

SCHEDULE FOR REPAYMENT OF FINANCIAL OBLIGATIONS OF THE CORPORATE CENTRE², RUB bln



Credit ratings

Sistema’s achievements in growing the value of its diversified loan portfolio and in deleveraging caused several rating agencies to upgrade the company’s credit ratings throughout 2020. In September 2020, S&P upgraded Sistema’s rating to “BB”, with a “stable” outlook. In the same month, Expert RA moved Sistema’s rating up two notches, to ruAA-, with the outlook similarly described as “stable”.

	LONG-TERM CREDIT RATING	OUTLOOK	DATE OF MOST RECENT RATING UPDATE
Standard & Poor’s	BB	Stable	17/12/2020
Fitch	BB-	Stable	13/05/2020
Expert RA	ruAA-	Stable	23/09/2020

Changes in Sistema’s GDR and ordinary share prices

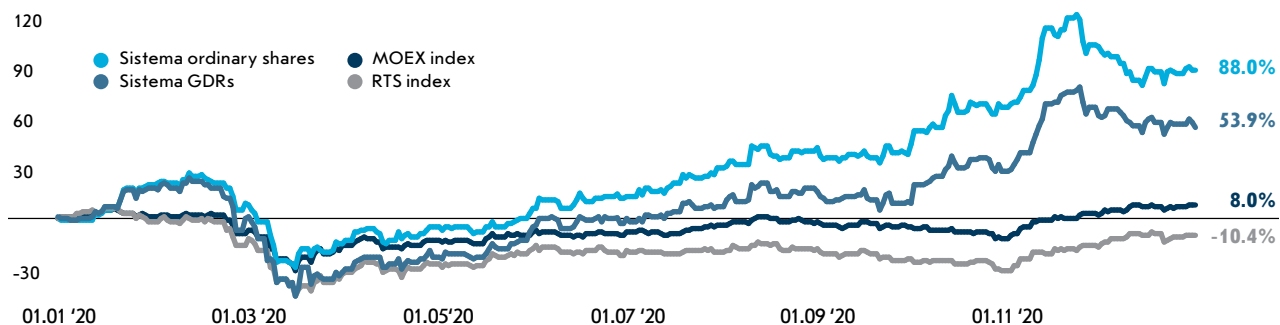
In 2020, the price of Sistema’s shares and GDRs grew by 88.0% and 53.9% respectively, significantly outperforming the market: the MOEX Russia Index grew by 8.0%, while the RTS declined by 10.4%. Market capitalisation at the end of 2020 was USD 3.6 bln, up from USD 2.4 bln at the end of 2019. The growth in share prices was largely driven by the diversification of Sistema’s asset portfolio, which proved resilient amid the pandemic, deleveraging efforts, successful monetisations of Detsky Mir, and Ozon’s swift growth and ground-breaking IPO. Stock liquidity also improved year-on-year: the average daily trading volume in monetary terms increased from USD 3.8 mln in 2019 to USD 15.2 mln in 2020 on Moscow Exchange and from USD 0.5 mln to USD 1.1 mln on London Stock Exchange.

In September 2019, the Corporation launched a share buyback programme in the amount of RUB 3 bln. As of 31 December 2020, the programme was implemented in the amount of RUB 1.6 bln. In December 2020, it was decided to extend the programme until the end of 2021.

¹ Series 001P-13, 001P-14, 001P-15, 001P-16, 001P-17.

² Based on management accounts.

SISTEMA'S GDR AND ORDINARY SHARE PRICES¹



On the first trading day of 2020, the closing price of one GDR on London Stock Exchange was USD 4.92. Strong performance was observed during the year, with the price of one GDR peaking at USD 8.69 on 24 November. On the last trading day of the year, the closing price was USD 7.50.

On the first trading day of 2020, the closing price of one ordinary share on Moscow Exchange was RUB 15.13. Strong performance was observed during the year, with the price of one ordinary share peaking at RUB 33.62² on 23 November. On the last trading day of the year, the closing price was RUB 28.64.

¹ Source: Bloomberg The indicator is calculated as share price/index appreciation in relation to the value as of 31 December 2019.
² The volume-weighted average price of one ordinary share of Sistema on Moscow Exchange was RUB 14.717 for the last 60 trading days of 2019 and RUB 28.987 for the last 60 trading days of 2020.

Shareholders' equity

Structure of shareholders' equity

Sistema has 9,650,000,000 ordinary shares outstanding with a nominal value of RUB 0.09 each. Its authorised capital is RUB 868,500,000.

Sistema conducted an initial public offering in 2005. Its shares are traded on the London Stock Exchange in the form of global depositary receipts (GDRs) under the ticker symbol SSA. One GDR represents 20 ordinary shares. The Corporation's ordinary shares are also listed on the Moscow Exchange in the first listing level under the ticker symbol AFKS. The GDRs traded on the London Stock Exchange represent about 6.9 % of Sistema's equity, and the shares traded on the Moscow Exchange, 25.0%. Shares in free float constitute approximately 31.9% of the company's equity.

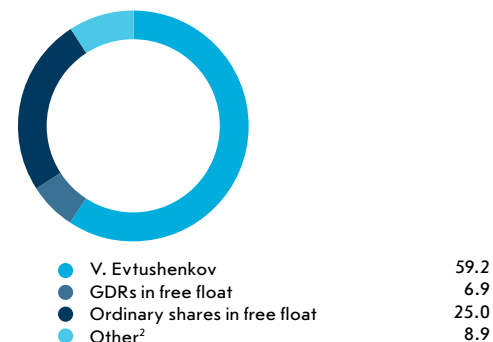
The Moscow Exchange includes Sistema's share prices in the calculation base of its key indices (MOEX and RTS), as well as its Broad Market Index and the Small and Medium Capitalisation Index. Moreover, in March 2021 the ordinary shares of Sistema PJSC were included in the calculation base of the MOEX 10 index.

Sistema is also the largest shareholder in three other public companies: MTS (MTSS ticker symbol on the Moscow Exchange and MBT on the New York Stock Exchange), Etalon Group (ETLN ticker symbol on the Moscow Exchange and the London Stock Exchange), Ozon (OZON ticker symbol on the Moscow Exchange and NASDAQ) and Segezha Group (SGZH ticker symbol on the Moscow Exchange).

¹ As of 31 December 2020.
² Ordinary shares and GDRs owned by Sistema Group companies, members of the Board of Directors and the management of Sistema

Sistema's principal shareholder is its Board Chairman Vladimir Evtushenkov, who owns 59.2% of the Corporation's equity.

SISTEMA'S SHAREHOLDING STRUCTURE¹, %



Report on dividends declared (accrued) on Sistema shares

Dividend policy

Dividends are a key tool for increasing shareholder value. When determining the amount of payouts, the Corporation's Board of Directors takes into account several factors, including:

- › cash flows generated by Sistema's biggest public assets, which mostly support the Corporate Centre and are aimed at financing future investments;
- › growth and development prospects of non-public assets whose cash flows and monetisations may be intended for the distribution of dividends and other mechanisms of delivering shareholder returns;
- › debt and other liabilities of the Corporate Centre.

When assessing any payouts, the Board of Directors also factors in the overall situation in financial markets and the macroeconomic environment in Russia and other main markets where Group companies operate.

Dividends distributed for the full year 2019

On 27 June 2020, the Annual General Meeting of shareholders of Sistema resolved (Minutes No 1-20) to pay dividends in the amount of RUB 1,254,500,000.00, or RUB 0.13 per ordinary share.

As of 31 December 2020, the total amount of distributed dividends equalled RUB 1,254,456,799.18. Withholding tax on dividends distributed to foreign shareholders totalled RUB 564,222.00.

Unpaid dividends

As of 31 December 2020, the total amount of unpaid dividends equalled RUB 3,213,719,518.44, including:

- › RUB 3,213,003,658.88 not paid on the basis of a written request from a shareholder;
- › RUB 715,859.56 not paid due to the lack of the necessary information about the recipients of dividends to transfer the corresponding amounts.

AMOUNT OF DECLARED DIVIDENDS AND PAYMENT DATE

	TOTAL AMOUNT OF DECLARED DIVIDENDS, RUB	DIVIDEND PER SHARE, RUB	DECLARATION DATE	PAYMENT DATE
2014 (for the full year 2013)	19,879,000,000	2.06	28/06/2014	31/07/2014
2015 (for the full year 2014)	4,535,500,000	0.47	27/06/2015	29/07/2015
2016 (for the full year 2015)	6,465,500,000	0.67	25/06/2016	27/07/2016
2016 (for H1 2016)	3,667,000,000	0.38	23/09/2016	20/10/2016
2017 (for the full year 2016)	7,816,500,000	0.81	24/06/2017	28/07/2017
2017 (for 9M 2017)	6,562,000,000	0.68	28/11/2017	22/12/2017 ¹ – 19/01/2018 ²
2018 (for the full year 2017)	1,061,500,000	0.11	30/06/2018	31/07/2018
2019 (for 2018)	1,061,500,000	0.11	29/06/2019	31/07/2019
2020 (for 2019)	1,254,500,000	0.13	27/06/2020	29/07/2020

¹ Date of payment of dividends to the nominee shareholders and custodians being professional participants of the securities market, who are included in the shareholders register.

² Date of payment of dividends to other persons included in the shareholders register.

PERFORMANCE

K E Y A S S E T S'

SISTEMA PROFILE
PERFORMANCE

CORPORATE
GOVERNANCE
SUSTAINABILITY
MANAGEMENT
ANNEXES

MTS

MTS

50.02%

SISTEMA'S
EFFECTIVE
STAKE

MTS is a leading Russian telecom operator offering mobile and fixed-line services, Internet access, cable and satellite TV, digital services and mobile apps, financial and e-commerce services, and convergent IT solutions in the fields of system integration, the Internet of things, monitoring, data processing, and cloud computing.

>86 mln
subscribers in Russia,
Belarus, and Armenia

no. 5
in Russia's
ESG ranking¹
RAEX-Europe

10
data centres

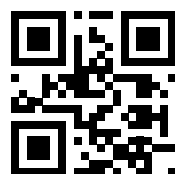
BBB-
S&P rating

>200
cities across Russia,
providing fixed
telephony, broadband
communication, and
digital TV services

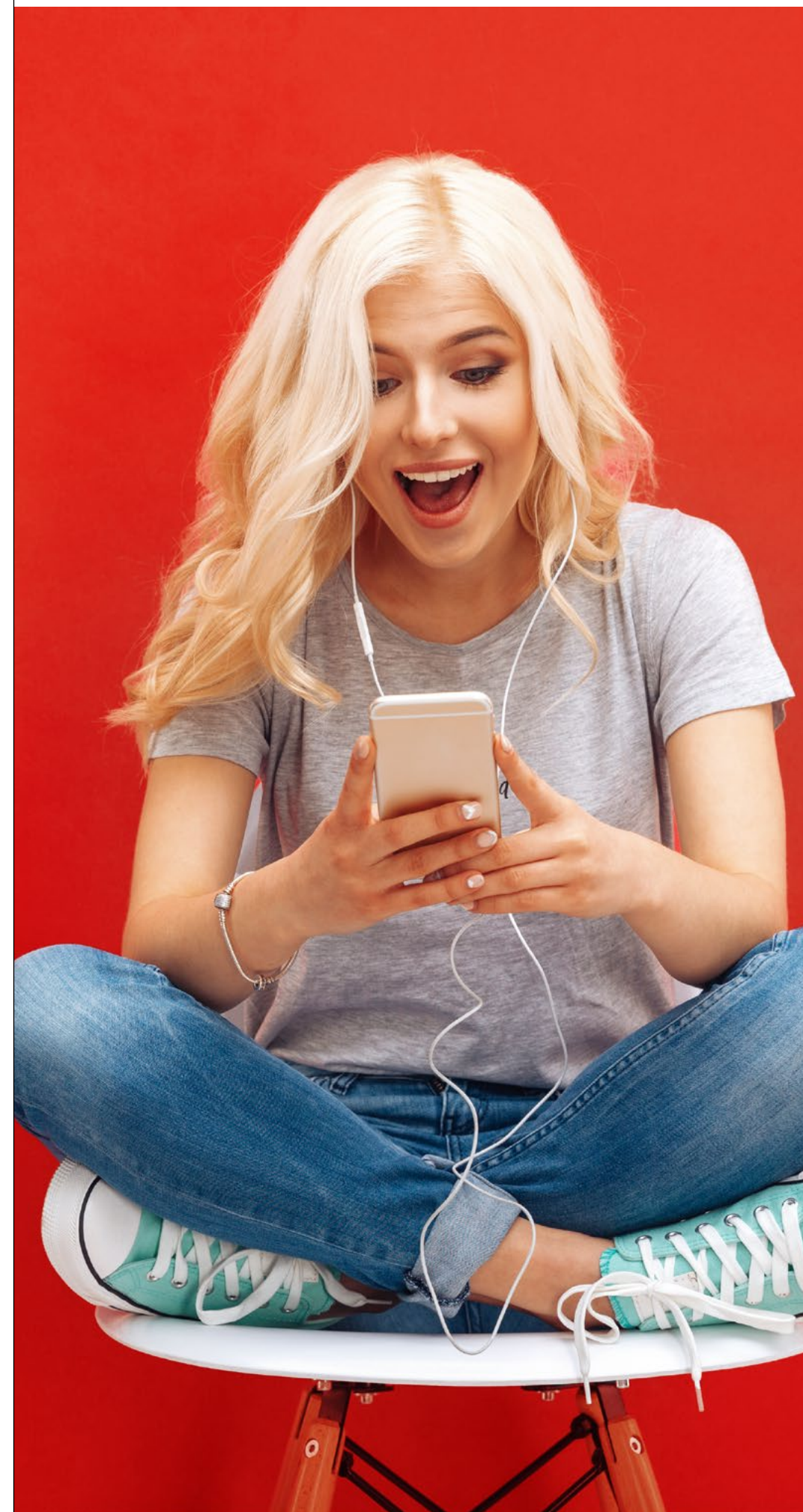
ruAA+
Expert RA rating

¹ Annual independent ranking by Rating-Agentur Expert RA GmbH (RAEX-Europe)

MTS
//mts.ru



EFFECTIVE STAKE



Vyacheslav Nikolayev
CEO¹



Felix Evtushenkov
Chairman of the
Board of Directors

SISTEMA PROFILE
PERFORMANCE
KEY ASSETS
PERFORMANCE
CORPORATE
GOVERNANCE
SUSTAINABILITY
MANAGEMENT
ANNEXES

MTS

OZON
SEGEZHA GROUP
ETALON GROUP
MEDSI
STEPPE
AGROHOLDING
BINNOPHARM
GROUP
JSC BPGC
BUSINESS
NEDVIZHIMOST
COSMOS
HOTEL GROUP
OTHER ASSETS
FUNDS



SISTEMA PJSC

¹ As of 31 December 2020,
Alexey Kornya.

136%
online sales up

78.1%
smartphone
penetration across
MTS network

17%
active users of the
My MTS app up

30%
MTS Bank's retail loan
portfolio up

30%
IoT devices within MTS
network up

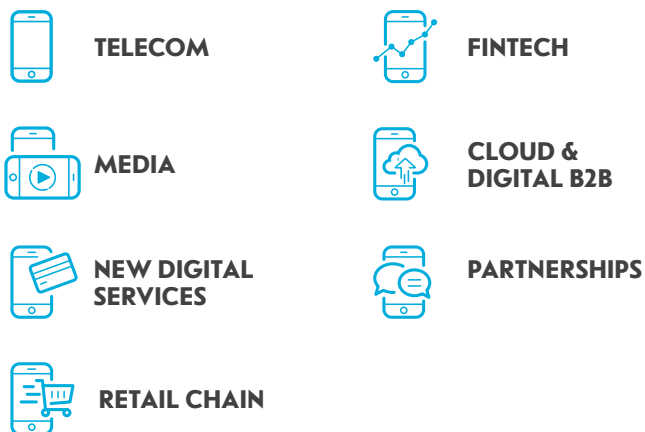
25%
cloud-based & digital
revenue up

85.4
RUB bln
distributed in
dividends in 2020¹

Business model

MTS

BUSINESS LINES

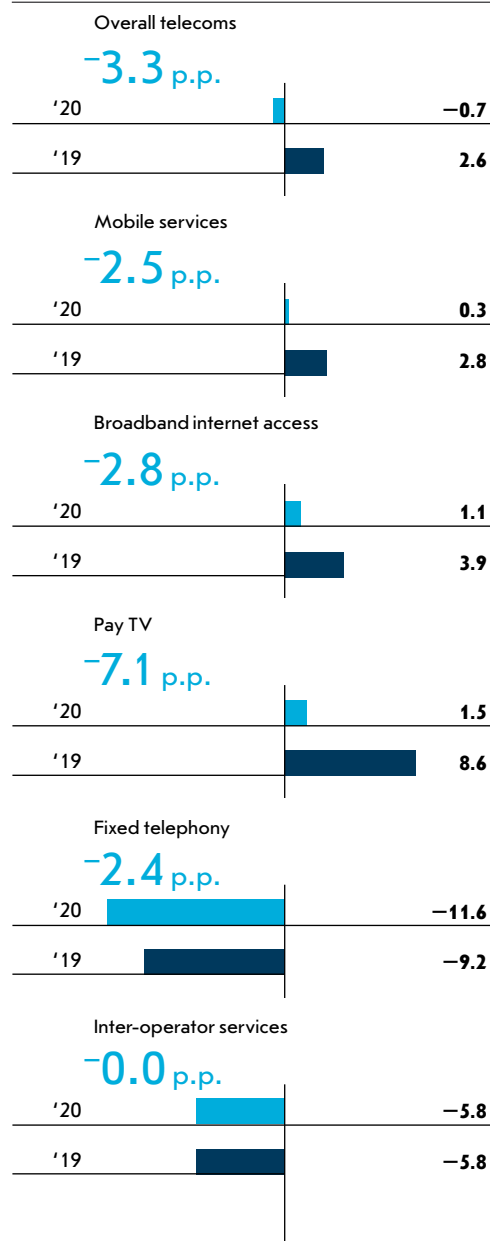


- › Customer experience
- › One customer ID
- › Loyalty programme
- › Bid Data
- › Artificial Intelligence
- › IT

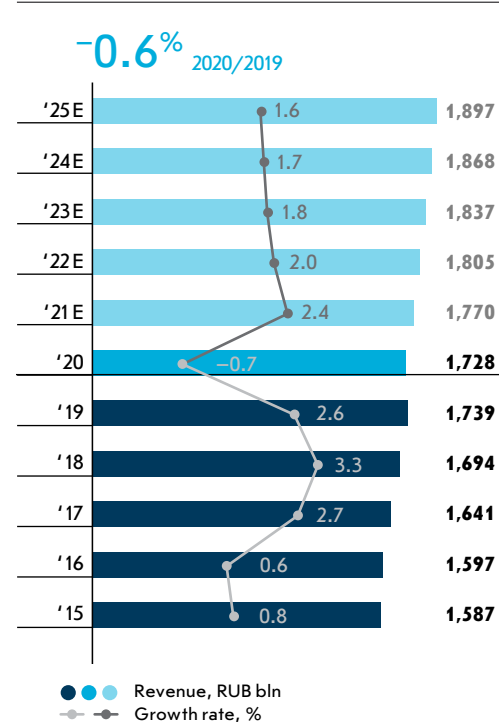
Industry overview for 2020

The Russian market of telecommunications in 2020 reached RUB 1.73 trn,² down 0.7% year-on-year. The market shrinking results from a general slowdown in the sectors of mobile services (from 2.8% in 2019 to 0.3% in 2020), broadband internet access (from 3.9% in 2019 to 1.1% in 2020), and pay TV (from 8.6% in 2019 to 1.5% in 2020). Though positive, the growth in these sectors was too modest to offset the revenue slump in fixed telephony (-11.6%), wholesale (inter-operator) services (-5.8%), and some other segments.

RUSSIAN TELECOMS MARKET STRUCTURE, 2020¹, %



TELECOMS MARKET IN RUSSIA, RUB bln



Mobile revenue in 2020 grew 0.3% year-on-year. The main reasons behind the slow growth are the shrinking subscriber base and a nosedive in international roaming revenue. In 2020, the company's active subscriber base (the number of active users of SIM cards) went down 1.3%, to 257 mln, with mobile phone penetration at 175%. In absolute terms, the company lost an all-time high of 3.5 mln subscribers. Such was the result of a nationwide lockdown aimed to contain the spread of COVID-19, which understandably kept people away from retail outlets and unable to buy new SIM cards. Pervasive travel restrictions were another factor throttling down growth, with Russia losing a lot of immigrant workforce, previously heavy users of telecom services.

¹ Including special dividends from VF Ukraine sale proceeds
² Source: TMT Consulting.

¹ Source: TMT Consulting.

In November of 2020, the Russian government approved a 2021–2024 5G network development roadmap, a brainchild of RosTec an RosTeleCom. Among other things, the roadmap requires that operators build their 5G networks in the 24.25–27.4 GHz range from Russian-made equipment only. The roadmap’s total budget through the end of 2024 is RUB 208.1 bln, including RUB 21.5 bln in subsidies provided to RosTec specifically to produce 5G equipment. Market analysts¹ estimate that local manufacturers of 5G technology will need at least three years to design the required solutions and launch mass production, putting Russia further behind advanced economies in 5G rollout and digitalisation.

2021 will see a continued negative impact of pandemic-related factors on the telecom market. That said, most segments will start climbing back to normal, with the mobile-telephony subscriber base back on an upward trend and people starting to travel and hence generate roaming revenue. Unless the negative trends that hit in 2020 are repeated, revenues from broadband connections and pay TV will also

Business development in 2020

COVID-19 impact

The COVID-19 pandemic emerged as a significant risk factor for MTS and the telecom industry as a whole. A massive switch to remote working & learning along with a surge in the consumption of digital entertainment, such as video streaming and online games, ushered in a redistribution of traffic structure:

- › a dramatic drop in international roaming revenue;
- › a growth in voice traffic and data services;
- › more calls on landline phones in residential neighbourhoods;
- › a more uniform distribution of data consumption throughout the day.

As the pandemic hit, MTS moved fast to come up with a raft of new products and services to address the emergency needs of subscribers. This involved the delivery and online registration of SIM cards; fast-track advancement of digital financial products (such as virtual credit cards); free doctor consultations through the SmartMed app (a tie-up with Medsi); and a product bundle titled #BudDoma comprising TV services, access to electronic book and music libraries, a fitness app, and a telemedicine app.

Ecosystem development

In January of 2020, having enrolled the support of Tatarstan’s administration, MTS and Ericsson deployed Russia’s first 5G LTE network at the KAMAZ automotive factory (the nation’s biggest producer of trucks) in Naberezhnye Chelny.

be on the rise. It is broadly expected that many businesses, having tried and seen the benefits of remote working, will stick to the mixed office/home format even when the pandemic is over.

Market trends in 2021 will in large part depend on the pricing policies of telcos, which are highly likely to keep updating their rates and prices from time to time. As traffic consumption grows and society needs more network capacity, mobile operators will likely bank on the more expensive high-speed rates as far as wireline service is concerned while at the same time promoting large-traffic and unlimited solutions in the mobile segment. Based on the data of the past few years, analysts forecast a steady CAGR of 2%.

Later in the year, MTS landed contracts to deploy dedicated 5G networks for the petrochemical giant Sibur-KhimProm and a major gold & silver producer PolyMetall. The company also signed a contract with GazPromNefit to deploy a dedicated geographically distributed LTE network with centralised control functions, a solution specifically tailored for the oil industry.

In July of 2020, MTS started building a convergent backhaul network in the Moscow region to consolidate fixed-line and mobile backhaul networks of MTS and MGTS into a uniquely wide combined grid.

Also in July of 2020, MTS became the first company in Russia to receive a licence to provide 5G mobile communication services within the 24.25–24.65 GHz range in 83 regions across Russia. The license was issued by RosKomNadzor until 16 July 2025. 5G technology is an important tool with which to enhance and develop an extensive ecosystem of products, especially as regards automation solutions for corporate customers.



In September of 2020, MTS and Huawei announced the launch of a large-scale programme of upgrades for the mobile network (involving a capacity enhancement and a raft of innovative services) to make it 5G-ready.

In November of 2020, MTS combined the mobile apps MTS Money and MTS Bank into a single storefront.

New technologies

MTS continues evolving digital products for both private and corporate customers, along with numerous strategic initiatives to develop digital business lines and enhance the potential for innovations.

2020 saw the launch of a cashback offer to apply to cash transfers to the CIS (specifically tailored for non-Russian residents), payments through push notifications, and an option to take out and refinance consumer loans through the MTS Money app. On top of that, MTS Investments came up with a new retail offer for those wishing to try their hand at stock trading.

Also in 2020, MTS unveiled an eSIM solution for IoT and M2M applications in accordance with the international GSMA standard. The technology enables loading virtual SIM cards on embedded microchips and changing subscriber profile.

MTS teamed up with Ericsson to install Russia’s first “Smart City Pole” in the Republic of Tatarstan. The innovation is designed to perform ecological monitoring and service a “smart car park”.

In November of 2020, in addressing a federal waste management digitalisation programme, MTS came up with a solution that allows local authorities to control the collection and disposal of municipal solid waste (MSW) in that it tracks waste-bin fill-level, schedules pick-up routes, controls cleaning activities for timing and quality, and automates a full cycle of paperwork procedures, from billing to executing contracts to releasing payments to contractors.

Keen to advance its cloud business (#CloudMTS), in 2020 the telco still further upgraded the performance of its “supercomputer” for instantaneous data crunching and launched a cloud-based data protection feature for B2G applications.

Also in 2020, the company unveiled Russia’s first cloud-gaming marketplace as a “one-stop-shop” for all of the domestic platforms: GFN.RU, Loudplay, Playkey and DROVA, and started NUUM, a neobank specifically catering to gamers providing virtual bonuses for actual financial transactions, later to be spent on special game features.

2020 also saw the launch of a new connected-cars business arm, MTS Automotive, in a tie-up with Stopol Avto and Koagent Rus, developers of multimedia technology for car applications.

Also in 2020, MTS started a retail grocery delivery marketplace (in conjunction with Rate&Goods) and a delivery service catering to SME (in a tie-up with Briskly).

Key M&A deals

In November of 2020, the company sold 100% of equity shares in the IT business NVision Group to Sistema PJSC for RUB 369 mln, a final valuation achieved upon an adjustment of financial performance figures as of the closing date.



SISTEMA PROFILE

PERFORMANCE

KEY ASSETS' PERFORMANCE

CORPORATE GOVERNANCE

SUSTAINABILITY MANAGEMENT

ANNEXES

MTS

OZON

SEGEZHA GROUP

ETALON GROUP

MEDSI

STEPPE AGROHOLDING

BINNOPHARM GROUP

JSC BPGC

BUSINESS NEDVIZHIMOST

COSMOS HOTEL GROUP

OTHER ASSETS

FUNDS



¹ Analysis by ComNews, based on stats from RosTeleCom/RosTec.

Partnerships

Early in 2021, MTS struck a partnership with Yandex, with users of the MTS Premium plan automatically becoming the subscribers of Yandex Plus enjoying a raft of benefits (such as 3-month access for free and reduced renewal rates). The offer is reciprocated for Yandex Plus users, who likewise get subscribed to the MTS Premium package.

Also in early 2021, the company extended a partnership agreement with Vodafone, this time through 2023. The tie-up involves a number of collective projects enabling the operator to branch out beyond current business boundaries, advance innovations, and keep getting stronger in B2C and B2B segments.

In March of 2020, MTS struck a joint venture with Russia’s TV giant Channel One to create a conceptually new media format.

In August of 2020, MTS announced a partnership with a leading audio streaming provider Spotify, with MTS subscribers getting 6-month free subscription to Spotify Premium.

Other events

In December of 2020, MTS completed a share buyback programme launched on 31 March 2020. All in all, the company repurchased a RUB 15 bln worth of shares, representing 2.28% of outstanding equity.

Awards

In Q4 2020, MTS ranked fourth in the annual ESG Ranking of Russian companies released by the independent rating agency Rating-Agentur Expert RA GmbH (RAEX-Europe). The company emerged as an absolute leader among national IT and telecom businesses, its counterparts that were never ESG-ranked before.

In December of 2020, the international Carbon Disclosure Project (CDP) placed MTS among the top 7 Russian businesses in terms of environmental-impact disclosure, with score upgraded from the previous year’s C (Awareness) to B (Management).

In August of 2020, the international consultancy Brand Finance named MTS among Russia’s three most valuable brands (with an estimated brand value of RUB 148 bln) and the nation’s only three businesses with an elite AAA+ brand strength rating (based on a consumer survey).

Investment programme

The company’s CAPEX in 2020 reached RUB 96.9 bln, of which RUB 95.0 bln was spent in Russia, with the enhancement of capacity, coverage and quality remaining the major investment focus. Over the course of 2020, MTS built some 16.3 thsd base stations across Russia, of which 14.5 thsd are 4G towers. Smartphone data usage was up 38.6% year-on-year, with the smartphone penetration rate within the MTS network up from 74.5% to 78.1%.

Financial performance in 2020

FINANCIAL RESULTS, RUB mln ¹			
INDICATOR	2020	2019	CHANGE, %
Revenue	494,926	470,605	5.2
Adjusted OIBDA	214,895	212,818	1.0
Operating income	112,893	115,577	-2.3
Adjusted net income attributable to Sistema	31,756	25,403	25.0

Despite an overall downturn in the telecoms market, MTS looks upon 2020 as a year of growth and leadership strengthening. The annual revenue is up 5.2% year-on-year, to RUB 494.9 bln, primarily driven by strong performance in core business segments and the development of new business lines, such as media, fintech, and B2B cloud solutions, which collectively delivered about a third of the revenue.

Adjusted OIBDA is up 1.0%, to RUB 214.9 bln. Though supported by an increase in revenue, OIBDA growth has been constrained by adverse factors such as a drop in high-margin international roaming proceeds amid global travel restrictions.

Adjusted net income is up 25.0% year-on-year, to RUB 31.8 bln, as a result of steady performance in core business segments, a reduction in net interest expenditure (a trend that reflects the company’s consistent steps in optimising the loan portfolio), and the effects of movements in currency rates and transactions in derivatives that the company uses for hedging purposes.

Over the course of the year, the company distributed a total of RUB 58.9 bln in dividends, in addition to RUB 26.5 bln in “special” dividends distributed in Q1 2020.

¹ 2019 & 2020 figures are adjusted for the effects of the NVision deconsolidation



- SISTEMA PROFILE
- PERFORMANCE
- KEY ASSETS' PERFORMANCE
- CORPORATE GOVERNANCE
- SUSTAINABILITY MANAGEMENT
- ANNEXES

MTS

- OZON
- SEGEZHA GROUP
- ETALON GROUP
- MEDSI
- STEPPE AGROHOLDING
- BINNOPHARM GROUP
- JSC BPGC
- BUSINESS NEDVIZHIMOST
- COSMOS HOTEL GROUP
- OTHER ASSETS
- FUNDS



OZON

OZON

33.1%¹

SISTEMA'S
EFFECTIVE
STAKE

Ozon is a leading multi-category e-commerce platform and one of the largest internet companies in Russia. Ozon's fulfillment infrastructure and delivery network have some of the widest coverage among e-commerce players in the country, enabling Ozon to provide more than 85 mln people in Russia with fast and convenient courier delivery and pick-up locations within walking distance.

144.3%

GMV Growth in 2020

>11 mln

unique SKUs

197.4

RUB bln
GMV (incl. VAT)
in 2020

13.8 mln

number of active
buyers in 2020

73.9 mln

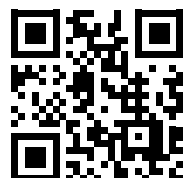
orders delivered
in 2020

40%

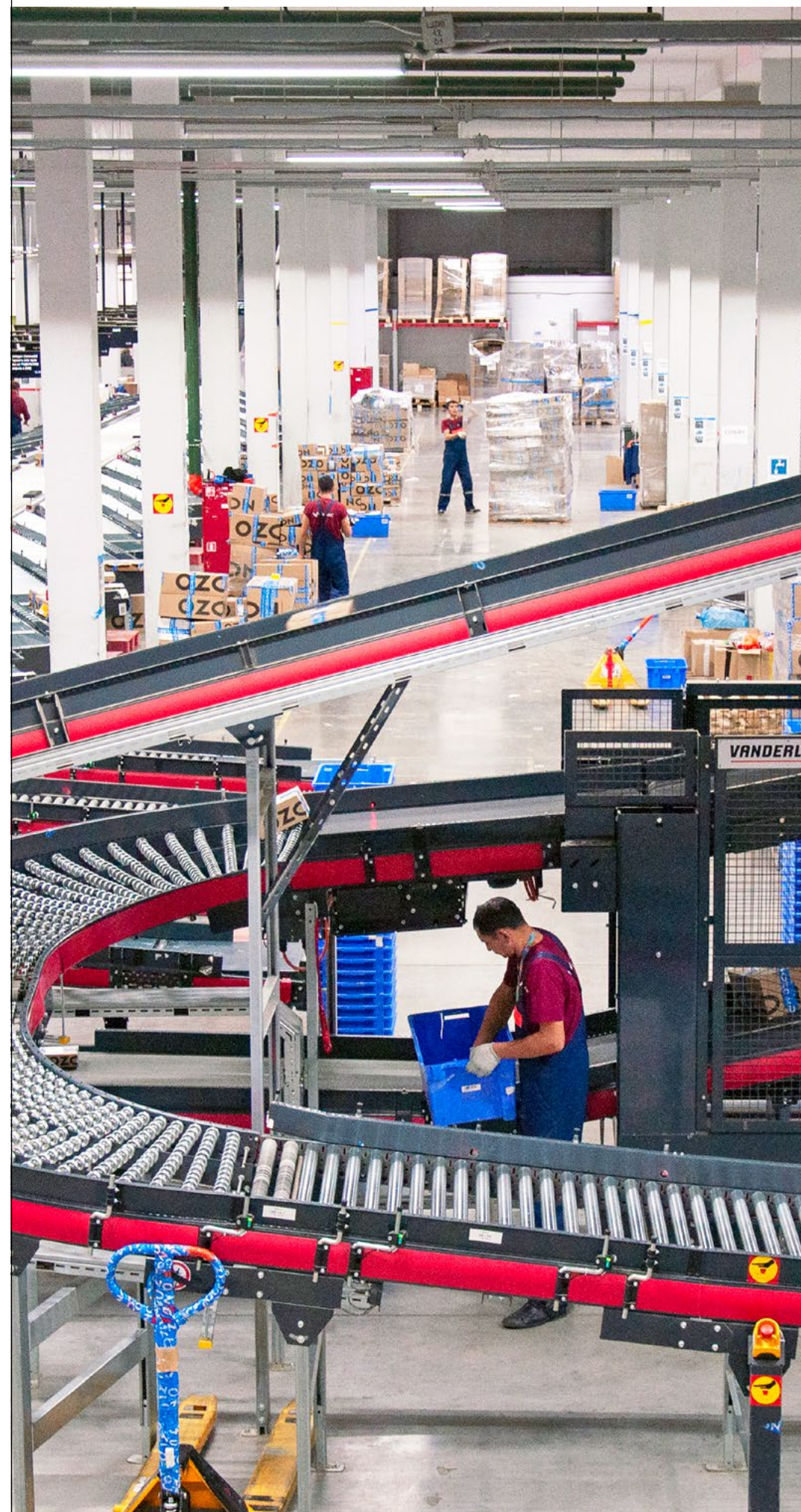
population in Russia
have access to next-
day delivery

¹ Assuming 4,472,969 ordinary shares issuable upon exercise of outstanding vested share-based awards under the employee incentive program of Ozon.

OZON
//ozon.ru



EFFECTIVE STAKE



Alexander Shulgin
CEO



Elena Ivashentseva
Chairman of the
Board of Directors



SISTEMA PROFILE

PERFORMANCE

KEY ASSETS
PERFORMANCE

CORPORATE
GOVERNANCE

SUSTAINABILITY
MANAGEMENT

ANNEXES

MTS

OZON

SEGEZHA GROUP

ETALON GROUP

MEDSI

STEPPE
AGROHOLDING

BINNOPHARM
GROUP

JSC BPGC

BUSINESS
NEDVIZHIMOST

COSMOS
HOTEL GROUP

OTHER ASSETS

FUNDS



SISTEMA PJSC

no.1
brand by awareness
in e-commerce¹

no.2
online retailer
in Russia by
GMV Volume

no.3
in the most valuable
Russian internet
companies according
to Forbes Russia

Business model



MARKETPLACE

- › 47.8% of the company's total turnover is attributable to marketplace
- › Unique SKUs – >11 mln
- › Unaided brand awareness >70%
- › Orders delivered in 2020 – 73.9 mln



LOGISTICS

- › More than 10,000 branded pick-up locations and parcel lockers
- › Over 80% of Ozon's branded pick-up points are franchised, allowing faster, asset-light roll-out
- › 98 of 100 parcels arrive on-time in 2021



FULFILLMENT INFRASTRUCTURE

- › 7 fulfillment centers with more than 220 thsd square meters of footprint space in major Russian cities such as Moscow, Saint-Petersburg, Kazan, Rostov-on-Don, Yekaterinburg and Novosibirsk



OZON EXPRESS

- › Targeted dark store concept, based on an assortment mix that caters to specific preferences and consumption patterns of any given micro-region
- › 22 thsd SKU available across 20 food and non-food categories



FINANCIAL SERVICES

- › B2C Lending: Short-term financing to buyers and payment in installments option
- › B2B Lending: Lending facilitates financing of sellers' working capital needs and increases sales on OZON platform
- › OZON Card 450 thsd – OZON branded debit cards issued. Ozon card offers cashbacks in the form of OZON Points. 60% higher order frequency on average exhibited by OZON Card holders

Industry overview for 2020

In 2020, the Russian e-commerce market grew by 58% year on year, reaching RUB 2.7 bln.¹ The overall Russian retail market fell by 4% in 2020 year on year to RUB 35,6 trn.² E-commerce penetration in Russia was close to 8% in 2020.

Russian e-commerce market is highly fragmented compared to other countries which creates substantial opportunity for market consolidation and market share gains for leading multi-category players. The three largest e-commerce players' combined market share was 25% in 2020. It is expected that by 2025³ as a result of the growth of e-commerce penetration in Russia some of the strongest e-commerce players will become larger than some of the current TOP-5 brick-and-mortar retailers in the country.

Russian retail market is one of the largest and fast-growing markets in Europe. According to analysts, e-commerce market in Russia could exceed RUB 10 trn by 2025. Main drivers of future e-commerce growth are generational shift, investment in fulfillment and logistics infrastructure by e-commerce businesses, growing popularity of online payments and increasing level of consumer trust to domestic e-commerce business.

On the top of that, development of e-commerce in the Russian regions and in small and medium-sized cities, in particular, will be one of the key growth drivers of the e-commerce market in Russia.

In 2020 COVID-19 related restrictions accelerated e-commerce adoption by Russian consumers. As a result of the COVID-19 pandemic, online platforms such as Ozon experienced a significant increase in the number of new active buyers. The pandemic contributed to an increase in the number of active online consumers by approximately 4 mln³ in 2020, and will contribute to an increase in the number of online shoppers by approximately 3 mln in 2021. These numbers account for 12% and 9%, respectively, of the total number of online shoppers in 2019, and will account for more than 50% of the total increase in the number of online shoppers in 2020 and 2021, respectively. It is expected that the impact from COVID-19 to contribute approximately RUB 3.3 trn to overall e-commerce sales in Russia cumulatively over the six-year period from 2020 to 2025.

58%
the Russian
e-commerce
market grew in
2020

~4
mln³ people
the pandemic
contributed to
an increase in the
number of active
online consumers
in 2020

¹ According to BBDO Brand Science.

¹ Data Insight estimations.

² Rosstat.

³ INFOLine.

Business development in 2020

>10
USD bln
market
capitalization

>220
thsd
sq m Ozon's
footprint included

~10
thsd
offline branded
pick-up locations

>450
thsd
OZON card users

750
USD mln
convertible bond
Ozon placed

In November 2020, Ozon carried out an initial public offering simultaneously on two exchanges – NASDAQ and Moscow Exchange (MOEX), raising USD 1.2 bln. The company was valued at USD 7 bln, and two months later Ozon's market capitalization exceeded USD 10 bln.

In 2020, Ozon continued large-scale expansion of its logistics infrastructure in order to provide faster delivery to buyers in the regions and provide more logistics options to local sellers. In October, Ozon opened a new fulfilment centre in Rostov-on-Don with footprint space of more than 22,000 sq m. By the end of 2020 Ozon's footprint included over 220,000 sq m of fulfillment center space in Moscow and Moscow region, Tver, Saint-Petersburg, Kazan, Rostov-on-Don, Yekaterinburg and Novosibirsk.

To provide maximum convenience to its customers, Ozon operates a variety of last mile delivery channels, including pick-up points, couriers and parcel lockers. During 2020 Ozon continued to actively expand its last-mile network. As of December 31, 2020 Ozon, operated over 10,000 offline branded pick-up locations.

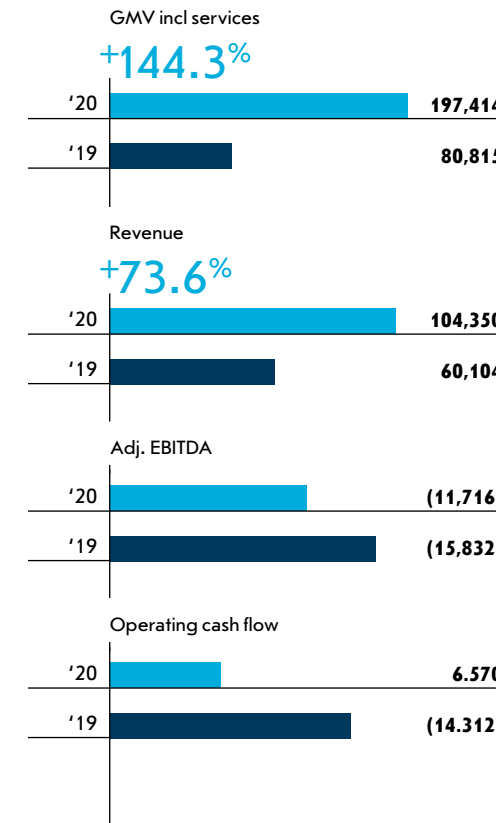
Ozon actively invested in the development of its e-grocery segment and its own rapid delivery service Ozon Express. In 2020, the service opened a network of dark stores in Moscow and provided express courier delivery within an hour to the entire capital inside the Moscow Ring Road as well as a significant portion of the Moscow region. Ozon plans to expand this service into the regions in 2021.

Number of Ozon card holders increased significantly throughout 2020. In December 2020 number of OZON cards users exceeded 450,000, compared to 57,000 as of December 31, 2019. In Q4 2020 Ozon launched a virtual Ozon card which allows for faster and wider adoption of the Ozon card.

In February 2021 Ozon placed a USD 750 mln convertible bond. The company plans to deploy the funds to support organic growth, expand into new business verticals and for general corporate purposes.

Financial performance in 2020

FINANCIAL RESULTS, RUB mln



GMV incl. services came in at RUB 197.4 bln in FY 2020, with growth of 140% year-on-year. Key growth drivers were

- › an increase in the Marketplace's share of GMV and a 4x increase in the number of marketplace sellers compared to 2019, which resulted in expansion of the product range and buyers' access to products;
- › expansion of Ozon's fulfilment, logistics and IT infrastructure, particularly in Russia's regions, which made it possible to process the increasing number of orders and reduce delivery times.

For the full year 2020, adjusted EBITDA as a percentage of GMV incl. services improved to (5.9)% from (19.6)% in 2019. The improved margin was due to infrastructure utilisation growth as a result of economies of scale, as well as the effect of operating leverage on IT and administrative costs.

Operating cash flow turned positive in 2020 and reached RUB 10.6 bln, following RUB 2.7 bln in negative operating cash flow in 2019 due to a negative working capital cycle and business scale-up, and also due to currency revaluation and a positive effect from derivatives.

197.4
RUB mln
GMV incl services

6.6
RUB mln
operating
cashflow



SEGEZHA GROUP

73.7%
SISTEMA'S
EFFECTIVE
STAKE¹

Segezha Group is a large vertically integrated Russian forestry holding with a full cycle of logging and advanced wood processing. Segezha Group comprises forest, wood processing and pulp and paper assets in Russia and Europe.

7
regions
of operations
in Russia

>100
countries -
geography
of sales

~13
thsd
employees

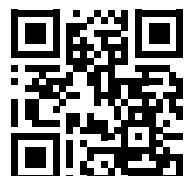
11
countries with
representative
offices

7
plants in Europe

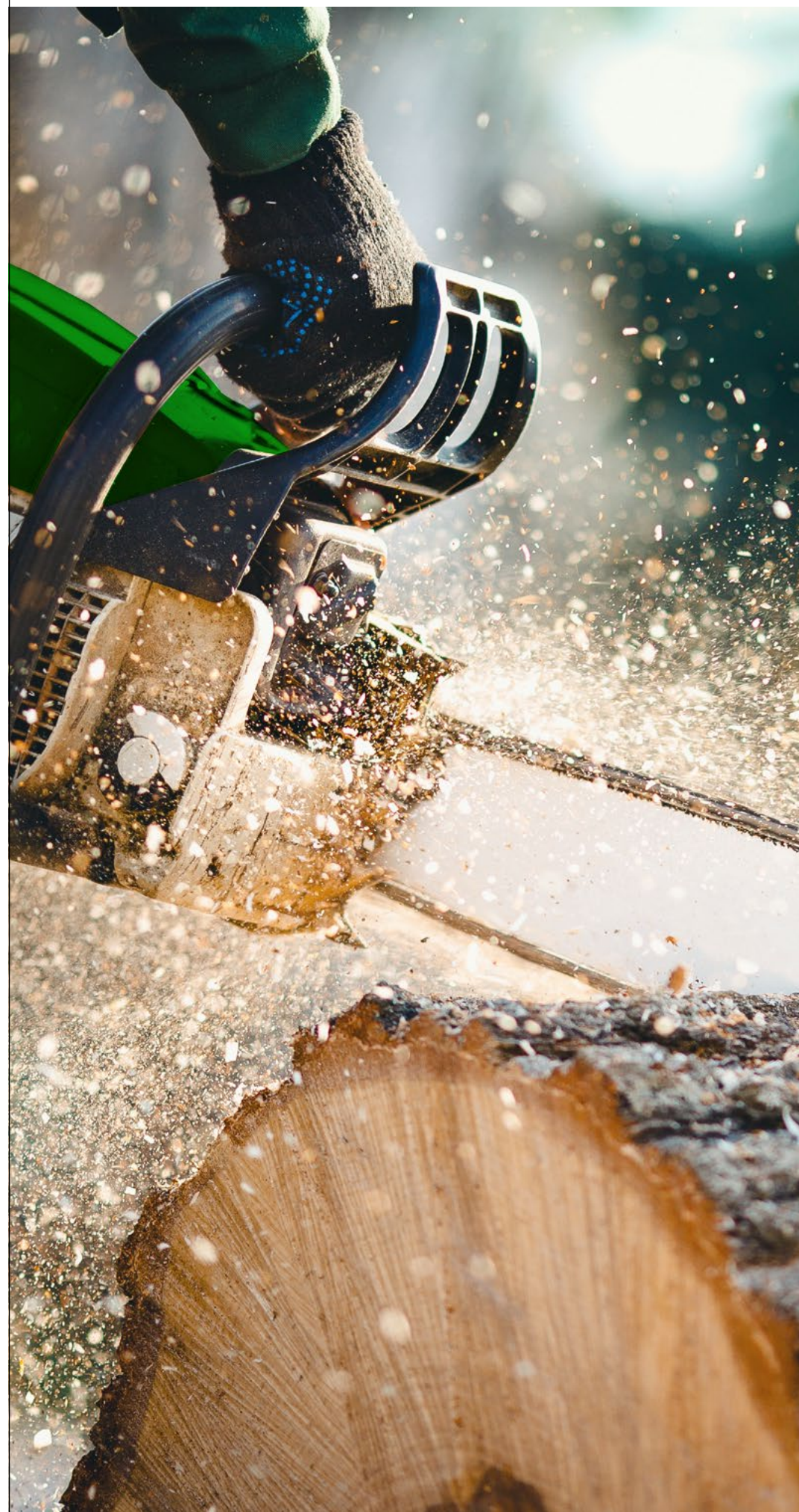
>70%
FX-denominated
revenue of
Segezha Group

¹ In April 2021, Segezha Group conducted had an IPO on the Moscow Exchange. Upon completion of the IPO, Segezha Group will have a free float of 23.9%, while Sistema will retain a 73.7% ownership stake.

SEGEZHA GROUP
//segezha-group.com



EFFECTIVE STAKE



Mikhail Shamolin
CEO



Ali Uzdenov
Chairman of the Board
of Directors

SISTEMA PROFILE
PERFORMANCE
**KEY ASSETS
PERFORMANCE**
CORPORATE
GOVERNANCE
SUSTAINABILITY
MANAGEMENT
ANNEXES

MTS
OZON

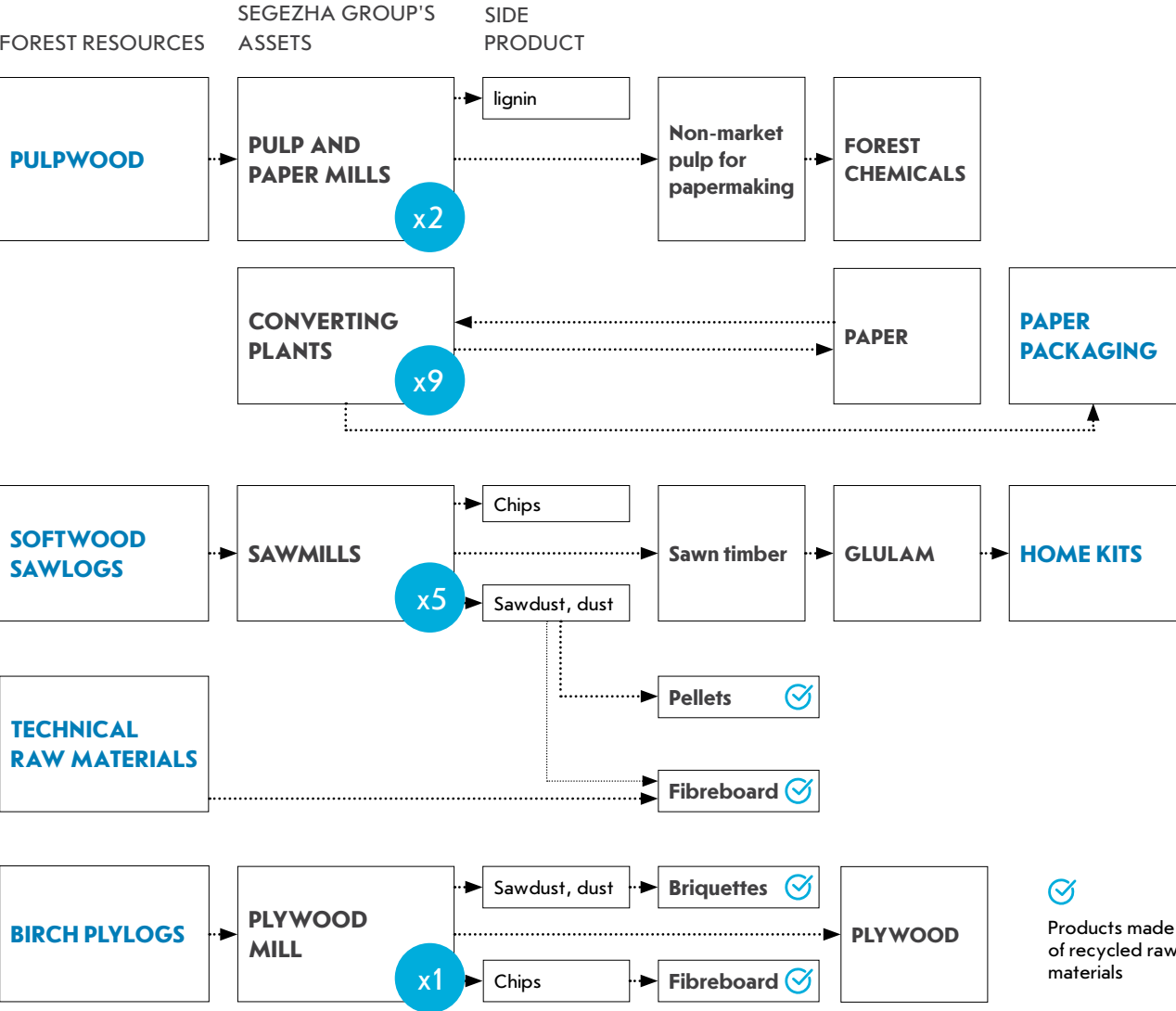
SEGEZHA GROUP

ETALON GROUP
MEDSI
STEPPE
AGROHOLDING
BINNOPHARM
GROUP
JSC BPGC
BUSINESS
NEDVIZHIMOST
COSMOS
HOTEL GROUP
OTHER ASSETS
FUNDS



SISTEMA PJSC

Business model



Segezha Group's business model is based on the principle of vertical integration with the aim of creating added value and ensuring business sustainability by diversifying risks amid a changing macro environment. High levels of operational efficiency and a presence in all key segments of value creation – from in-house logging at leased forest plots to sale of high-margin products to end consumers – allow Segezha Group to maintain market leadership in terms of cost of finished products in all business segments.

Market position



Industry overview for 2020¹

Sack paper

Global market

The global pulp and paper industry did not suffer from the pandemic as much as other sectors. Despite the pandemic and the accelerated decline in demand for writing and printing paper, there was a surge in demand for packaging paper and cardboard for the consumer segment.

At the beginning of 2020, the market saw a surplus of supply and high competition between major players, which pushed the prices down. Starting from Q3 2020, the global market witnessed positive dynamics and stabilisation of supply and demand. In the future, demand is expected to exceed supply thanks to the recovery in the construction industry and food production.

In Segezha Group's target segment (paper for industrial sacks), consumption grew by 1% vs 2019 to 4.1 mln tonnes, due to the recovery of markets in China, Europe, Latin and North America. In 2021, consumption is projected to reach 4.3 mln tonnes (+2.7% year-on-year).²

Segezha Pulp&Paper Mill is Russia's only manufacturer of high-porosity and high-strength unbleached sack paper.

9% is Segezha Group's share in the global output of paper for industrial multilayer sacks

72% is the share of Segezha Group in the Russian output of sack paper

89% of sack paper is exported

¹ Sources: Fisher, Poyry, CEPI, EUROSAC, Rosstat, Indufor, FAOSTAT, GWMI, EUWID, FEA.
² Source: Fisher.

Segezha Group's ranking by output of paper sacks:

no.1 in Russia
no.2 in Europe

11.4% is Segezha Group's share in the European paper sack market³

63% is Segezha Group's share in the Russian paper sack market

no.5 globally output of large-size birch plywood⁴

Russia is the world's no.1 birch plywood producer accounting for 83% of the market⁴

Paper sacks

European market

In the European market, Germany, Turkey, Italy, France, Poland and Spain accounted for about 62% of demand for paper sacks in 2020. 63% of demand came from the construction industry (cement and dry construction mixes).¹

Paper sack consumption in Europe totalled 6.05 bln items in 2020, an increase of 3.5% compared to the previous year¹. Growth of the demand in the reporting period was hindered by restrictions related to the spread of COVID-19. Following the market trends, Segezha Group reduced the share of sacks produced for the construction sector in 2020 and increased the share of products for high-margin segments. In 2021, consumption in Europe is projected to continue growing and will reach 6.1 bln sacks. CAGR of paper sack consumption in 2020–2025 will be 0.8%, growing mostly due to the food and animal food segments.²

Russian market

In Russia, the construction industry also accounts for the bulk (90%) of paper sack consumption. At the same time, demand exceeds domestic production, and the deficit is compensated with imports, the share of which in 2020 was 21%.

In 2020, paper sack consumption in Russia was 761 mln³, down 0.5% from the previous year. The main factors contributing to the decline were restrictions in the construction industry related to COVID-19.

In 2021, paper sack consumption in Russia is expected to reach 775 mln² items (+2% year-on-year), supported mainly by growing volumes of infrastructure and housing construction, as well as the food industry, which has a huge potential for increasing the share of paper packaging to replace plastic.

Birch plywood

Global market

The global plywood market had been demonstrating a steady growth in previous years, but its size fell by 4% in 2020 year-on-year to 4.6 mln cu m due to the COVID-19 pandemic. Europe and Russia remained the biggest global consumers of plywood in 2020, accounting for 74% of total consumption. At the same time, the global market saw excessive supply of birch plywood in the reporting year due to the launch of new production facilities in Russia, which in turn created additional pressure on market prices.

In Q1 2020, prices in foreign markets were rising due to a slump in hardwood plywood output and supply in China and Asian countries caused by the lockdown. In Q2 2020, the negative effects of the pandemic led to a decline in demand in the key regions and sectors, but the markets gradually stabilised in the second half of the year. In 2021, global consumption is projected to reach 4.7 mln cu m (+2% year-on-year).¹

Analysts believe that CAGR of global birch plywood consumption will be 2% in 2020–2025. The demand for birch plywood will be driven by the construction, transport, furniture and shipbuilding industries.

Russia remains the world's indisputable leader in birch plywood production: its share of the global market was 83% in 2020.¹ At the same time, Russia's plywood output fell by 3% in the reporting year vs. 2019 to 3.8 mln cu m. Segezha Group accounted for 4% of Russia's total birch plywood output in 2020.

Sawn timber

Global market

The global market of softwood sawn timber was estimated at 336 mln cu m in 2020. The United States and China were the biggest consumers of sawn timber, mostly in the construction sector and furniture production. Sawn timber consumption is estimated to have dropped by 1% in 2020 year-on-year.²

At the beginning of 2020, consumption and prices moved down due to the lockdown measures, which resulted in a slowdown of buying activity, temporary shutdown of processing facilities, growth of warehouse stock, closing of seaports, shipment delays and higher competition.

In H2 2020, demand recovered and prices in the key sawn timber markets went up. The reasons were the pick-up in the US construction sector, redirection of imports from Europe to North America due to a production decline in Canada (which is the main exporter of sawn timber to the US), and stabilisation of stock at Chinese ports. In 2021, the softwood sawn timber market is expected to see steady demand and prices.

Russian exports

The output of softwood sawn timber in Russia is estimated at 41 mln cu m in 2020, a decrease of 1%² vs 2019. Russia is the world's No 4 producer of softwood sawn timber after Europe, the US and Canada with a market share of 12%³. Russia's exports of softwood sawn timber fell by 3% to 30.4 mln cu m³, mainly due to China, which remains the biggest consumer of Russian softwood sawn timber.

>60 countries – geography of sales of Segezha Group's birch plywood

Russia is the world's no.4 producer of softwood sawn timber

Segezha Group holds no.1 in Russia for sawn timber output¹

~100% of Segezha Group's sawn timber is exported

12% is Russia's share in the global softwood sawn timber market¹

¹ EUROSAC for 12M 2020.

² According to Segezha Group's internal research in 2020.

³ According to Segezha Group's internal research in 2020 and EUROSAC data.

⁴ Estimate by Vision Hunters.

¹ Estimate by Vision Hunters.

² Source: Vision Hunters.

³ Woodstat.

Segezha Group is Russia's

no. 1
producer of laminated beams and prefab glulam houses³

98%
of laminated beams produced by Segezha Group is exported

15%
is Segezha Group's share in the Russian prefab houses market³

Laminated beams

Segezha Group's laminated wood structures are mostly exported to Europe, where the demand for the products of this kind is high. Italy, Germany and Austria were the main markets in 2020, accounting for 84% of all sales in the segment.

Europe and Japan remained the leading global consumers of laminated beams that are used in the construction industry. In 2020, the European output of laminated beams was 3.5 mln cu m (+1.4%¹ year-on-year), mostly thanks to production growth in Germany and Austria. France remains a promising market for laminated wood structures, since the share of rented wood housing is high there.

In H2 2020, the European market of laminated beams witnessed an active demand, which led to maximum capacity utilisation at production facilities and caused many companies to stop taking new orders. Producers noted an increase in the number of incomplete orders due to a shortage of raw materials. It became a problem for many companies as there was a deficit of raw wood supplies from Central Europe and Scandinavia, which led to higher purchasing prices.

The forecast of laminated beams consumption in Europe is optimistic. In Italy, which is one of the key markets for Segezha Group, the segment will be driven by housing construction (the industry is projected to grow by 14%² in 2021) and tax benefits for investments in construction.

Prefabricated houses

Segezha Group supplies laminated-beam prefab houses mainly to the Russian market, being the indisputable market leader with a 15%³ market share in 2020.

The capacity of the Russian market of prefabricated houses using laminated beams was estimated at 131,000 cu m in 2020 (+5% year-on-year). The share of housing built using timber is believed to have doubled in Russia in the last 15 years⁴. The key regions consuming prefab houses are still the Central, Northwest and Volga federal districts.

In the first half of 2020, there was a decline in sales due to the COVID-19 pandemic and lockdown. However, the demand rose by 30% year-on-year already in H2 2020. Experts also noted buyers' growing interest in country houses due to the pandemic.

¹ Source: Vision Hunters.
Based on <https://www.timber-online.net/blog/biggest-glulam-producers.html>
² <https://www.holzkurier.com/holzbau/2020/12/italien-bau.html>
³ According to Segezha Group's internal research in 2020.
⁴ Source: analytical article by Okna Media posted on the website of the Association of Wooden Housing Construction.

Business development in 2020

Paper

PRODUCTION, SALES AND REVENUE IN THE PAPER SEGMENT

INDICATOR	2020	2019	CHANGE, %
Revenue, RUB bln	15.9	15.2	4.5
Output, thsd tonnes	402	388	3.6
Sales, thsd tonnes	289	254	13.8

Segezha Group produces 70% of Russia's sack paper output. Over 30% of the paper output is supplied to the Group's facilities in Russia and Europe to manufacture paper sacks and bags, and the remaining 70% is sold in Russia or exported. The share of exports in sales to external customers exceeds 90%, and geography of supply is more than 75 countries. The main export markets for Segezha Group are China, Latin America, Southeast Asia, North Africa, the Middle East, and also Europe.

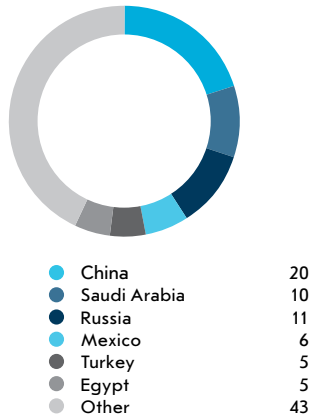
Revenue from paper sales in 2020 totalled RUB 15.9 bln, an increase of 4.5% from 2019. The growth came from the higher output and sales.

In 2020, Segezha Group's paper output grew by 3.6% year-on-year to 402,000 tonnes, mostly thanks to the measures taken to enhance the efficiency of production facilities. Paper sales in the reporting period were up 13.8% to 289,100 tonnes following the growth of output and also due to sale of warehouse inventories. Additional volumes were sold to both existing and new customers in China, India, Chile, Argentina and other countries.

no. 1 in Russia
by paper output

no. 3 globally
by output of high-quality unbleached sack paper

STRUCTURE OF PAPER SALES IN 2020 BY COUNTRY, %



Paper packaging

OUTPUT, SALES AND REVENUE IN THE PAPER PACKAGING SEGMENT			
INDICATOR	2020	2019	CHANGE, %
Revenue, RUB bln	19.7	18.1	8.9
Output, thsd tonnes	1,291	1,262	2.3
Sales, thsd tonnes	1,300	1,238	5.1

Packaging products of Segezha Group’s enterprises in Europe are sold mostly in the European, Middle Eastern and African markets, while the needs of the Russian and CIS market are met by its Russian facilities located in the Republic of Karelia and the Rostov region. About 29% of Segezha Group’s sack paper is converted into paper packaging. The Group is actively increasing the production capacity in the segment of consumer packaging, investing into acquisition of new production lines.

Revenue from sales of paper packaging grew by 8.9% in 2020 vs. 2019 to RUB 19.7 bln. The growth came from increased sales and a greater share of high-margin products.

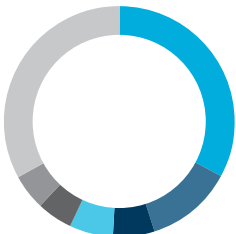
In 2020, Segezha Group sold 1,300.8 mln paper sacks, up 5.1% from the previous year, due to sales growth at its European and Russian conversion facilities. In Russia, the growth was mostly caused by the deficit of imported products, which also made it possible to raise selling prices. In Europe, the growth was brought about by higher demand, mainly in the construction industry.

The output in 2020 grew by 2.3% year-on-year to 1,290.8 mln items following growth of sales. The Group continued to increase the share of high-margin products in its portfolio, including by construction of new production facilities in the Moscow region.

no.1 in Russia
by output of paper
sacks

no.2 in Europe
by output of paper
sacks¹

STRUCTURE OF PAPER SACK SALES IN 2020
BY COUNTRY, %



Russia	33
Germany	12
Romania	6
Netherlands	6
Denmark	5
Kazakhstan	5
Other	33

Plywood

OUTPUT, SALES AND REVENUE IN THE PLYWOOD SEGMENT			
INDICATOR	2020	2019	CHANGE, %
Revenue, RUB bln	6.7	5.5	20.6
Output, thsd tonnes	192	192	0
Sales, thsd tonnes	186	182	1.9

Most of the plywood produced by Segezha Group is made for exports (79% of the output in 2020). Plywood is supplied to more than 60 countries, the key export markets being Europe, the United States, Canada and Asia Pacific, including China, South Korea and India.

no.5 globally
globally by output
of large-size birch
plywood¹

79%
is the share
of Segezha Group’s
export revenue
from plywood sales

Revenue from plywood sales in 2020 totalled RUB 6.7 bln, an increase of 20.6% from 2019. The growth came primarily from the price increase, which became possible thanks to the timely response of the sales force to the market trends in early 2020, and also from a greater share of high-margin products. The financial result was also supported by the growth of foreign currencies against the Russian rouble.

In 2020, Segezha Group’s plywood output remained the same as in 2019, 192,000 cu m, due to full utilisation of production capacity. Plywood sales grew by 1.9% to 185,600 cu m following the increase in output and also due to sale of warehouse inventories. The Group also saw a positive effect from the development of special products and promotion of its brand in North America, South Korea and China.

STRUCTURE OF SEGEZHA GROUP’S
PLYWOOD SALES IN 2020 BY COUNTRY, %



Russia	21
US	14
Germany	14
Netherlands	9
South Korea	7
Canada	6
Other	29

Sawn timber

OUTPUT, SALES AND REVENUE IN THE SAWN TIMBER SEGMENT			
INDICATOR ¹	2020	2019	CHANGE, %
Revenue, RUB bln	18.2	13.8	31.6
Output, thsd tonnes	1,192	1,014	17.5
Sales, thsd tonnes	1,217	1,005	21.1

Segezha Group exports almost 100% of its sawn timber to dozens of countries, with most volumes consumed by construction companies and producers of furniture and packaging. The main markets for the company’s sawn timber are China, Europe and MENA.¹

Revenue from sawn timber sales in 2020 totalled RUB 15.2 bln, an increase of 29.4% from 2019. The growth came from increased production and sales volumes and a rise in prices.

>20
countries
Segezha Group
exports sawn
timber

no.1 in Russia
by gross output
of softwood sawn
timber³

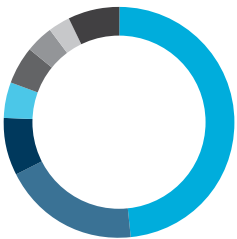
¹ The indicators take into account sawn timber produced by Sokol WP and are included in the results of the «Other» segment.
² MENA (Middle East and North Africa) is a geographic region with an aggregate population of 335 mln people.
³ According to Segezha Group’s internal research as of 31 December 2019.

¹ According to Segezha Group’s internal research as of 31 December 2020.

The output of sawn timber grew by 17.5% in 2020 year-on-year to 1,191,500 cu m thanks to the acquisition of LLC Karelian Wood Company, a logging and timber processing enterprise, at the beginning of 2020 and the increased output at existing facilities. Another contributing factor was redistribution of capacity utilisation at Sokol Woodworking Plant from laminated beams in favour of sawn timber. This was due to the replacement of an old press line with a new one, which will increase the plant's output of laminated beams by 20%.

Sawn timber sales grew by 21.1% in 2020 to 1,217,300 cu m following the increase in the output.

STRUCTURE OF SEGEZHA GROUP'S SAWN
TIMBER SALES IN 2020 BY COUNTRY, %



China	48
Egypt	19
UK	8
Finland	5
France	5
Germany	4
Belgium	3
Other	7

New products

CLT panels

In 2020, Segezha Group completed the construction of Russia's first CLT plant with a capacity of 50,000 cu m and began producing CLT panels. CLT panels are cross-laminated layers of softwood timber, which have the same strength as such traditional construction materials as concrete, steel and brick, but are superior in terms of production costs, eco friendliness and ease of maintenance.

Lignosulphonates

In August 2020, the Sokol PPM launched a new production facility for dry lignosulphonates with an annual capacity of 21,000 t.

Dry lignosulphonates are a high-tech product with a high added value. Their production will enable the company to bring a new product to the market that is used in many industries: from construction to cement production and the oil sector.

Key achievements

- At the beginning of 2020, Segezha Group acquired a logging and timber processing enterprise, LLC Karelian Wood Company, in the Republic of Karelia with an annual capacity of up to 250,000 cu m of sawn timber and allowable cut exceeding 200,000 cu m.
- In the reporting period, the Group continued building the plywood mill in Galich, the Kostroma region, with an annual capacity of 125,000 cu m of birch plywood. It will be commissioned in 2021.
- In April 2020, Segezha Group inaugurated the second fuel pellet facility at the Lesosibirsk Woodworking Plant No 1, which increased the Group's aggregate pellet production capacity to 110,500 t p.a. The entire output of pellets is exported to Denmark, the Netherlands, the United Kingdom and other countries.
- One of the key investment projects in 2020 was implementation of SAP S/4HANA, which will unite all of the Group's enterprises, unlock synergies between services and enhance operational efficiency.
- In February 2021, the company inaugurated Sokol CLT, Russia's first large-scale industrial facility manufacturing advanced material for housing construction, in Sokol, the Vologda region.
- In April 2021, Segezha Group conducted an IPO on the Moscow Exchange. Through its IPO Segezha placed raised gross proceeds of RUB 30 bln, with be used to finance further business expansion and reduce debt leverage. The shares are included in MOEX's Level 1 List under SGZH ticker.

Operating & investment development strategy

Segezha Group's strategy is aimed at creating an industry leader in production efficiency on the basis of a vertically integrated and diversified business model.

Wood resources

- Increase of the share of own wood resources by expansion of allowable cut and increase of its utilisation rate
- Quality forest reproduction
- Construction of haulage roads

Manufacturing assets

- Construction of a plywood mill in Galich
- Upgrade of the Segezha PPM to increase capacity and reduce production costs
- Increasing paper packaging production capacity in Russia and Europe
- Increase of sack paper output at Sokol PPM
- Construction of a pellet facility at Sokol Woodworking Plant is in progress

Sustainable development

- Health and safety of employees
- Reduction of the environmental impact and use of state-of-the-art production technologies
- The forest seed centre in the Kostroma region will grow the first 4 mln seedlings as part of the company's policy of sustainable forest management by 2023
- Umbrella charity projects: City Infrastructure, Sports, Education, Environment

Innovation

- Full implementation of SAP S/4HANA at all divisions by 2021
- Creating and developing R&D centres at the company
- Automation and introduction of state-of-the-art IT solutions

Financial performance in 2020

FINANCIAL RESULTS, RUB mln

INDICATOR	2020	2019	CHANGE, %
Revenue	68,987	58,495	17.9
OIBDA	17,457	13,993	24.8
Operating income	11,185	8,333	34.2
Adj. net income / (loss) attributable to Sistema	-1,324	5,040	n/a

In 2020, Segezha Group increased its revenue by 17.9% to RUB 69.0 bln thanks to increased sales of paper packaging and sawn timber and higher prices of plywood and sawn timber. Revenue growth was also supported by increase of the average exchange rate of foreign currencies against the rouble year-on-year. The exchange rate of the Euro grew by 14% and of the US dollar by 11% in 2020. The share of foreign currency revenue was 72.0% in 2020.

Segezha Group's OIBDA grew by 24.8% to RUB 17.5 bln due to growing prices of plywood and sawn timber, despite the higher logistic costs and the pressure on the prices of the majority of the company's products throughout the year.

The company generated a net loss in 2020 due to the negative effect of the revaluation of its foreign currency debt. Net of FX differences, its net income grew by 170% in 2020 year-on-year.



ETALON GROUP

25.6%

SISTEMA'S
EFFECTIVE
STAKE

Etalon Group is one of the largest and oldest real estate development companies in Russia specialising in mid-market construction projects and one of the leaders in St Petersburg and Moscow.

20

projects at design and construction stage¹

>21%

growth in average real estate price in 2020

2.8

M SQ.mln
the net saleable area (NSA²) of projects in the company's portfolio¹

90%

in average down payment

204

RUB bln
the market value of assets¹

81.9

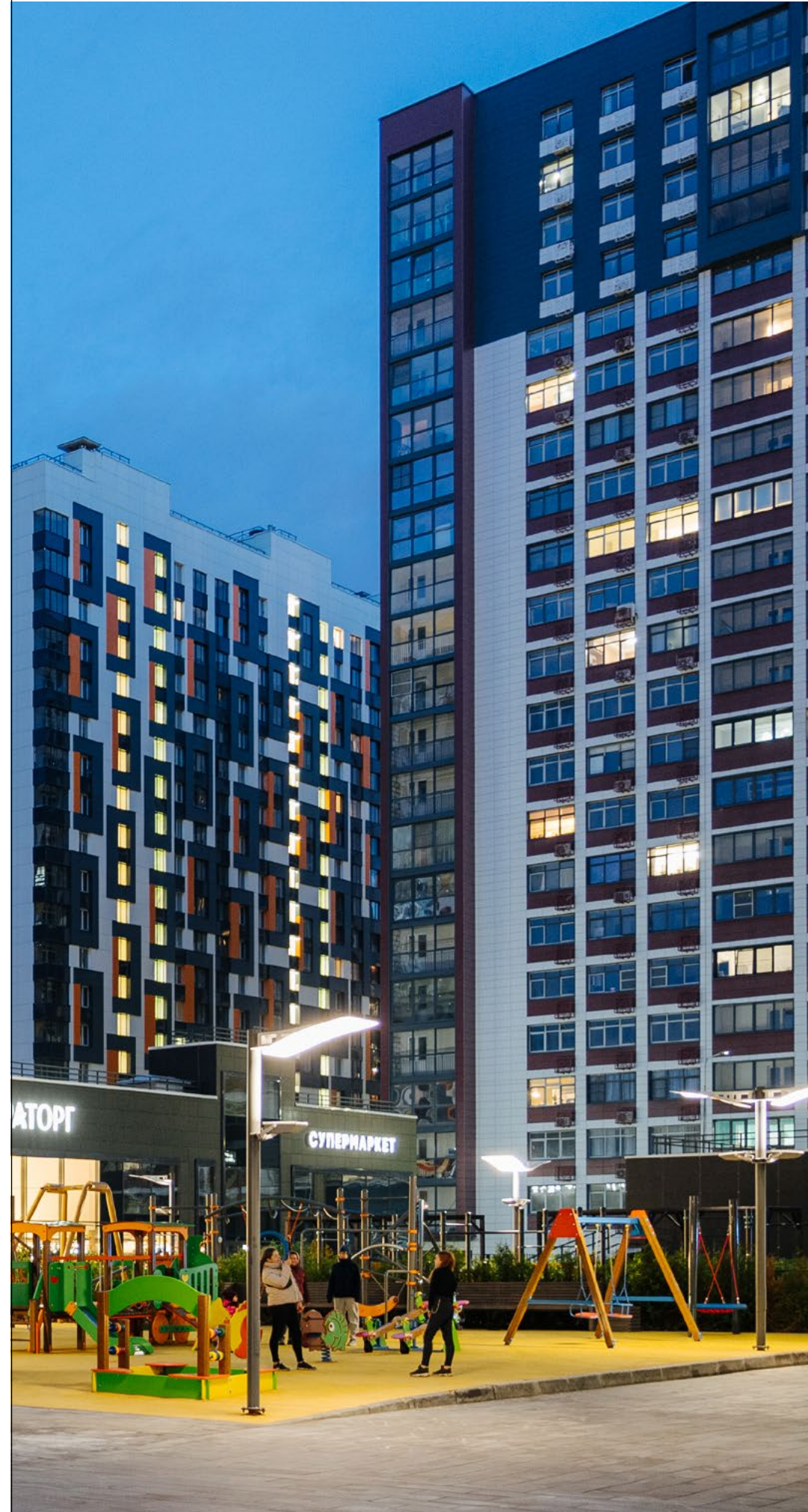
RUB bln
in cash income in 2020

¹ As of 31.12.2020 according to Colliers International.
² Net Saleable Area.

ETALON GROUP
//etalongroup.ru



EFFECTIVE STAKE



Gennadiy Shcherbina
CEO



Sergey Egorov
Chairman of the Board
of Directors

SISTEMA PROFILE
PERFORMANCE
KEY ASSETS
PERFORMANCE
CORPORATE
GOVERNANCE
SUSTAINABILITY
MANAGEMENT
ANNEXES

MTS
OZON
SEGEZHA GROUP
ETALON GROUP
MEDSI
STEPPE
AGROHOLDING
BINNOPHARM
GROUP
JSC BPGC
BUSINESS
NEDVIZHIMOST
COSMOS
HOTEL GROUP
OTHER ASSETS
FUNDS



SISTEMA PJSC

The company is among the top 10 Russian developers according to Forbes and ranks first in the list of Russian developers with the highest reliability score.

540

thsd sq m
of properties
commissioned as part
of 12 projects in 2020

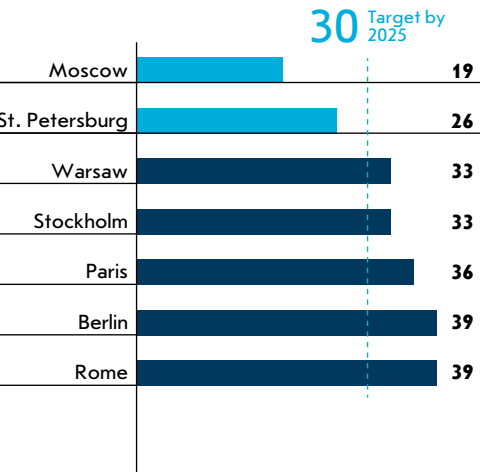
538

thsd sq m
of properties sold
in 2020

79.9

RUB mln
of revenue
received in 2020

HOUSING PER CAPITA, sq m

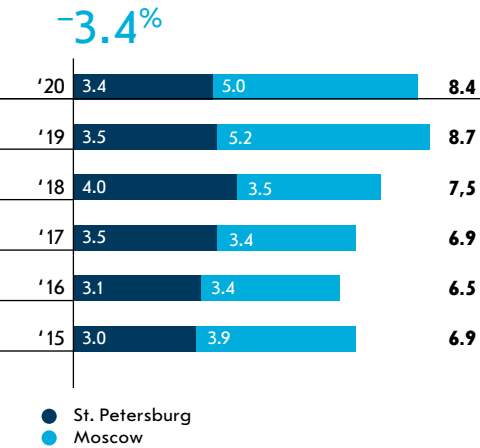


Source: Rosstat, Central Bank of Russia

Industry overview for 2020

2020 saw major structural shifts in market competition following several years of gradual changes. Although the number of planning permissions and projects available in Moscow and St Petersburg is decreasing, investments in development sites across Russia are growing despite the current financial instability. The trend towards market consolidation has continued. Demand for real estate is expected to grow further in the long term due to people's need to improve their housing conditions and have a more comfortable living environment.

NEW HOUSING CONSTRUCTION, mln sq m



Source: UISIS

The strong resilience of the Russian economy to the consequences of the coronavirus pandemic compared to European countries will determine Russia's leadership in forecast recovery rates. By 2022, Russia's GDP is projected to grow by 1.1%, while the Eurozone will remain in the red territory with a negative growth of around 0.6%.¹

One of the key priorities of the Russian government is to improve the quality and affordability of housing. Russia is lagging behind Eastern Europe in terms of housing per capita. At the same time, more than 60% of the available housing, in particular, 57% in St Petersburg and 61% in Moscow, was built before 1990 and does not meet the standards of modern house buyers.

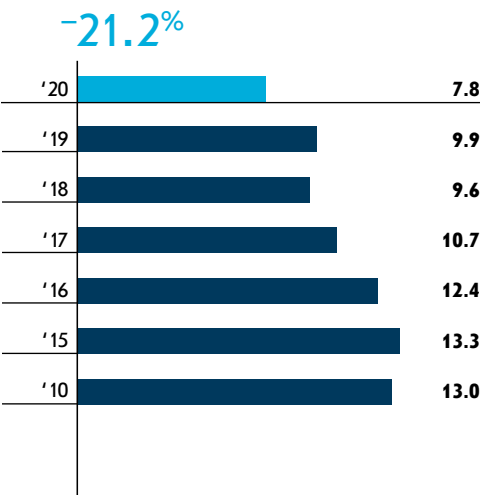
The main target set in the Strategy for Housing Development in Russia until 2025 is 30 sq m of residential space per capita. The programme for implementation of the government's priority tasks in housing construction envisages improvement of housing conditions for at least 5 mln families every year and increasing development volumes to at least 120 mln sq m a year.

¹ Source: Colliers International.

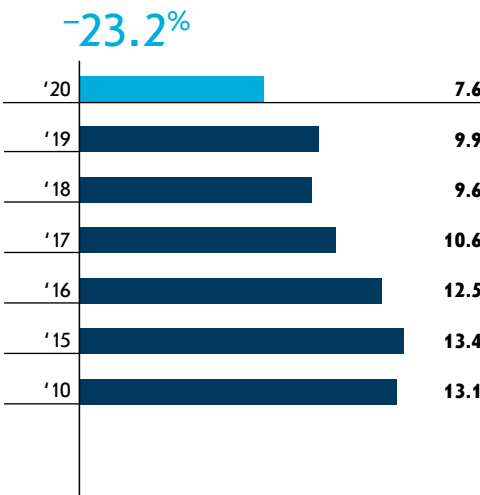
The population's demand for housing rose significantly in 2020 amid low interest rates and taxation of deposits, and due to the subsidised mortgage programme introduced by the government. In 2020, Russia was among the top 3 countries in terms of reduction of mortgage rates (by 170 b. p.), which enhanced the attraction of investments in real estate assets and helped maintain record housing affordability figures.

AVERAGE MORTGAGE RATES IN 1H 2020²

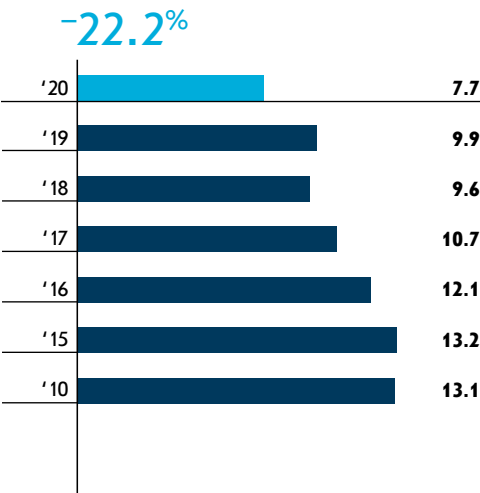
Moscow



Russian Federation



St. Petersburg



Another contributor to the greater appeal of investments in real estate for individuals is migration to new project financing rules, which guarantees a full return of investments made in properties at development stage.

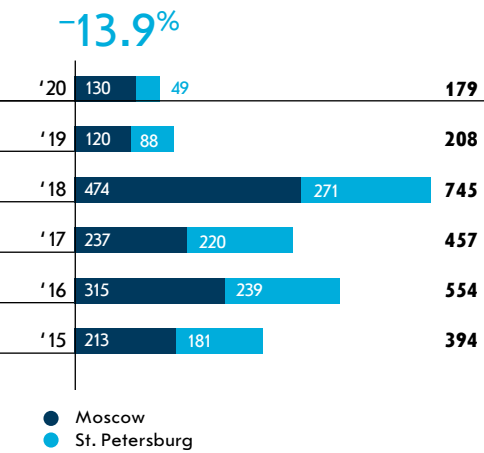
The government is also providing considerable support to first-time home buyers among young families by offering tax benefits and support programmes for families with children. The effect of these measures is up to RUB 2.3 mln per family. Mortgage subsidies for young families coupled with record levels of housing affordability in Moscow and St Petersburg are going to drive sustainable demand even after the government's mortgage programme expires in July 2021.

¹ As of 31 December 2020.

² Source: Central Bank of Russia; The Global Economy, IMF.

Changes in industry regulations and the greater role of banks are having a negative impact on the total number of issued development permits. In 2020, the number of permits issued in St. Petersburg decreased by 44%. In Moscow the number of issued development permits increased by 8% compared to 2019, while the area of accessible development sites fell by 48%.

NUMBER OF ISSUED RESIDENTIAL PLANNING PERMITS



Source: Federal Service for State Registration, the St. Petersburg Service for Construction Supervision, the Moscow Committee for Construction Supervision

As part of a new initiative the cost of changing the type of permitted use was increased, creating an additional barrier for small market players.

After a period of decline in investments in 2016–2017 caused by the introduction of new regulations, developers are seeing a rise of investments in their project portfolios,¹ which is a sign of growing investor optimism in relation to the development sector.

The trend towards industry consolidation is accelerating due to the high interest rates charged on project financing for small market players and the difficulties related to the need to accumulate sufficient reserves on escrow accounts to get funding at reduced rates. By 2023 the share of top 20 developers in the supply structure is projected to reach a record 57% in Moscow and St. Petersburg and further reduce the number of small and medium players.

Demand for residential real estate in Moscow and St. Petersburg has grown by 99 M sq m as mortgage rates plummeted in 2020. This trend is expected to continue in future.² Demand in the lower price segment may be partially met by the government's renovation programme, however, a significant share of affluent buyers will still be looking for properties of higher quality.

¹ Source: Knight Frank.
² Source: internal estimates of the Company.

In the long run, the terms of entering new projects and the role of developers are expected to change. Regional development is becoming an important performance indicator of real estate projects: a fall in unemployment, improved health of the population, flourishing economies of cities and towns. The business models of property development companies will be determined by their ability to structure highly profitable projects with a significant social and economic impact on the relevant regions.

New strategy

In view of the accelerating changes and taking into consideration the availability of resources Etalon Group has formulated a new business development strategy until 2024. The main goal of the strategy is to increase business efficiency in the new economic conditions through improvement of business processes and use of modern home-building technologies and digital architecture.

Strategic goals

- › Developing an easily scalable business model on the basis of digital infrastructure to ensure end-to-end data transfer at all stages of value creation.
- › Attaining leadership through partnerships, creating a best-in-class platform for joint implementation of construction projects with small capital investments.
- › A long-term approach to expansion of land holdings providing for the purchase of unzoned land plots and based on successful experience of own zoning activities and opportunities for expanding geographical footprint.
- › Attaining leadership in cost efficiency and construction speed due to standardisation of product range and leadership in construction technologies.
- › Best customer experience in the industry due to development of B2C services, further improvement of communications and customer service at all stages of customer journey.
- › Strategy until 2024 envisages a new approach to each value creation stage

STRATEGY UNTIL 2024 ENVISAGES A NEW APPROACH TO EACH VALUE CREATION STAGE

REINVESTMENT	DEVELOPMENT	CONSTRUCTION	ONGOING SERVICES
› Effective profit reinvestment	› Land plot analysis and acquisition › Design and permitting › Marketing and ongoing sales › Project management	› General contracting and subcontracting	› Fitting-out and furnishing › Ongoing maintenance

Analysis and acquisition of land plots

A long-term focus on land expansion supported by the purchasing of unzoned land plots, extending the geographic span of projects through inorganic development

- Key expected results:**
- › increase in the size of the portfolio up to 6+ mln sq m, a balanced structure of land assets and long-term growth of sales

Design

Design works in keeping with modern construction principles and standards, supply of popular formats of housing and living environments

- Key expected results:**
- › improving product quality,
 - › implementing highly transparent processes,
 - › minimising the lead time from finding a land plot to the start of construction to 6 months,
 - › creating a uniform system of standard design works and launching R&D

Construction

Leadership in speed and cost efficiency ensured by product standardisation across entire product range and leadership in new construction technologies: modular technology, construction using CLT panels¹ and modern prefabrication

- Key expected results:**
- › gross profit margin at 35%,
 - › increasing construction volumes more than two-fold without a rise in fixed costs

¹ CLT (cross-laminated timber).

Marketing and sales

Increasing customer lifetime value based on understanding the customer's expectations at the time of purchasing a new property and at the start of living in it and using available services.

Customising a product and optimising its promotion based on big data and artificial intelligence technologies

Key expected results:

- stable double-digit growth of sales with the highest NPS¹ and CLV² in the industry,
- cutting marketing expenses by 20%

Project management

End-to-end data transfer at all stages of value creation through implementation of shared digital infrastructure

Key expected results of implementation:

- a drop in selling and administrative expenses to revenue down to 4.5% and 5.5% respectively

Partnership and supply chain

Leadership through partnership and creation of a best-in-class platform for residential development projects

Key expected results:

- a seamless architecture of a new business model, which is open to partners and suppliers and makes it possible to quickly develop innovative businesses and cut costs

The implemented strategic initiatives, including the introduction of dynamic pricing, pushed the average real estate prices up by 21% and boosted sales up to RUB 80 bln by the end of 2020.

Operating and financial performance in 2020

Despite a difficult start of the year, Etalon Group's operating results surpassed the management's optimistic forecasts, and the main monetary indicators reached a historic high. Etalon Group fully met its plans for new housing commissioning and sales, having completed the development of 12 properties with a total area of 540,000 sq m and sold more than 538,000 sq m of residential space in finished and unfinished residential estates. The record value of contracts signed by the company and the cash income amounting to RUB 80 bln and RUB 82 bln respectively have proven the effectiveness of the sales strategy approved by the company and boosted its financial results.

OPERATIONAL RESULTS

INDICATOR	2020	2019	CHANGE ¹ , %
Sales, RUB mln	79,922	77,627	3.00
Sales, thsd sq m	538	630	-14.60
Average price, RUB thsd / sq m	149	123	20.60
Average price (housing), RUB thsd / sq m	179	149	20.10
Cash inflows, RUB mln	81,985	77,713	5.50

FINANCIAL RESULTS, RUB mln

INDICATOR	2020	2019	CHANGE, %
Revenue	78,655	84,330	-6.70
Pre-PPA ⁴ EBITDA	16,482	11,175	47.50
EBITDA	12,601	8,497	48.30
Adj. Net income	5,875	3,110	88.90
Net corporate debt	19,580	21,484	-8.90

In 2020, the Company set a new record in terms of gross income: RUB 22 bln, up by 9.3% from 2019 despite a minor reduction in revenue caused by restrictions on construction works in the Moscow region during the coronavirus lockdown.

One of the Company's key priorities is to continue cutting SG&A expenses, which dropped by 19.1% at the end of the year in absolute terms and accounted for 12.5% of revenue vs 14.4% in 2019.

As a result of cost reduction, EBITDA before Purchase Price Allocation (PPA) increased by 47.5% up to RUB 16.5 bln.

Net income adjusted for one-off acquisition and integration expenses grew by 88.9%, from RUB 3.1 bln in 2019 to RUB 5.9 bln in 2020.

Etalon Group generated cash flows at an accelerated pace due to strong sales. The Group generated a positive cash flow from operations before interest, which totalled

RUB 3.9 bln net of cash on escrow accounts. At the same time, cash flow from operations before interest adjusted for cash on escrow accounts almost doubled and reached RUB 26.8 bln. Net cash flow adjusted for cash contributed to escrow accounts returned to positive values and amounted to RUB 22.3 bln.

Etalon Group paid RUB 3.5 bln in dividends (12 roubles per GDR) for 2020.

Implementation of projects

The Architectural Council of Moscow approved the development plans for ZIL-Yug project, and a public media platform and urban development lab Generation Zil was launched to promote discussions on the development of the new district. Sales of properties completed as part of the first stage of the project are expected to start in the first half of 2021.

In 2021, the company expanded its product offer in St. Petersburg by launching the new Domino development project at Beloostrovskaya St. and starting to develop new properties on the premises of the Galaxy quarter.

LARGEST COMPLETED PROJECTS

PROPERTY	LOCATION	AREA, thsd sq mln
Galaxy residential estate, 2nd phase properties, and Galaxy Premium quarter	St. Petersburg	139
Okhta House residential estate	St. Petersburg	134
Normandy residential estate, 1st phase	Moscow	89
Silver Fountain residential estate, bldg 2	Moscow	67

Listing on Moscow Exchange

In addition to developing its business, Etalon Group also took some major steps aimed at expanding its investor base in 2020. In January, the company successfully arranged a listing of its global depository receipts on the Moscow exchange. Etalon Group's securities were included

in Level 1 List of the Moscow Exchange and since February the 3rd they have been trading on the Moscow Exchange under the ETLN ticker; while in March 2020 they were included in the calculation base for the Moscow Exchange Broad Market Indices.

Secondary public offering

In April 2021, the Board of Directors of Etalon Group approved an additional offering of up to 88,487,391 ordinary shares in the company representing 30% of Etalon Group's total issued ordinary shares. The subscription

price will be USD 1.7 per share. The net proceeds from the offering will be used for the acceleration of the company's investment programme and business expansion.

¹ NPS – Net Promoter Score.
² CLV – Customer Lifetime Value.
³ Excluding rounding
⁴ EBITDA before purchase price allocation (pre-PPA).



MEDSI

95.5%
SISTEMA'S
EFFECTIVE
STAKE

Medsi is Russia's largest private healthcare platform that offers a full range of preventive, diagnostic and treatment services, as well as a variety of services to improve the quality of life.

no.1
Market position

49
Clinics

7.6 mln
Visits

274
thsd
Bed-days

105.6
thsd sq m
Medical floorspace

18%
Profit margin

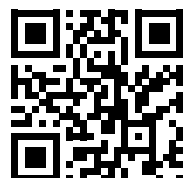
10
Regions of operations

75%
Brand awareness
in Moscow

3.2
RUB thsd
ATV

2.6%
Medsi share
in the commercial
healthcare market in Russia

MEDSI
//medsi.ru



EFFECTIVE STAKE



Elena Brusilova
CEO



Artyom Sirazutdinov
Chairman of the Board
of Directors

SISTEMA PROFILE
PERFORMANCE
KEY ASSETS
PERFORMANCE

CORPORATE
GOVERNANCE
SUSTAINABILITY
MANAGEMENT
ANNEXES

MTS
OZON
SEGEZHA GROUP
ETALON GROUP

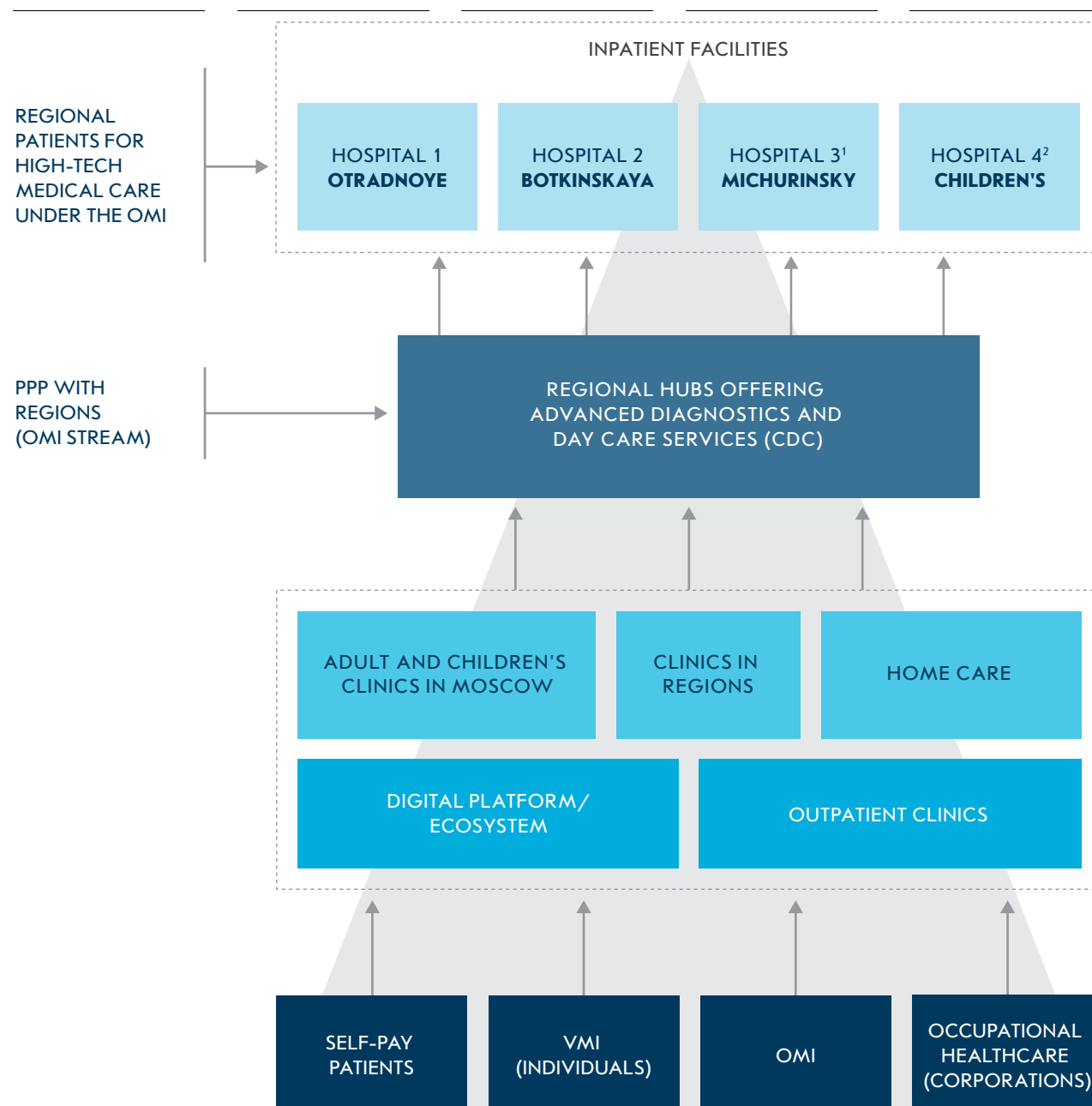
MEDSI
STEPPE
AGROHOLDING
BINNOPHARM
GROUP
JSC BPGC
BUSINESS
NEDVIZHIMOST
COSMOS
HOTEL GROUP
OTHER ASSETS
FUNDS



SISTEMA PJSC

Business model

Meds is a three-tier medical platform that unites all levels of medical care: from preventive health improvement programmes to complex high-tech surgeries and rehabilitation. Thanks to an effective routing system within the chain and the development of vertically integrated centres of excellence, Medsi provides patients with the continuity of the treatment process within the chain under uniform standards and with high effectiveness. One of the priority areas for improving the model is a digital platform that is used not only as a convenient tool for storing medical records and communicating with patients, but also as a foundation for developing ecosystem products intended to take care of patients' health and quality of life.



¹ Most of the work will be completed by the end of 2021; the hospital is expected to be officially launched in 2022.
² Hospital 4 ("Children's") on the basis of Clinical Hospital No 1 is expected to be launched in 2021.

ASSETS OVERVIEW

	2020	2019	2018	2017
CDCs, total	5	4	3	3
CDC Krasnaya Prersnya	1			
CDC Belorusskaya	1			
CDC Grokholsky	1			
CDC Maryino	1			
CDC Solyanka	1			
Children's clinics	2	2	2	3
Primary care clinics	22	19	19	20
Clinical hospitals	2	2	2	2
Sanatoriums and wellness centres	2	3	4	4
Regional clinics, total	16	18	12	13
Perm	5	7	6	7
Nizhnevartovsk	1	1	1	1
Nyagan	1	1	1	1
Volgograd	1	1	1	1
Bryansk	1	1	1	1
Barnaul	1	1	1	1
Izhevsk	4	4	0	0
St. Petersburg	2	2	1	1
TOTAL number of facilities	49	48	42	45

Industry overview for 2020

In 2020, Russia's market for commercial medical services grew by 6.1% to RUB 727 bln. The share of Moscow and the Moscow region is 35%.

The retail segment (self-pay patients) is still the biggest segment in the structure of commercial healthcare. It grew by 7.7% in 2020 to RUB 543.1 bln. The segment's share is 58.3% in Moscow and the Moscow region and 74.7% in Russia as a whole.

In the reporting period, the segment of voluntary medical insurance (VMI) amounted to RUB 183.6 bln, up 1.6% YoY, even though the number of visits decreased by 3.4%.

In the reporting period, the ATV in the channels of self-pay patients and VMI grew by 5.0% and 5.2%, respectively, which was driven mainly by increased prices for medical services and also by limited access to free medical care and deferred demand for routine treatment amid the COVID-19 epidemic.

The COVID-19 epidemic has changed the way healthcare is delivered. Forced restrictions have boosted the popularity of telemedicine technologies and home care services. Demand for coronavirus testing and diagnostics (PCR, antibodies and CT) has increased significantly.

In 2021, the growth rate of the commercial healthcare market is expected to slow down due to the deterioration of the economic situation in Russia.

Getting “back to normal” will increase the availability of public healthcare, which, given falling real incomes, will lead to a decrease of the legal commercial sector by 3.9% to 194.5 mln visits or by 0.5% in value terms to RUB 540.4 bln.

The VMI segment will be shrinking amid cost optimisation in the corporate sector. The market size will decrease by 4.4% to 45.7 mln visits or by 2.7% in value terms to RUB 178.7 bln.

COVID-19 mass vaccination will contribute to a gradual reduction in the number of COVID19 cases and the return of routine medical care to pre-crisis levels in the second half of 2021. Given the significant increase in public funding to fight the epidemic in 2020, in 2021 the turnover of the OMI sector is expected to fall back to the level of 2019, RUB 2.1 trn.

New areas that received an impetus during the epidemic (telemedicine, genetic research and home care) will continue to show significant growth due to the low base effect, but they will still have an insignificant share of 1% to 2% in the total market size.

Medsi in the commercial healthcare market

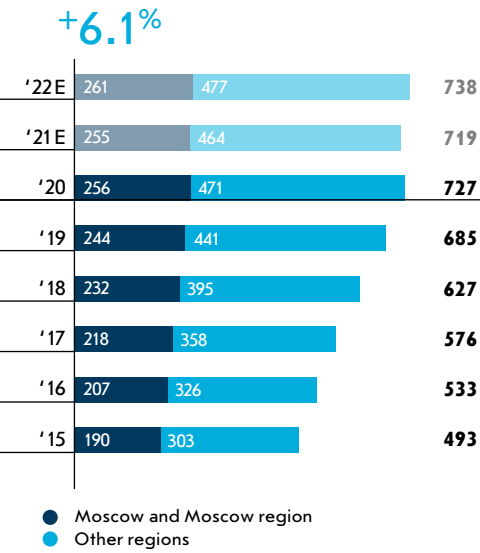
In 2020, the COVID-19 epidemic proved to be a challenge for both Medsi and the entire industry. Medsi was the first company in the market to join the fight against the coronavirus by repurposing its flagship hospital in a very short time. In addition, Medsi introduced a line of COVID-related products, including diagnostic, treatment and rehabilitation services. The company implemented special medical protocols at all its clinics and also launched telemedicine and home care services.

The measures taken made it possible to compensate for the spring drop in sales, and deferred demand for medical services allowed Medsi to show growth in 2020.

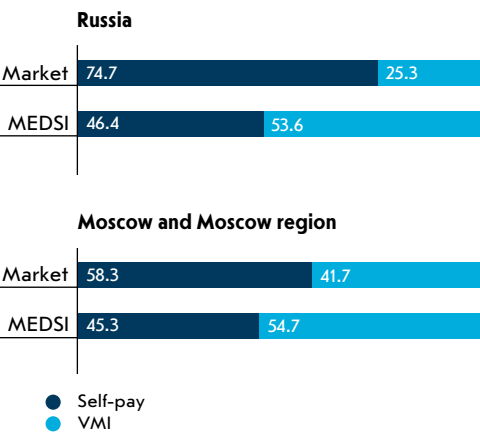
In the reporting period, revenue grew by 12.2% to RUB 25.0 bln, despite a decrease in the total number of visits by 18.1% to 7.9 mln.

The ATV increased by 37.2% to RUB 3,188.

SIZE OF RUSSIA'S COMMERCIAL HEALTHCARE MARKET, RUB bln



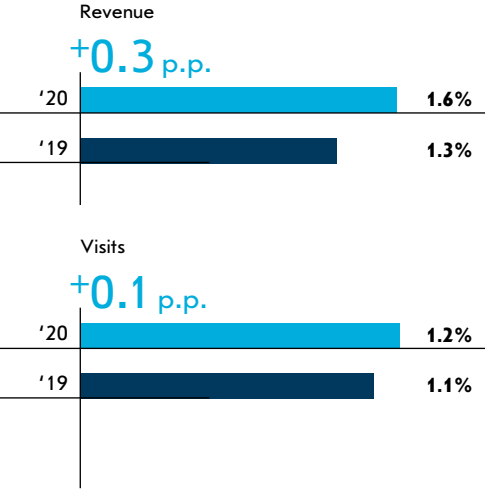
STRUCTURE OF RUSSIA'S COMMERCIAL HEALTHCARE MARKET, %



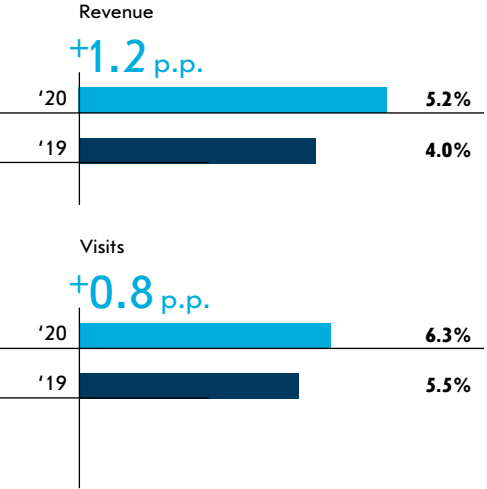
Retail segment

In 2020, Medsi's 36.5% revenue growth in the retail segment significantly outpaced the overall market growth in this segment (+7.7% year-on-year). At the end of the reporting period, Medsi's market share in the retail segment was estimated at 1.6% in Russia as a whole and 5.2% in Moscow and the Moscow region.

MEDSI'S MARKET SHARE, RUSSIA, %



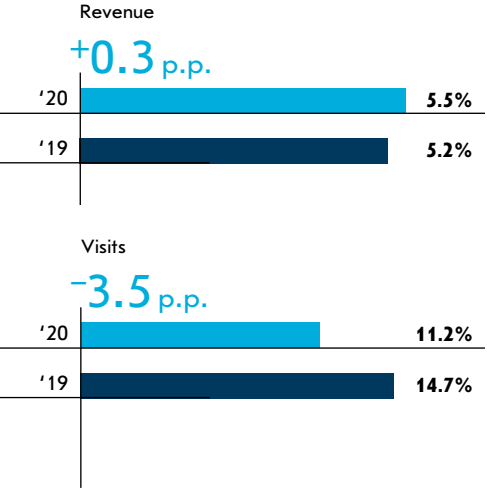
MEDSI'S MARKET SHARE, MOSCOW AND MOSCOW REGION, %



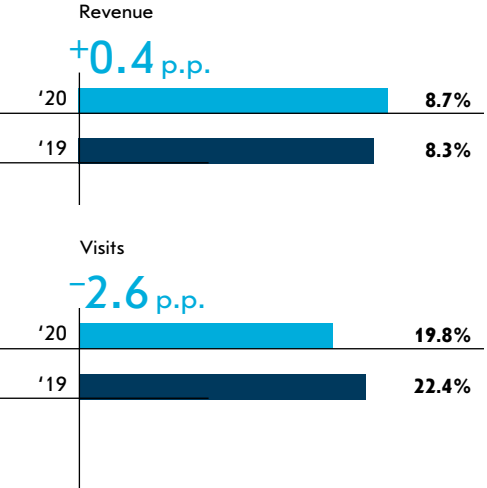
VMI segment

In 2020, revenue in the VMI segment increased by 6.1%, although the number of visits fell by 26% year-on-year. At the end of the year, Medsi's market share in the VMI segment was estimated at 5.5% in Russia as a whole and 8.7% in Moscow and the Moscow region.

MEDSI'S MARKET SHARE, RUSSIA, %

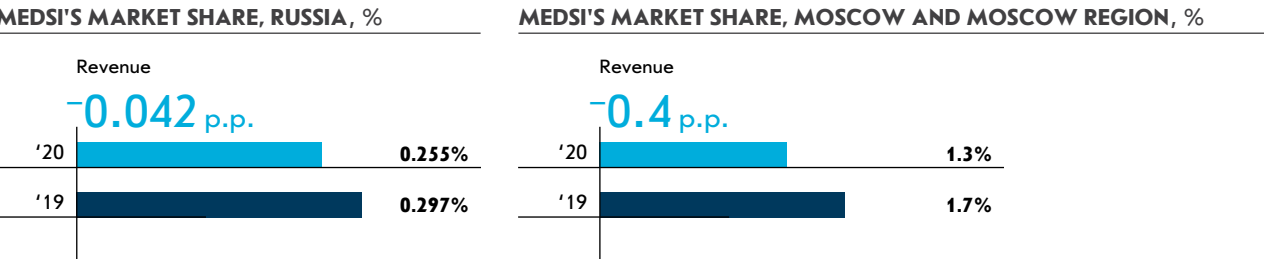


MEDSI'S MARKET SHARE, MOSCOW AND MOSCOW REGION, %



OMI segment

In 2020, revenue in the OMI segment fell by 1.6%, with the number of visits decreasing by 9.3% year-on-year. At the end of the year, Medsi's market share in the OMI segment was estimated at 0.3% in Russia as a whole and 1.3% in Moscow and the Moscow region.

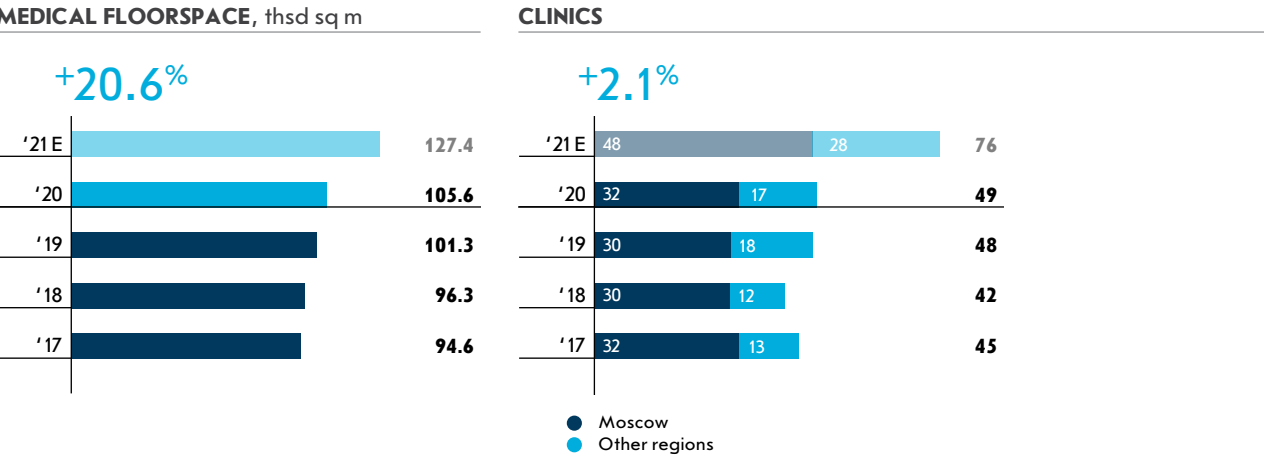


Business development in 2020

Operational performance

	2020	2019
Bed-days, thsd	274	239
ATV, RUB thsd	31.0	30.5
Capacity utilisation, %	97	92

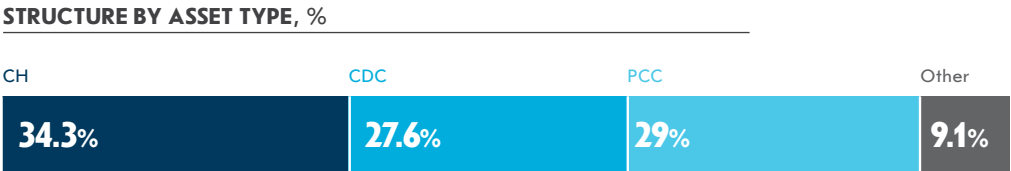
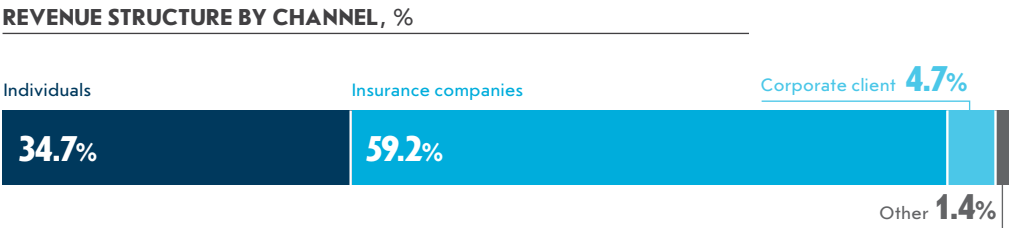
	2020	2019
Patient visits, mln	7.6	9.4
ATV, RUB thsd	2.2	1.6
Capacity utilisation, %	37	46



In 2020, there was a negative trend in the number of visits and capacity utilisation in the outpatient segment amid the COVID-19 pandemic. At the same time, capacity utilisation in hospitals increased due to the provision of services for the treatment of COVID-19.

The ATV increased in 2020 due to the growth in the share of expensive services for COVID19 diagnostics, such as computed tomography, in the outpatient segment and the high average cost of treatment for COVID-19 patients in the Otradnoye hospital.

	2020	2019	CHANGE, %
Total revenue	25,040	22,322	12.2
– Insurance companies	8,827	8,666	1.9
– OMI	5,885	6,098	–3.5
– Self-pay patients	8,710	6,369	36.8
– Legal entities	1,265	782	61.8
– Other	352	407	–13.5



Key events in 2020

Cardiovascular diseases

An open-heart surgery with the installation of a heart–lung machine was performed at Medsi's Clinical Hospital 1, which was the first such case for the Russian private healthcare sector.

Oncology

Medsi is a strategic partner of the Moscow region in the treatment of cancer patients: in 2020, Russia's first outpatient cancer care centre in a private clinic was established at a Medsi facility. More than 11,000 patients from 80 Russian regions received treatment at Medsi clinics, with 29,000 cycles of chemotherapy/immunotherapy.

Children

Medsi is the only private healthcare provider in Russia specialising in hand and spinal reconstruction in children. In 2020 more than 100 surgeries were carried out.

In the 4th quarter of 2020, 45 children successfully completed a full course of rehabilitation at the Otradnoye sanatorium. The programme is implemented within the framework of strategic cooperation with the state for the rehabilitation of children with cerebral palsy.

Other unique centres of excellence

Medsi clinics also provide reconstructive plastic surgery services after complex oncological and orthopedic surgeries, as well as treatment of connective tissue diseases, chronic viral hepatitis, chronic lung disease and enteropathy with genetically engineered biological drugs. In addition, one of Russia's most advanced neurosurgery centres was launched at the clinical hospital in Otradnoye.

Chain expansion

In 2020, Medsi continued to expand its medical floorspace by launching 4 new clinics in Moscow – 1 CDC in Maryino and 3 clinics in the Smart 500 format (small local outpatient clinics) – and by completing a deal to acquire 4 new clinics in Izhevsk in the 1st quarter. In total, the medical floorspace grew by 4.2% year-on-year, or by 4,300 sq m. In addition, Medsi's first franchise clinic was opened in Moscow in the reporting period.

In 2020, Medsi continued the construction of the Michurinsky multi-specialty medical centre in Moscow with a total area of 28,000 sq m.

Operational efficiency

In 2020, as part of the strategy to improve operational efficiency, Medsi launched a project to create a reference centre for radiology, which optimised and improved the quality of radiology services in all Medsi clinics. The company also started the construction of its own full-cycle clinical lab, which can satisfy the needs of Medsi's customers in diagnostics and provide additional opportunities for its partners. Despite the pandemic, Medsi successfully launched four new clinics, which reached positive OIBDA after 2–5 months of operation. In December 2020, Medsi's flagship asset CDC Krasnaya Presnya was successfully accredited by Joint Commission International (JCI).

Ecosystem development

In 2020, Medsi continued to develop its SmartMed platform with an aim to expand the range of digital services for patients.

In 2020, a digital personalised health monitoring system was launched on the basis of Bioniq.

During 2020, Medsi expanded its cooperation with Third Opinion, a company specialising in the use of artificial intelligence in medicine. During the pandemic, Medsi's doctors and the project's development team jointly developed software to determine the degree and localisation of lung lesions based on CT scans and a video-based system for monitoring the condition of patients in wards and intensive care units.

In September 2020, Medsi acquired an equity stake in Sistema BioTech, a biotechnology company that specialises in genetic diagnostics, predictive medicine and development of new drugs.

In December 2020, Medsi and MTS Startup Hub launched an accelerator for promising health tech projects.

Other results

In December 2020, Capital Group commissioned the residential complex Nebo ("Sky"), a project in central Moscow which the developer implements jointly with Medsi. Medsi will have a 50% share in the project's proceeds in 2020–2022, which will give the company an additional source of financing for its investment programme.

>11
thsd
cancer patients

29
thsd
cycles of
chemotherapy/
immunotherapy

>100
surgeries for the
reconstruction of the
hand and spine in
children

Strategic goals

Medsi's strategy is aimed at creating Russia's first nationwide multi-specialty healthcare provider offering a full range of medical services. This includes:

INCREASING THE MARKET SHARE IN MOSCOW AND OTHER REGIONS	VERTICAL INTEGRATION	IMPROVING OPERATING EFFICIENCY	DEVELOPMENT OF A MEDICAL ECOSYSTEM AND R&D ²
<ul style="list-style-type: none">› Opening a new 28,000 sq m multi-specialty medical centre Michurinsky› Launching a children's hospital as part CH1 in 2021› Establishing a radiation therapy centre for cancer treatment› Building an infectious diseases hospital› Opening at least 50 outpatient clinics and CDCs, including up to 25 new assets during 2021› Implementing regional projects through organic development, M&A¹ and/or partnership projects with the state› Scaling up home care, a chain of pharmacies at Medsi clinics and an online pharmacy	<ul style="list-style-type: none">› Creating a single centralised clinical diagnostic lab and a nationwide chain of medical offices› Developing reference centres for radiology, ultrasound and instrumental diagnostics› Creating referral centres of excellence based on flagship assets in all major medical areas: cardiovascular diseases, oncology, traumatology and orthopaedics, neurology, children and other› Developing medical tourism	<ul style="list-style-type: none">› Improvement of the system of referrals of outpatients to inpatient facilities› Further standardisation of business processes and increased business manageability› Business analysis of medical data› Standardisation of algorithms for the launch of new assets and the integration of acquired assets	<ul style="list-style-type: none">› Further refinement of the digital platform SmartMed and expansion of the range of telemedicine services› Introduction of biotech and genetic products into clinical practice› Development of a new segment of occupational healthcare› Implementation of a patient-centred model (P5 medicine) and expansion of the product offering in the segments of biohacking and predictive medicine

Financial performance in 2020

FINANCIAL RESULTS, RUB mln

	2020	2019	CHANGE, %
Revenue	25,041	22,322	12.2
Adj. OIBDA	6,888	5,916	16.4
Operating income	3,704	2,848	30
Adj. net income attributable to Sistema	3,464	2,920	18.6

Revenue increased by 12.2% in 2020 to RUB 25.0 bln, which was driven by a significant growth of the ATV due to COVID-19 diagnostics and treatment services, expansion of the chain of outpatient facilities in Moscow and acquisition of clinics in Izhevsk.

Adjusted OIBDA surged by 16.4% in 2020 to RUB 6.9 bln following revenue growth and due to participation in a JV with Capital Group for the construction of the Nebo residential complex at Michurinsky Prospekt. The property development project's effect on OIBDA was RUB 1.6 bln in 2020 compared to RUB 1.1 bln a year earlier.

Adjusted net income grew by 18.6% in 2020 to RUB 3.5 bln as a result of increased adjusted OIBDA.



¹ Mergers and Acquisitions.
² Research and Development.



STEPPE AGROHOLDING

92.8%
SISTEMA'S
EFFECTIVE
STAKE

Steppe AgroHolding is one of Russia's largest agricultural players possessing a diversified asset portfolio and operating over 565 thsd ha of land.

no. 6²
in Russia
in terms of farmland
area

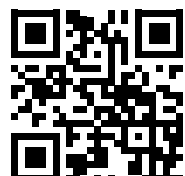
1.3
mln tonnes
collected in gross
harvest across crop
types³

6,687
milk cows

71.4
thsd tonnes
of milk produced
in 2020

¹ Further also AgroHolding.
² BEFL
³ Steppe AgroHolding plus RZ Agro.

STEPPE AGROHOLDING
//ahstep.ru



EFFECTIVE STAKE



Andrey Neduzhko
CEO



Ali Uzdenov
Chairman of the Board
of Directors

- SISTEMA PROFILE
- PERFORMANCE
- KEY ASSETS' PERFORMANCE
- CORPORATE GOVERNANCE
- SUSTAINABILITY MANAGEMENT
- ANNEXES

- MTS
- OZON
- SEGEZHA GROUP
- ETALON GROUP
- MEDSI
- STEPPE AGROHOLDING
- BINNOPHARM GROUP
- JSC BPGC
- BUSINESS NEDVIZHIMOST
- COSMOS HOTEL GROUP
- OTHER ASSETS
- FUNDS



SISTEMA PJSC

Between 2015 and 2020, the company evolved into an industrial leader and the nation’s 6th largest owner of farmland, with land assets conveniently located in export-oriented geographies in the Russian south.

Steppe AgroHolding leads the market in operating efficiency and the quality of assets in crop and dairy farming. The company’s competitive edge on the grain trading market is a combined effect of company-owned production, transshipment and logistical facilities, and an advantageous geographical location in direct proximity to major export channels.

Business model

Steppe AgroHolding is a vertically integrated business where crop farming as the core activity is complemented by logistical facilities and capabilities in grain, sugar and groceries trading. The company is also active in dairy farming and fruit growing.

JSC STEPPE AGROHOLDING



Industry overview for 2020

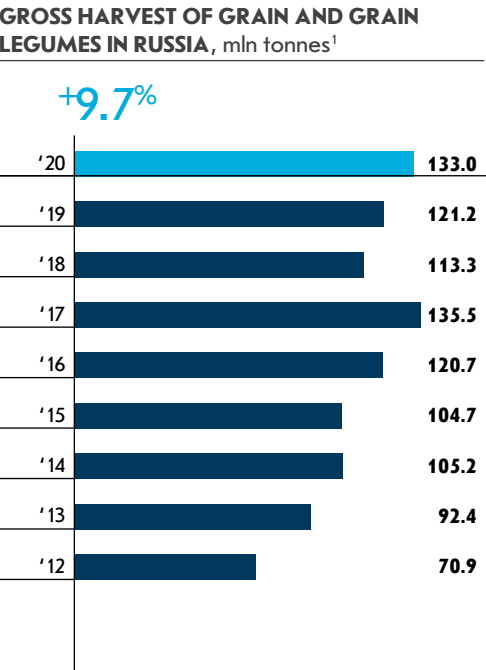
Crop farming

Russia’s gross harvest of grain and grain legumes in 2020 reached 133.0 mln tonnes, up 9.7% (11.8 mln tonnes) year-on-year, with cultivated land area up just 2.6% (from 46.7 mln ha to 47.9 mln ha).

An important development of the second half of the 2020–2021 crop year is the introduction of export quotas for wheat, barley, and corn. Designed to drive down domestic grocery prices, the restrictions are in effect from 15 February to 30 June 2021.

2020 witnessed a surge in investor appetite for M&A targets in crop farming. Strategic investors also continued buying farmland to augment and consolidate their land holdings, which, alongside other factors, fueled a further growth in land prices.

The agriculture segment proved more resilient to the COVID-19 related dislocations than many other industries.



¹ Source: RosStat

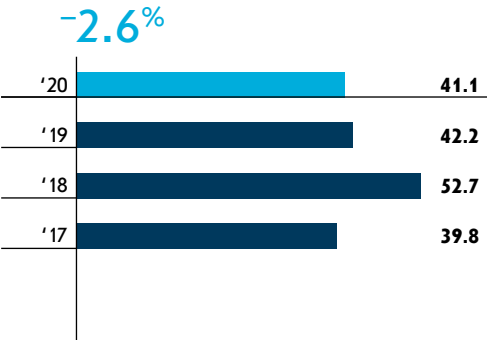
Grain trading

Exports of grain in the 2019–2020 agricultural season reached 41.1 mln tonnes, down 2.8% year-on-year. Russia remains world’s largest grain exporter, with national exports in the 2019–2020 crop year totalling 34.8 mln tonnes (Eurasian Economic Union included).

In the first half of the 2020–2021 crop year, Russia exported 33.4 mln tonnes of grain, including 28.3 mln of wheat, up 25% year-on-year.

Traditional export destinations for Russian grains are Turkey, Egypt, Iran, Bangladesh, Saudi Arabia, and other states in the Middle East and Southeast Asia.

GRAIN EXPORTS, mln tonnes



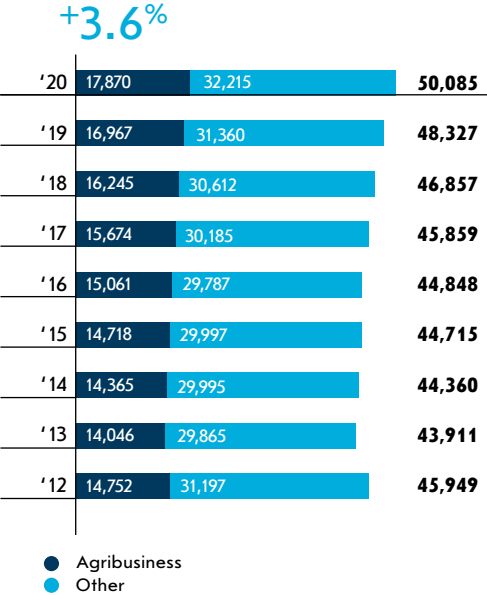
Dairy farming

Russia’s raw milk output in 2020 reached 32,215 thsd tonnes, up 2.7% (or 855 thsd tonnes) year-on-year.

Raw milk output in commercial dairy farms in 2020 went up 5.3%, to 17.9 mln tonnes. Primarily driven by the arrival of new players, the increase is only partly due to efficiency enhancements, with the average yield per farm cow remaining fairly low. 55% of Russia’s raw milk is produced at commercial farms, and 45% at private households.

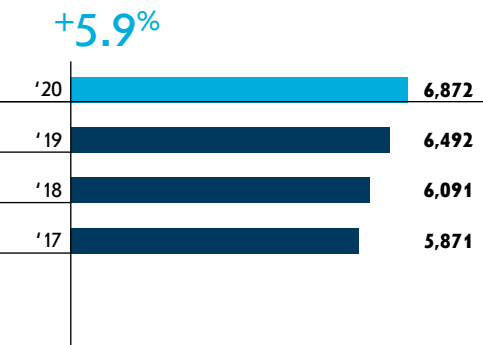
Russia’s total output of marketable milk in 2020 is estimated at 23.5 mln tonnes, or 73% of all produced milk, which creates great potential for boosting the production of high-quality milk as a raw material for the food industry.

TOTAL MILK YIELD, thsd tonnes²

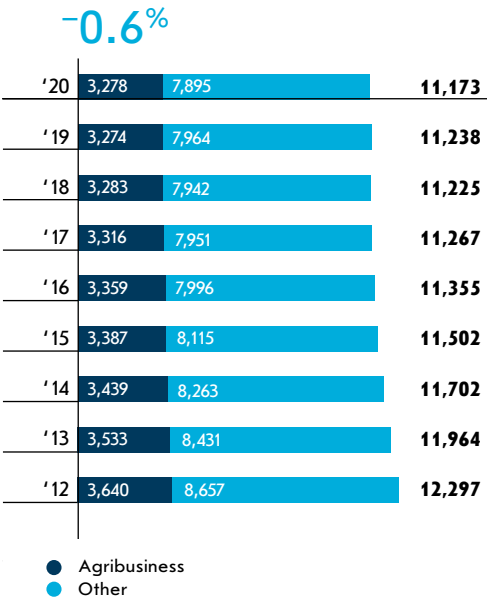


¹ Preliminary data
² RosStat

MILK YIELD PER COW
IN THE CORPORATE SECTOR¹, kg per year



LACTATING COWS IN FARMS OF ALL
CATEGORIES², thsd

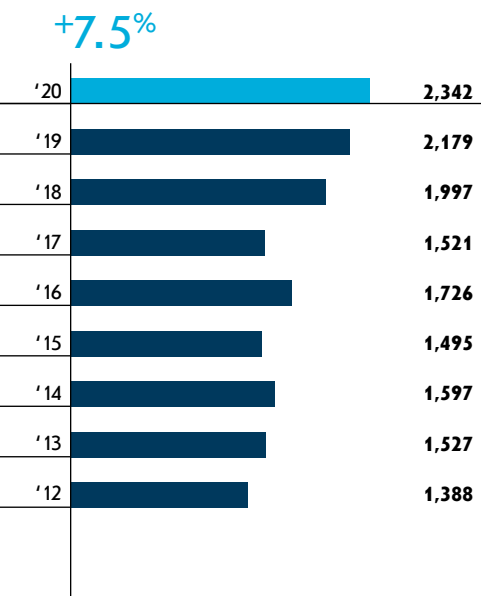


Fruit growing

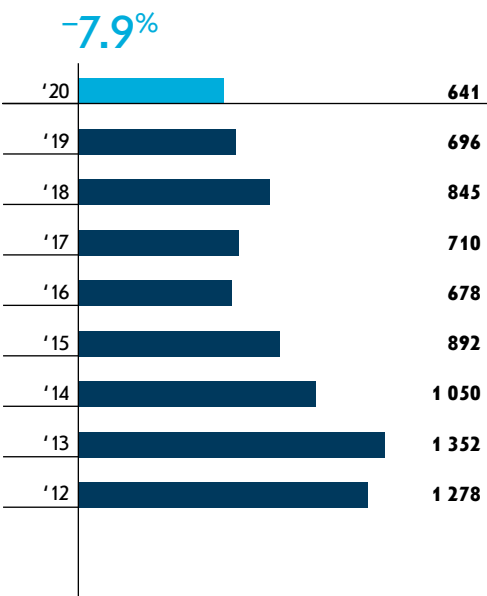
Russia's gross harvest of pomaceous fruit in 2020 is up 7.4%, to 2.3 mln tonnes, mostly due to the planting of new intensive orchards and first apple harvests being collected at orchards planted a few years earlier. The area under perennial pomaceous fruit crops is up 2,100 ha, to 231,800 ha.

Although an increase in apple production should ideally be accompanied by a proportional growth in warehousing capacities, producers of industrial refrigerators currently fail to keep up with the rates of new orchard planting. Besides, the Russian apple market remains heavily dependent on imports.

GROSS POMACEOUS FRUIT HARVEST, thsd tonnes



IMPORT OF APPLES IN RUSSIA, thsd tonnes



¹ Source: UISIS.
² Source: RosStat.

Business development in 2020

In 2020, Steppe increased its land holdings to 565 ha, becoming Russia's leader in the rate of farmland area growth. The company grew business and solidified its market position in dairy farming, grain trading, and sugar & grocery trading through a slew of initiatives including organic growth, M&A, trading intensification, and high-efficiency trading strategies.

In 2020, Steppe sold its vegetable growing assets, zeroing in on crop and dairy farming as core lines of business.

Crop farming

In 2020, Steppe increased the area of owned farmland to 565 thsd ha (up from 416 thsd ha a year earlier), having formed a new production cluster in the north of the Rostov region and acquired more land in the Stavropol region.

Despite the unseasonably harsh agro-climatic conditions of 2020, the company leveraged innovations so as to avoid harvest losses.

The main areas of developmental focus in 2020 included efficiency enhancements, innovative technology to minimise adverse weather effects, latest technical solutions (such as drones), and AI-powered data projects.

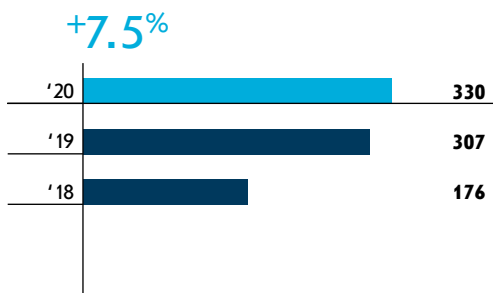
Dairy farming

Dairy farming is Steppe's second largest line of business that greatly contributes to both diversification and vertical integration.

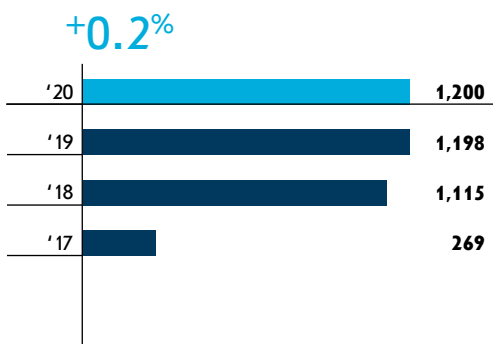
As of the end of 2020, the company had 6,587 lactating cows, up 14% (or 837 head) year-on-year. The total milk yield in 2020 was up 25% year-on-year, to 71.4 thsd tonnes, with a per-cow milk yield of 11.3 thsd kg a year.

The company further increased focus on productivity and technology advancements at dairy farms. This included the construction of a megafarm in the Krasnodar region, the future home of some 3 thsd cows scheduled for launch in the first half of 2021, and the upgrades of another megafarm in the Krasnodar region (with some 9 thsd cows) purchased in 2020.

STEPPE'S SALES OF SUGAR AND GROCERIES, thsd tonnes



STEPPE AGROHOLDING'S GRAIN EXPORTS, thsd tonnes



Development strategy

Steppe's development strategy involves a continued growth of land holdings, a further enhancement of land asset efficiency, the launch and development of new dairy farms to boost milk output, growth in sales in the grain trading segment with a view to evolving into a full-fledged international trader, and strengthening the market position in the sugar & grocery trading segment through enhanced sales (of both branded and unbranded produce).

Sugar & grocery trading

Sugar & grocery trading allows Steppe to unlock considerable synergies with the crop farming business while also ramping up the output of pre-packaged branded produce.

In 2020, sales in the segment totalled 330 thsd tonnes, up 7% (or 23 thsd tonnes) year-on-year. The aptly chosen "time arbitrage" strategy delivered a significant growth across financial performance parameters.

Grain trading & logistics

Steppe AgroHolding is among Russia's top 10 grain exporters. The company's total exports in the 2019–2020 crop year exceeded 1.1 mln tonnes, and total sales in calendar year 2020 reached 1.2 tonnes.

The company's main focus within the segment has been on enhancing operations and rolling out a high-efficiency trading strategy. Strong performance in the international trading segment combined with a GAFTA accreditation as a first-rate grain trader and partnerships with leading global traders pave the way for the evolution into a global grain trader with extended presence in the international markets.

Financial and operational performance in 2020

FINANCIAL RESULTS, RUB mln

	2020	2019	CHANGE, %
Revenue	32,824	28,487	15.2
OIBDA	9,321	4,190	122.5
Operating income	7,368	2,694	173.5
Net profit (loss) attributable to Sistema	3,909	-584	n/a
OIBDA including AGK Yuzhny ¹	9,697	4,103	136.3

¹ Management accounts.

In 2020, revenue went up 15.2%, to RUB 32.8 bln, primarily driven by crop farming and grain trading. The growth is a combined product of an efficient selling strategy and rising grain prices, along with performance enhancements in dairy farming (which in turn stem from an increase in the number of lactating cows and a growth in per-cow yield) and growing revenue from sugar & grocery trading.

The 2020 OIBDA was up 122.5% year-on-year, primarily on the back of operational enhancements at new land assets, a high-efficiency trading strategy, and a growth in selling prices, along with stepped-up performance in the international trading segment and a supply chains optimisation.

In 2020, Steppe's Capex totalled RUB 2.5 bln, mostly applied towards new machinery and vehicles, logistics infrastructure, the construction and refurbishment of dairy farms, and the acquisition of land plots for expansion purposes.

Operational performance in 2020

PRODUCTION PERFORMANCE, thsd tonnes

PARAMETER	2020	2019	CHANGE, %
Milk production	71.4	56.9	25.5
Grain trading sales	1,200.0	1,198.0	0.2
Sugar & grocery trading sales	330.0	306.7	7.6

STEPPE AGROHOLDING'S GROSS HARVEST, thsd tonnes¹

CROP	2020	2019	CHANGE, %
Wheat	647.8	707.7	-8.5
Barley	56.8	34.1	66.5
Sunflower	68.7	57.5	19.6
Peas	59.1	24.5	140.9
Corn	22.0	46.9	-53.0
Beetroot	206.8	368.5	-43.9
Other	192.0	80.9	137.5
TOTAL	1,253.4	1,320.0	-5.1

¹ RZ Agro included

32.8
RUB bln
Steppe AgroHolding'
revenue in 2020
+15,2% 2019 / 2020



BINNOPHARM GROUP

79%¹

SISTEMA'S
EFFECTIVE
STAKE

Binnopharm Group is a pharmaceutical company that includes 5 production sites. The company is engaged in development and production of drugs, sales of products and active promotion of drugs in the markets of Russia and the CIS.

>450
market authorisations
for drugs

>35
drugs registered
in 2020

EFFECTIVE STAKE
~25 %
of products made
from own ingredients

5
production
sites

¹ Effective stake in Binnopharm Group, together with VTB.

BINNOPHARM GROUP
//binnopharm.ru



Rustem Muratov
CEO



Dmitry Zubov
Chairman of the Board
of Directors

SISTEMA PROFILE
PERFORMANCE
KEY ASSETS
PERFORMANCE
CORPORATE
GOVERNANCE
SUSTAINABILITY
MANAGEMENT
ANNEXES

MTS
OZON
SEGEZHA GROUP
ETALON GROUP
MEDSI
STEPPE
AGROHOLDING
BINNOPHARM
GROUP
JSC BPGC
BUSINESS
NEDVIZHIMOST
COSMOS
HOTEL GROUP
OTHER ASSETS
FUNDS



SISTEMA PJSC

Binnopharm Group's business model



RESEARCH AND DEVELOPMENT

Binnopharm Group has a modern research and development (R&D) division, which includes five centres of competence: a centre for the development of bio products, centres for the development of solid, soft and liquid dosage forms, and a centre for the development of active pharmaceutical ingredients.

The aggregate area of the centres exceeds 1,500 sq m. They employ more than 90 highly qualified specialists with previous experience at large pharmaceutical, R&D and test labs. The Group's R&D is able to provide more than 40 new drugs in more than 45 dosage forms annually for the company's portfolio.



MANUFACTURING

Binnopharm Group consists of five production sites, which employ more than 4,300 people.

The Group's production facilities can manufacture most of the existing dosage forms with a total output of more than 450 mln units of drugs per year.

One of the Group's key advantages is in-house production of ingredients with a capacity of more than 200 t per year.

Binnopharm Group's plant in Zelenograd was the first site to start producing the Sputnik V COVID-19 vaccine.



PROMOTION

Binnopharm Group's key advantage is the combination of a diversified portfolio of drugs and an effective promotion system through media tools, contracts with pharmacy chains and pharmaceutical representatives.



PRODUCT PORTFOLIO

The Group's diversified portfolio comprises more than 450 marketing authorisations for drugs in the major medical areas: gastroenterology, cardiovascular diseases, respiratory diseases, infectious diseases, neurology, musculoskeletal disorders and dermatology. More than 100 drugs from Binnopharm Group's portfolio are included in the list of vital and essential drugs.

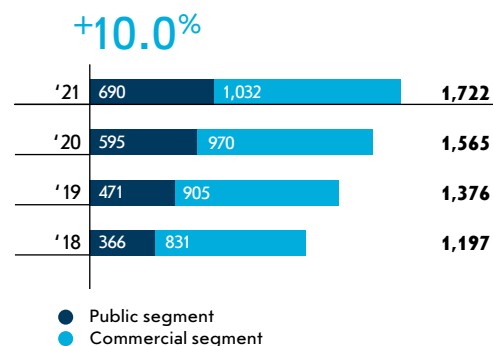
Industry overview for 2020

The Russian drug market grew 13.8% year-on-year in monetary terms in 2020. Relatively high growth was in the public segment: healthcare facilities (42.2%) and subsidised drug coverage (15.6%). The commercial segment grew 7.3% in 2020.

The COVID-19 pandemic had a significant impact on the growth of sales in monetary terms: consumers started panic-buying drugs, expecting an increase in prices amid the rouble's depreciation and a shortage of necessary drugs due to lockdown measures. On the other hand, rising drug prices, deteriorating financial situation and declining purchasing power of the population had a negative impact on the volume of sales in unit terms (-0.6% year-on-year).

The pharmaceutical market is expected to grow 10.0% in 2021,¹ mainly due to inflationary growth in the commercial segment and additional funding for cost-intensive diseases in the public segment.

DEVELOPMENT OF THE RUSSIAN PHARMACEUTICAL MARKET, RUB bln



Source: AIPharm, audit of retail and state pharmaceutical market, 2019–2020

MARKET IN MONETARY TERMS AND IN UNIT TERMS

RUB BLN	2020	2019	CHANGE, %
Public segment	595	471	26
Commercial segment	970	905	7
Total	1,565	1,376	14

MLN UNITS	2020	2019	CHANGE, %
Public segment	615	650	-5
Commercial segment	5,152	5,153	0
Total	5,767	5,803	-1

Impact of COVID-19 on the industry and the company's business:

In 2020, due to the changing macroeconomic situation and the rouble's devaluation, there was an increase in the cost of drugs with a high share of imported components. Binnopharm Group's work with its key suppliers of raw materials and optimisation of promotion and marketing costs made it possible to compensate for the growing prime cost caused by the exchange rate differences.

There was also a trend towards decreasing sales of life-improving drugs and growing demand for essential drugs in the reporting period. To meet changing demand, Binnopharm Group regularly adjusted its sales forecasts and production plans during 2020. The Group launched the production of Hydroxychloroquine, significantly increased the output of Levofloxacin and started the manufacturing of the Sputnik V vaccine.

The structure of public sector procurement also changed: demand for drugs used in routine treatment decrease in favour of drugs for COVID-19 patients.

From 1 July 2020, mandatory labelling was introduced for all medicinal products manufactured after 1 July 2020. This led to a disruption in the supply chain, as most of the market players were not ready for the practical implementation of the project, which led to a shortage of medicines in pharmacies, especially outside Moscow and St. Petersburg.

>4.3
thsd
Binnopharm
Group's employees

SISTEMA PROFILE

PERFORMANCE

KEY ASSETS
PERFORMANCE

CORPORATE
GOVERNANCE

SUSTAINABILITY
MANAGEMENT

ANNEXES

MTS

OZON

SEGEZHA GROUP

ETALON GROUP

MEDSI

STEPPE
AGROHOLDING

BINNOPHARM
GROUP

JSC BPGC

BUSINESS
NEDVIZHIMOST

COSMOS
HOTEL GROUP

OTHER ASSETS

FUNDS



¹ Source: AIPharm.

Development of the Group's business in 2020

In August 2019, Sistema, together with VTB Group, acquired a 46.5% equity stake in OJSC Sintez. In May 2020, Sistema and VTB Group increased their stake in OJSC Sintez to 56.2%.

In February 2021, Sistema and VTB Group contributed their 56.2% stake in OJSC Sintez to the equity of Binnopharm Group to create a pharmaceutical holding company. At the same time, Sistema, VTB Group and a consortium of investors consisting of the Russia-China Investment Fund and major Middle East funds contributed an 85.6% stake in JSC Alium to the equity of Binnopharm Group. As a result, the effective stake of Sistema together with VTB Group in Binnopharm Group is 79%.

In March 2021 Group acquired a 32.4% stake in Sintez from JSC National Immunobiological Company, controlled by State Corporation Rostec.

As a result of the operational integration of OJSC Sintez (includes CJSC Biocom) and JSC Alium (includes JSC Binnopharm), Binnopharm Group has become a major pharmaceutical player, ranking 5th in terms of sales in monetary terms among Russian companies in the commercial segment in 2020.

TOP DRUGS IN 2020

DRUG NAME	DESCRIPTION	GROWTH VS 2019
Leflobact/Leflox	Antibiotic	1074.0%
Ceftriaxone	Antibiotic	68.6%
Maxilac	Probiotics	10.6%
Hydroxychloroquine ¹	Antimalarial drug	n/a
Cefazolin	Antibiotic	17.3%
Ibuprofen	Anti-inflammatory drug	33.0%
Neobutine	Antispasmodic	10.5%
Rinorus	Vasoconstrictor	11.2%

Financial and operational performance in 2020

The Group's revenue increased by 30.1% in 2020, while the market grew by 13.8% over the same period.

Thanks to the control of purchase prices, including prices for imported substances, and administrative costs, as well as optimisation of sales plans in connection with changed consumer demand amid the pandemic, the Group's OIBDA grew by 38.6% year-on-year .

FINANCIAL RESULTS^{2,3}, RUB mln

INDICATOR	2020	2019	CHANGE, %
Revenue	21,372	16,432	30.1
OIBDA	5,456	3,937	38.6
Operating income	4,357	2,703	61.2
Net income	1,803	1,421	28.8

21.4

RUB bln
Binnopharm Group's
revenue in 2020
+30,1% 2019/2020

¹ Manufacturing of this drug started in 2020.

² Financial results of Binnopharm Group are presented to reflect the combination of the financial results of JSC Alium and JSC Sintez based on management accounts.

³ Financial results of Binnopharm Group are not consolidated in the financial statement of Sistema PJSC. The data shows 100% net profit

Output

The total output in units increased in line with the annual plan by 3.8%, but there was reallocation towards drugs aimed at combating COVID-19, namely injection and infusion solutions.

PRODUCTION STRUCTURE BY DOSAGE FORM, thsd units

DOSAGE FORM	2020	2019	CHANGE, %
Injection and infusion solutions	206,248	166,447	24
Tablets and capsules	113,253	116,275	-3
Other	70,743	93,236	-24
Total	390,244	375,958	4

Key focus areas and business goals for 2021–2022

The goal of Binnopharm Group is to become one of the leaders in the Russian pharmaceutical market and continue to expand its presence in foreign markets:

SALES DEVELOPMENT	ENHANCEMENT OF OPERATIONAL EFFICIENCY	IMPROVEMENT OF THE COMPANY'S INVESTMENT APPEAL
<ul style="list-style-type: none"> › Reaching revenue and EBITDA targets › Entering new sales markets 	<ul style="list-style-type: none"> › Optimising business processes › Increasing the efficiency of structural units › Growing labour productivity 	<ul style="list-style-type: none"> › Work with the main dosage forms and sales channels › Revenue growth with high margins › Creation of a business with an investor appeal and high shareholder value



BASHKIR POWER GRID COMPANY

91%

SISTEMA'S
EFFECTIVE
STAKE

Bashkir Power Grid Company (BPGC) is a major regional power grid company and a leader on the Bashkortostan power transmission market.

13.7

thsd pcs
New connections

86.8

thsd km
Length of grids

78%¹

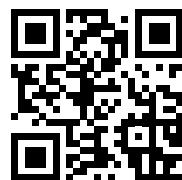
Share on power
transmission market
in the Republic
of Bashkortostan

7.9

thsd
Employees

¹ In terms of revenue.

JSC BPGC
//bashet.ru



EFFECTIVE STAKE



SISTEMA PROFILE

PERFORMANCE

KEY ASSETS
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ANNEXES



S. Gurin
CEO



D. Sharovarov
Chairman of the Board
of Directors

MTS

OZON

SEGEZHA GROUP

ETALON GROUP

MEDSI

STEPPE
AGROHOLDING

BINNOPHARM
GROUP

JSC BPGC

BUSINESS
NEDVIZHIMOST

COSMOS
HOTEL GROUP

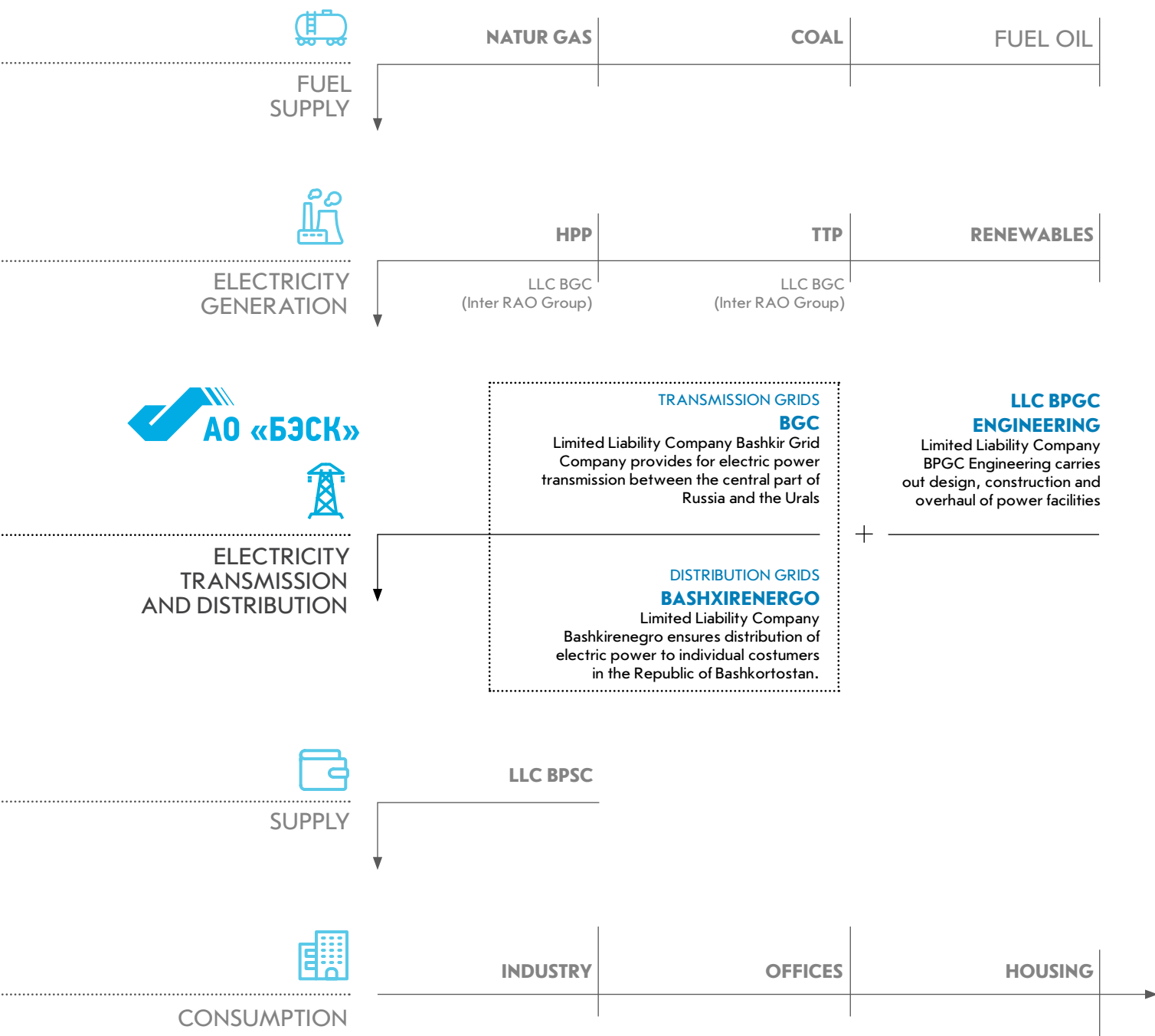
OTHER ASSETS

FUNDS



SISTEMA PJSC

BUSINESS MODEL



Industry overview for 2020

In 2020, electricity generation in Russia dropped 3% year-on-year, to 1.064 trn kWh, with consumption down 2.3%, to 1.05 trn kWh.¹ The downward trend in large part resulted from lockdown measures amid the pandemic of COVID-19 as well as the OPEC+ agreement to reduce oil production.

Regulatory measures as regards electricity pricing in 2020 are strongly indicative of the government’s commitment to containing tariff growth. Regulatory decisions passed in 2020 are consistent with this course, especially when it comes to retail rates for households. The average “common pot” tariff for electric power transmission went up 3.2% year-on-year.

Specifically in Bashkortostan, the average “common pot” tariff in 2020 was RUB 1.15 per kWh, with zero average indexation of one-part rates from July of 2020.

The user segment where electricity consumption in Bashkortostan is highest is industrial companies that usually either produce or transport hydrocarbons. The OPEC+ agreement of 2020 led to a significant reduction in oil supply figures, with Bashkortostan no exception to the trend. This caused a decline in demand for electric power from the republic’s major oil companies versus 2019 numbers.

The pandemic caused a reduction in electric power consumption, including a 0.6% decrease in electricity purchased by LLC Energy Retail Company of Bashkortostan, the region’s largest consumer of energy. The same trend was observed for many industrial, retail, service, and public catering businesses, as well as various SME operations, with the overall productive supply down 5.4%.

Based on data from main consumers in the oil industry, “common-pot” energy consumption in 2021 will shrink by another 3.5%, primarily due to OPEC+ oil production cuts.

Business development in 2020

BPGC leads the Russian electricity-grids market by operating efficiency, maintaining high quality and reliability of services despite lower average prices and unit operating costs than those of peers.

Bashkortostan’s largest grid company, BPGC is also the biggest investor in local market infrastructure. In 2020, the company’s infrastructure investment totalled RUB 3.63 bln (net of VAT), including RUB 1.64 bln applied toward new connections.

The overall supply of electricity to consumers and territorial grid operators (TGOs) in 2020 went down 7.9%, primarily driven by the OPEC+ production cuts. That said, electricity consumption in the retail (household) segment reached 2,995.5 mln kWh, up 4.6% year-on-year, due to lockdown measures and widespread remote working.

¹ Source: Russian Ministry of Energy.

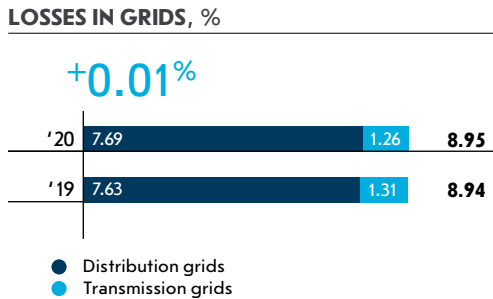
1.06
trn kWh
electricity
generation in
Russia in 2020

1.05
trn kWh
electricity
consumption
in Russia in 2020

100 %
Implementation of
Smart Grid technology
in Ufa

39 %
Share of smart meters
with automated data
collection

307.7
thsd pcs
Smart meters with
automated data
collection



As Bashkortostan exceeded its designated cross-subsidisation volume ceiling in 2020, the federal government decided to impose a freeze on certain categories of local transmission rates. This resulted in zero (0%) annual indexation of the grid maintenance component of two-part rates and of one-part rates for all voltages, while the power loss component of two-part rates was adjusted by 5.6%, effective July of 2020.

The company recorded 13,727 connections to power grids in 2020, down 16.7% year-on-year, primarily due to the overall economic slowdown that happened that year.

2020 marked the completion of the company's comprehensive project to upgrade the distribution grid infrastructure of Bashkortostan's capital Ufa with the new Smart Grid technology, an initiative first launched in 2014. The project cost the company a total of RUB 5.07 bln, of which RUB 901.18 mln was invested specifically in 2020. The project translated into a stronger quality of Ufa's grid infrastructure, an enhanced reliability of power supply, and improved energy efficiency. The extensive project involved reconstructions and automations of distribution and transformer substations, an optimisation of the entire grid structure, and installations of smart meters for better measurement accuracy. Specifically in 2020, the company refurbished 108 distribution and transformer substations and laid 27.5 km of cables. All in all, the project encompassed 513 substations, 96.5 km of cables, and 75 thsd smart meters.

Two other major projects pursued in 2020 were the construction of the 110 kV Uzyan-Baynazarovo overhead power transmission line and the 50 MVA Romanovka substation, to be commissioned in 2022 and 2021, respectively. The total investment in the two projects is budgeted at RUB 708 mln, of which RUB 156.7 mln was used in 2020.

BPGC spent 2020 working on the enhancement of operating efficiency, which involved:

- › a launch of upgrades to a 1C-powered software system for better metering and billing;
- › automation of business processes employing IT and ERP systems;
- › automation of the planning and control of capital expenditures relating to user hook-ups

In 2020, BPGC installed 22 thsd smart meters, with the total number of smart meters commissioned since the start of the programme (as of the end of 2020) reaching 307.7 thsd. This means a 39% overperformance on top of the targets determined as per the governmental programme Energy Efficiency and Development. Another 29.7 thsd meters are scheduled for installation in 2021.

In 2020, BPGC was ranked #6 among Russian grid companies providing best quality of power grid connection services. The ranking involves 60 major regional grid companies across Russia.



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SEGEZHA GROUP

ETALON GROUP

MEDSI

STEPPE AGROHOLDING

BINNOPHARM GROUP

JSC BPGC

BUSINESS NEDVIZHIMOST

COSMOS HOTEL GROUP

OTHER ASSETS

FUNDS

Operations & investment development strategy on a 2–3 years’ horizon

BPGC’s mid-term strategic plans address operating efficiency and aim to hit the following targets:

IMPROVED OPERATING EFFICIENCY	DIGITALISATION	UPSCALING THE BUSINESS
<div>› Installation of smart electricity meters</div> <div>› Reduction of technical losses through newer and more efficient technology</div>	<div>› Extensive programme to upgrade grid infrastructure through advanced digital solutions</div> <div>› Production of power grid equipment for digitalisation projects</div> <div>› Comprehensive digitalisation in technical and managerial processes</div>	<div>› Consolidation of grid assets in Bashkortostan, including ones managed by territorial grid operators</div> <div>› Signing up as manager for infrastructure projects to monetise managerial expertise and evolve into a centralised operator of heating, water supply, and water disposal assets</div> <div>› Development of non-regulated business lines, in large part relying on the expertise gained in grid assets: IT services, power facility designing, outdoor lighting, etc.</div>

Revenue is down 5.7% year-on-year, to RUB 19.7 bln, primarily driven by slumping energy consumption by Bashkortostan’s oil producers due to the OPEC+ deal as well as pandemic effects

OIBDA is down 29.4% year-on-year, to RUB 4.4 bln. Apart from shrinking revenue, the decrease in OIBDA results from a growth in operating costs through one-off dispute settlement transactions.

Net income in 2020 is RUB 1.2 bln, down 56.5% year-on-year, a direct result of the OIBDA reduction.

Capital expenditures declined by 4.9% year-on-year and stood at RUB 3.4 bln. The cost reduction is due to optimisation move aimed at the enhancement of financial performance metrics.

19.7
RUB bln
revenue in 2020

POWER LOSSES

INDICATOR	UOM	2020		2019		CHANGE YEAR-ON-YEAR 2020/2019 (p.p., %)	
		BASHKIR-ENERGO	BGC	BASHKIR-ENERGO	BGC	BASHKIR-ENERGO	BGC
Power losses	%	7.63	1.31	7.69	1.26	-0.06%	0.05%
Power losses	mln kWh	1,576	308	1,726	340	91.31	90.59
Power in	mln kWh	20,662	23,441	22,453	27,094	92.02	86.52
Power out	mln kWh	19,086	23,133	20,726	26,754	92.09	86.47

Financial and operational performance in 2020

FINANCIAL RESULTS, RUB mln

	2020	2019	CHANGE, %
Revenue	19,733	20,931	-5.7
OIBDA	4,381	6,205	-29.4
Operating income	1,574	3,537	-55.5
Net income attributable to Sistema	1,174	2,698	-56.5



BUSINESS NEDVIZHIMOST

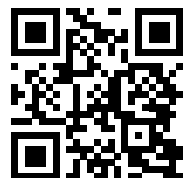
100%
SISTEMA'S
EFFECTIVE
STAKE

Business Nedvizhimost is one of the key players in Moscow's commercial real estate market, with a portfolio of more than 80 properties. The Group also operates in the market of low-rise and suburban residential properties in and around Moscow, owns a significant number of land plots and provides additional services.

305.1
thsd sq m
Total area of leased out
properties at the end
of 2020

2.147
thsd sq m
Area of land plots
at the end of 2020

BUSINESS NEDVIZHIMOST
//sistema-bn.ru



EFFECTIVE STAKE



Artemy Marinin
CEO



Sergey Egorov
Chairman of the Board
of Directors

SISTEMA PROFILE
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**BUSINESS
NEDVIZHIMOST**
COSMOS
HOTEL GROUP
OTHER ASSETS
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SISTEMA PJSC

Main focus areas:



ASSET MANAGEMENT

Asset management to increase capitalisation and liquidity of assets and to optimise the entire portfolio of owned and managed commercial real estate.



PROPERTY MANAGEMENT

Management of the Group's real estate to improve the efficiency of its use and maximise net operating income.



FACILITY MANAGEMENT

Operation and maintenance of commercial and residential real estate to ensure good condition and avoid accidents.



FLEXIBLE SPACE CHAIN TERRITORY

Ready-made serviced offices that meet today's business requirements: the ability to quickly accommodate employees without capital expenditures for repairs and furniture, flexible terms of rent and a full range of services.



UNIQUE POOL OF PROPERTIES MANAGED BY BUSINESS NEDVIZHIMOST

Mansions in central Moscow, office and commercial space, a gym, buildings located in almost every district of the city, industrial warehouse facilities, luxury villas and land plots.

Industry overview for 2020

In 2020, 224,400 sq m of office space were commissioned in Moscow, which is 42.2% less than in 2019 (388,100 sq m) but almost 70% more than in 2018 (132,700 sq m). During 2020, the commissioning of more than 300,000 sq m was postponed to 2021 due to a slowdown in business activity amid the coronavirus pandemic.

The volume of office space leased and acquired by end users in 2020 decreased by 30% year-on-year to 1.2 mln sq m, which is comparable to the drop in 2014. Despite the COVID-19 restrictions and the unstable epidemiological situation in Moscow until the end of the year, the volume of new transactions in the fourth quarter increased to the level of the first quarter: about 350,000 sq m of leased and acquired office space.

The volume of new transactions decreased in 2020 in both class A and class B, but the drop was more dramatic in class B (-36%) than in class A (-15%). As a result, the share of class A in the structure of new transactions increased from 26% in 2019 to 32% in 2020.

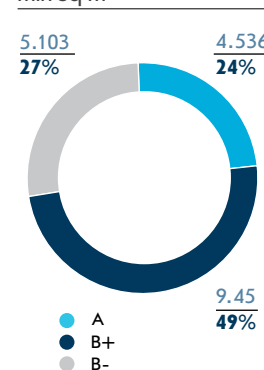
Due to the size of Moscow's office property market, commercial terms may differ significantly depending on the submarket and the class of a particular property. The weighted average asking rental rate in class A Prime at the end of 2020 was RUB 46,500 / sq m a year, up 11% YoY and 8% since the beginning of the pandemic.

The weighted average asking rental rates for class A premises (excluding class A Prime) in Moscow grew both within the Third Ring Road (TRR) (RUB 37,600 per sq m a year, up 7% since the beginning of the pandemic) and outside it (RUB 20,900 per sq m a year, up 14% since the beginning of the pandemic). The weighted average asking rental rates for class B premises slightly decreased both within the TRR (RUB 20,000 per sq m a year, down 4% since the beginning of the pandemic) and outside it (RUB 12,400 per sq m a year, down 2% since the beginning of the pandemic).

VACANCY RATE AT THE END OF 2020, %

Class A	12,6
Class B+	9
Class B-	16,7
Total	11,9

TOTAL SUPPLY, mln sq m



Source: CBRE, Colliers

During the period of lockdown from March to June 2020, Business Nedvizhimost provided lease payment deferrals and temporary lease discounts. Individually negotiated discounts were temporary and were provided to tenants in the affected industries – sports, tourism, catering, entertainment and small businesses in the service sector – until the end of the temporary suspension of operations. As of the end of 2020, such discounts were cancelled.

In August 2020, Federal Law No 269-FZ entered into force, introducing substantial changes to Federal Law No 237-FZ "On State Cadastral Valuation", including the procedure for challenging the cadastral value of real estate.

The law introduces compulsory pre-trial appeal to a state budgetary institution ("SBU") authorised to determine cadastral value in a given region of Russia, and those who disagree with its ruling can no longer ask the court to establish the cadastral value at the market level without challenging the ruling to dismiss a motion. The applicant will be required to prove that the SBU's ruling was unjustified and only then ask the court to establish the cadastral value at the market level or oblige the SBU to uphold the motion.

It is expected that more than 300,000 sq m of office space will be commissioned in 2021. Rental rates are expected to remain broadly the same, while the sublease market is expected to grow.¹ Operators of flexible spaces will be more focused on small and medium-sized businesses.¹ Large companies will be offered built-to-suit² serviced office spaces.

Business development in 2020Business highlights in 2020 in the key segments

At the end of 2020, the Group comprised over 16 legal entities with a broad pool of properties: land plots, offices, warehouses, mansions, office and retail premises, a chain of class B- and C office buildings, industrial warehouse facilities, and villa communities mainly within Moscow. The Group has properties not only in Moscow and the Moscow region, but also in St. Petersburg and Samara.

In July 2020, Expert RA rating agency assigned a credit rating of "ruA-" to Business Nedvizhimost. The outlook is stable.

In August 2020, Business Nedvizhimost placed a debut bond issue worth RUB 4 bln with duration of 4 years and a coupon rate of 7.9%.

At the end of 2019, Business Nedvizhimost launched Territory, an umbrella brand for a chain of flexible coworking spaces. Territory will be the only chain of coworking spaces with properties located not only in central Moscow, but also in densely populated residential neighbourhoods, which allows companies to choose the best location.

The first coworking space of the Territory chain was opened in November 2020 and includes over 200 workspaces, a conference hall, and eight meeting rooms.

¹ Source: Knight Frank.

² The built-to-suit format means that the work is carried out in accordance with the needs of the tenant under a contract, who signs with the owner of the property a lease agreement or an SPA for the building that suits its needs.

4
RUB bln
Volume of public
bond offering in
August 2020

149
pcs
Villas in and around
Moscow at the
end of 2020

85%
of leased properties
are commercial

ruA-
Credit rating
(Expert RA)

In 2021, it is planned to open 19 flexible office spaces within the framework of the Territory project on the basis of telephone exchange buildings acquired from MGTS, with a total portfolio of about 8,000 workspaces.

Key objectives for 2021

- › Renovation of telephone exchange buildings to create high-quality B/B- rental properties
- › Restructuring of the loan portfolio (replacing the secured line of credit with debt securities)
- › Development of the Territory brand
- › Development of the *Olympic Star* gym

Strategic goals

Business Nedvizhimost Group’s development strategy adopted in 2020 includes two focus areas:

- › Become a key player in the market of flexible spaces using the telephone exchange buildings. The chain of flexible spaces will include not only offices but also spaces for sporting and other events.
- › Remodel a number of assets in the real estate portfolio into business centres in order to upgrade their class and significantly increase rental rates.

STRUCTURE OF REAL ESTATE FOR RENT BY CATEGORIES, %



Source: CBRE, Colliers

Financial and operational performance in 2020

FINANCIAL RESULTS, RUB mln

INDICATOR	2020	2019	CHANGE, %
Revenue	6,296	7,106	-11.4
Adj. OIBDA	2,423	4,495	-46.1
Operating profit	1,904	4,015	-52.6
Adj. Net income attributable to Sistema	1,378	3,333	-58.7

The 11.4% decline in revenue in 2020 was due to the completion of the programme of sales of commercial real estate in 2019.

Adjusted OIBDA decreased by 46.1% YoY in the reporting period mainly due to the changed revenue structure with a bigger share of rental revenue, which has lower OIBDA margin. The sale of a non-core asset in the second quarter of 2019 also had an impact on OIBDA.

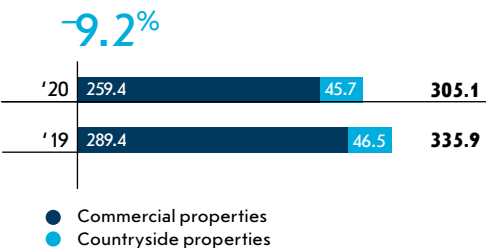
The Group’s net profit was affected by decreasing OIBDA and growing loan portfolio.

Operational performance

ASSET BREAKDOWN BY REGION, thsd sq m

INDICATOR¹	2020	2019	CHANGE, %
Area of commercial real estate in Moscow, thsd sq m	392.8	430.8	-8.8
Area of commercial real estate in St. Petersburg, thsd sq m	26.0	26.0	-
Land area (in Serebryany Bor)	179.8	191.7	-6.2
Land area (in the Moscow region)	728.9	803	-9.2
Land area (in Samara)	1,193.60	-	-
Land area (in St. Petersburg)	44.3	44.3	-
Villas for rent (Serebryany Bor, Barvikha and Trudovaya communities), thsd sq m	43.9	48	-8.5

LEASED OUT AREA², thsd sq m



¹ The table shows gross building area of the facilities (GBA), in accordance with legal documents.

² Without common area factor



COSMOS HOTEL GROUP

100%

SISTEMA'S
EFFECTIVE
STAKE

Cosmos Hotel Group is one of Russia's leading hotel management companies providing a full range of hotel development services from project consulting and preparing hotels for opening to cost cutting and increasing asset capitalisation.

4.162

Rooms
under management

850

thsd
Visitors at hotels
managed by Cosmos
Hotel Group in 2020

3.639

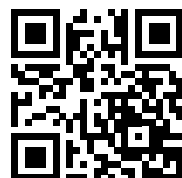
RUB
ADR¹ of hotels
managed by Cosmos
Hotel Group

18

Hotels
under management

¹ Average Daily Rate

COSMOS HOTEL GROUP
//cosmosgroup.ru



EFFECTIVE STAKE



Alexander Shvein
CEO



Leonid Monosov
Chairman of the Board
of Directors

SISTEMA PROFILE

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SISTEMA PJSC

36.6%

Average occupancy rate at the hotels of Cosmos Hotel Group

77%

of Cosmos Hotel Group's revenue is generated in Russia

Business model

The business model of Cosmos Hotel Group envisages provision of a broad range of hospitality services.

Cosmos Hotel Group specialises in professional hotel management, including implementation of service standards, introduction of quality assurance systems, recruitment, training and regular assessment of personnel, performing administrative and business operations, providing security services, setting up systems for active sales, income management and centralised procurement, as well as providing other highly skilled services in the hospitality segment.

Cosmos Hotel Group also offers a full range of value creation and management services for hotel assets, from project consulting and preparation of hotels for opening to cost-cutting and capitalisation enhancement.



Industry overview for 2020¹

The *hotel sector declined sharply* in 2020 amid a steep fall in occupancy rates due to the lockdown measures and travel restrictions caused by the spread of COVID-19 pandemic.

All business segments without any exception were hit hard by the coronavirus crisis: average RevPAR² did not exceed 40% of the 2019 levels. Moscow and St. Petersburg were among the hardest hit markets, since they are more dependent on international tourism.

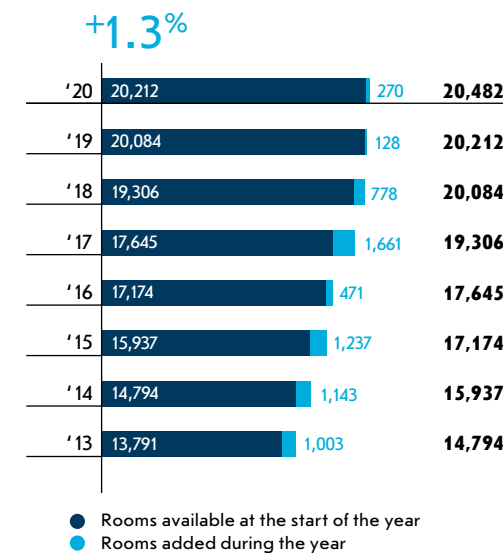
At the same time, the closure of borders and government support measures stimulated development of domestic recreational tourism in Russia. As a result, hotels in the midscale segment switched their focus to domestic customers amid a considerable fall in prices (by about 30%).

The 2020 crisis was characterised by contraction of booking windows³ (to less than one week), making it necessary to quickly respond and adapt to the fast-changing environment.

The average daily room rate of hotels in Moscow dropped by 10% in 2020 compared to 2019, stabilising at about RUB 6,600. The occupancy rate of Moscow hotels in 2020 was 37% compared to 77% a year earlier. As a result, the average weighted RevPAR fell by a record 63% to RUB 2,075. RevPar hit an all-time low during the period of the most severe lockdown measures in April and May 2020, and starting from Q3 2020 the occupancy rates began to recover.

In 2020, two new hotels were commissioned in Moscow: a 154-room Movenpick Moscow Taganskaya 5* and a 116-room Holiday Inn Express Moscow – Khimki Go Park 3*. As of the end of 2020, the total number of available quality hotel rooms in Moscow reached approximately 20,500.

CHANGES IN HOTEL CAPACITY IN MOSCOW



The hospitality industry is not expected to return to the 2019 levels before 2022–2023.¹ The hotel sector of Russia is expected to continue operating with an average occupancy rate of 59% or less and with room rates at approximately the same level as in 2020.

The strongest recovery of demand is projected in the upper midscale segment, where the average occupancy rate may go up to 46%, while more upscale hotels will be lagging behind. Although RevPAR is expected to grow in 2021, it is not likely to reach the level of 2019.

International tourists are expected to return to Russia in Q4 2021 at the earliest and most of them will opt for mid-market hotels, as opposed to luxury accommodation. Demand is expected to increase in the segment of one- or two-day tours to destinations nearest to people's permanent place of residence and work, and in the "workation" segment (combining remote working with travel).

Moreover, the share of direct bookings through "live" channels (Instagram, etc) is projected to increase, as such channels offer daily information updates and direct communication with hotel management.

In 2021, a few more hotels in the upper price segment are expected to open in Moscow: Crowne Plaza Moscow – Park Huaming, Marriott Imperial Plaza, Vertical Boutique BW Signature Collection, with a total number of rooms standing at approximately 700. Hilton Garden Inn Paveletskaya with 245 rooms will be launched in the midscale segment, and Hampton by Hilton Rogozhsky Val with 148 rooms will start operating in the economy segment.

Business development in 2020

In 2020, Cosmos Hotel Group actively developed the business segments required for making a comprehensive value proposition at all stages of interaction with the customer, with the main emphasis placed on expanding the borders of a traditional hospitality business. In the reporting period the company launched Cosmos Travel, an incoming tour operator, and Cosmos Food, a foodtech project managed in cooperation with Yandex. Food and Delivery Club.

In 2020, Cosmos Hotel Group launched a project aimed at further development of its chain of 4-star city hotels: the construction of hotels in Omsk and Segezha was started, a land plot was acquired for building a hotel at the International Sheremetyevo Airport. At the eco hotel Izumrudny Les a new 40-room hotel building was completed and commissioned, and an 8,000 sq m equestrian centre was opened.

¹ Sources: CBRE, C&W, JLL.

² Revenue Per Available Room per day.

³ Booking window is the period between the time the reservation is created by the guests and the arrival date at the hotel.

¹ Source: CBRE, C&W, JLL.

Business development strategy

The development strategy of Cosmos Hotel Group is aimed at attaining leadership in the Russian hotel sector in terms of capacity, brand strength and awareness, building a strong umbrella brand Cosmos Hotels & More that would extend beyond the traditional hospitality industry, and launching a high-tech platform for developing, managing, promoting and selling accommodation and services. Moreover, at least 12 new hotels will be launched by 2023 as part of the company's development plan.

In 2021, Cosmos Hotel Group expects its revenue and operating income to recover to the 2019 levels and its operating indicators in the Travel and Food segments to improve. Plans for 2021 include launching construction of 6 new hotels and commissioning a new hotel in Segezha.

Financial and operational performance in 2020

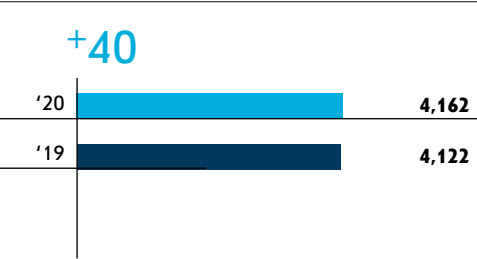
FINANCIAL RESULTS, RUB mln

	2020	2019	CHANGE, %
Revenue	2,516	5,034	-50
Adj. OIBDA	-85	1,251	n/a
Operating income	-1,893	-481	n/a
Adjusted net loss attributable to Sistema	-1,167	-238	n/a
Net debt	4,112	3,592	14.5

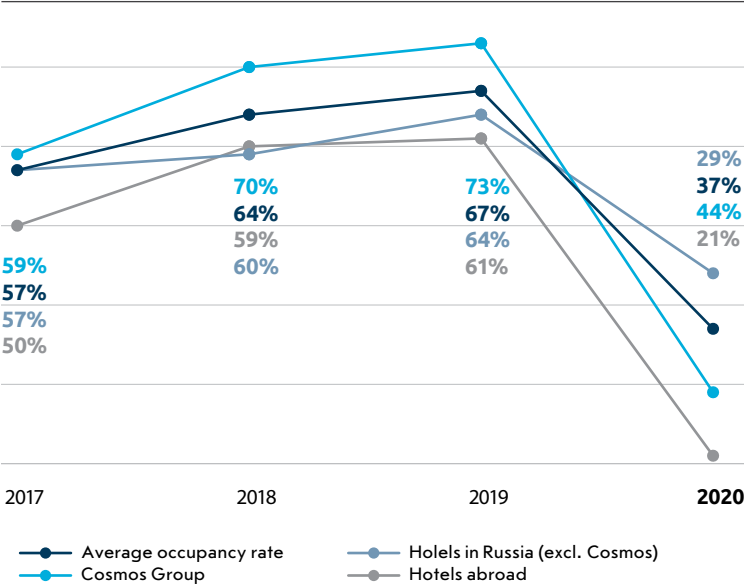
In 2020, revenue significantly decreased year-on-year due to a sharp fall in occupancy rates amid the COVID-19 pandemic. Following a decline in revenue, the company's adjusted OIBDA fell despite the fact the hotels continued to drastically cut their costs in order to minimise losses caused by the coronavirus crisis.

Operating results

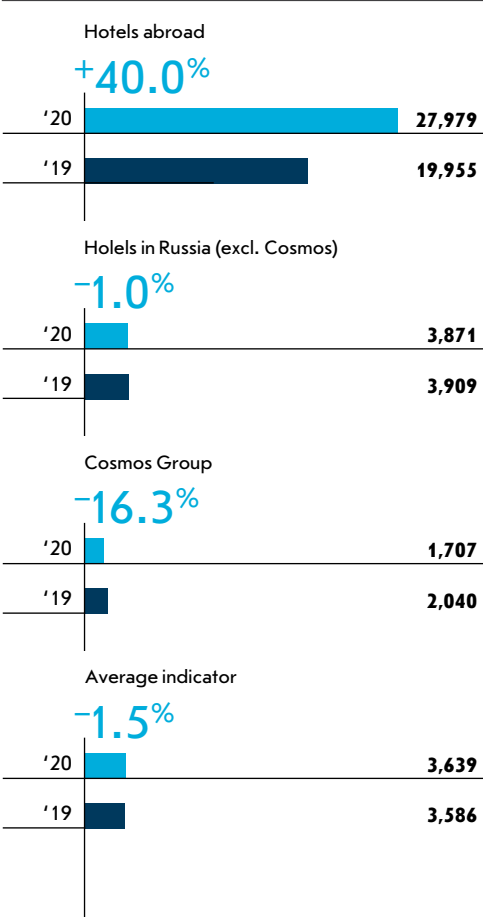
ROOMS, e



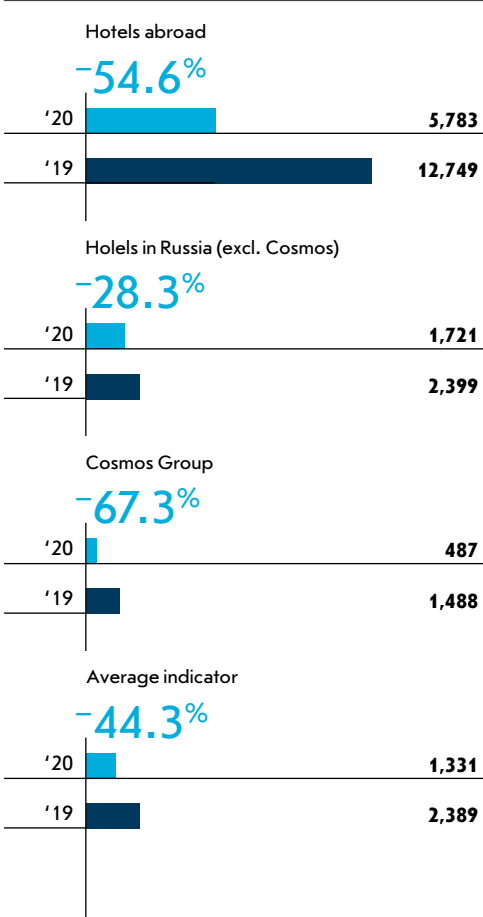
OCCUPANCY RATE, %



ADR DYNAMICS, RUB



REVPAR DYNAMICS, RUB



Average occupancy rate of Cosmos Hotel Group in 2020 stood at 36.6%, a 30 p.p. decline versus 2019.

The hotel chain's average ADR in 2020 remained at the level of 2019 and amounted to RUB 3,639, mostly due to the growth of prices at hotels abroad and the euro appreciating by 29%.

RevPAR across the chain totalled RUB 1,331 in the reporting period, which is 25.6% lower compared to 2019. This negative trend is mostly due to the deterioration of annual results of Cosmos Moscow Hotel and hotels abroad caused by the lockdown measures introduced in spring-summer 2020.

Cosmos Hotel Group's total number of available rooms was increased due to the launch of a new 40-room building at the Izumrudny Les eco hotel (in the Moscow region).



ELEMENT

49.5%

SISTEMA'S
EFFECTIVE
STAKE

Element is a leading national microelectronics developer and producer that creates technologies for digital development of business and society.

Element is comprised of the most advanced Russian enterprises operating in the field of microelectronics and hardware development, production and design. The products made by the company are supplied as input material for the manufacturing, telecom, financial and energy sectors, thus facilitating the implementation of projects aimed at development of the digital economy.

>7,000
employees

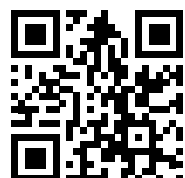
>1,000
developers

23.1
RUB bln
revenue 2020

13%
share of export
in revenue

EFFECTIVE STAKE

ELEMENT
//elementec.ru



Ilya Ivantsov
CEO

SISTEMA PROFILE

PERFORMANCE

KEY ASSETS
PERFORMANCE

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MTS

OZON

SEGEZHA GROUP

ETALON GROUP

MEDSI

STEPPE
AGROHOLDING

BINNOPHARM
GROUP

JSC BPGC

BUSINESS
NEDVIZHIMOST

COSMOS
HOTEL GROUP

OTHER ASSETS

FUNDS



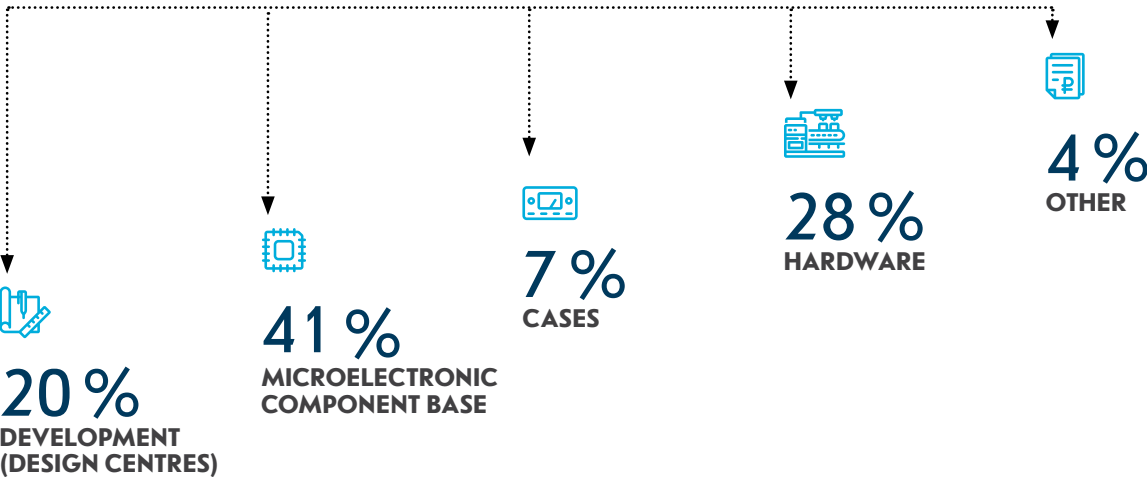
SISTEMA PJSC

Business model

The Group has seven design centres and seven large production sites, including Russia’s flagship enterprise in the segment, PJSC Mikron. The Group’s companies represent the full production cycle in the area of microelectronic component base, from fundamental research to sales of finished devices.

VALUE CHAIN OF THE INTEGRATED COMPANY

Revenue structure in 2020 by segment

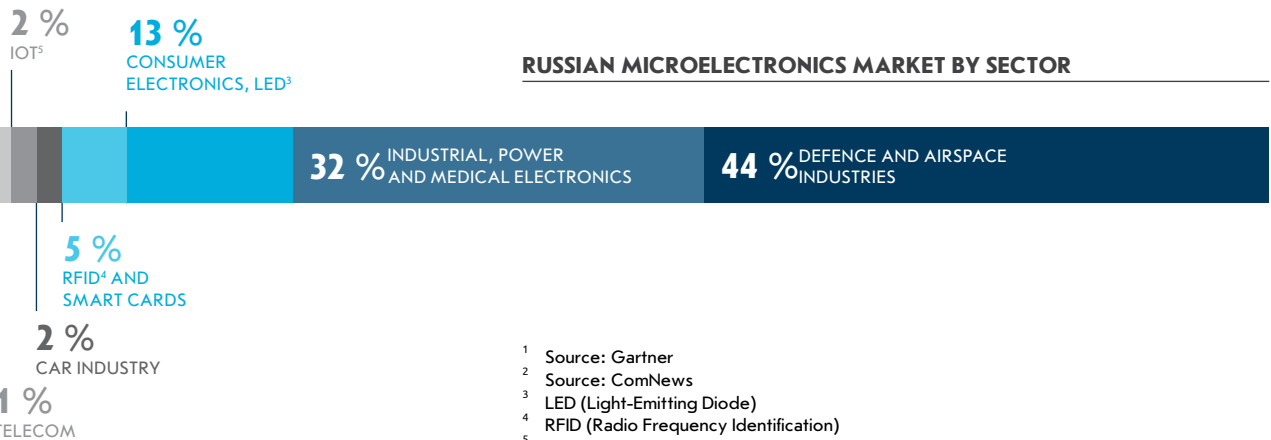


Industry overview for 2020

In 2020, the global microelectronics market saw a minor decline caused mostly by the impact of the COVID-19 pandemic on logistic chains and a lower demand for consumer electronics. The market shrank by 0.9% in 2020 to USD 415.4 bln.¹

The share of Russian manufacturers is very small, with the Russian microelectronics market accounting for just about 0.7% of the global one (RUB 149.7 bln in 2019),² and the bulk of it coming from the defence industry.

RUSSIAN MICROELECTRONICS MARKET BY SECTOR



¹ Source: Gartner
² Source: ComNews
³ LED (Light-Emitting Diode)
⁴ RFID (Radio Frequency Identification)
⁵ IoT (Internet of Things)

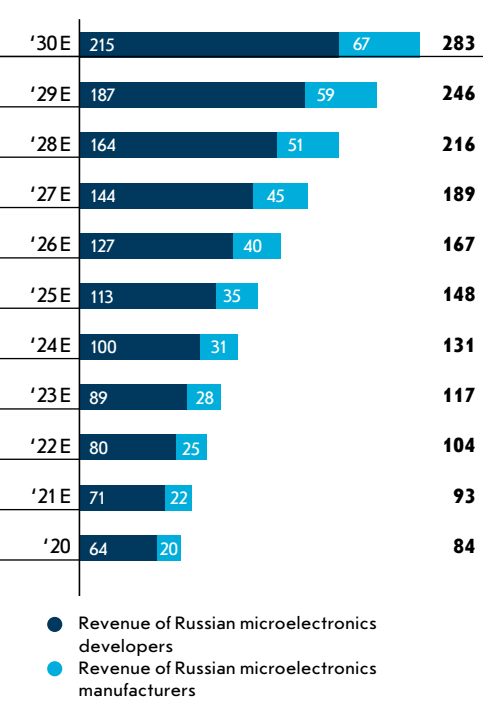
The Russian microelectronics market is dominated by foreign producers. In recent years, the share of Russian and Belarusian manufacturers remained about 15%, reaching up to 40% in the defence segment.

Domestically manufactured components for navigation, automated city management systems, monitoring systems, energy and transportation sectors are expected to appear in 2021–2025. Growth in the industry is projected to pick up in 2021–2023 following implementation of comprehensive projects¹ with government support.

In 2020, the Russian Industry and Trade Ministry approved the Development Strategy of the Russian Electronics Industry till 2030, addressing the sector’s problems. The document envisages a more than 2.5-fold increase of domestic production. The civilian electronics segment is projected to grow by RUB 940 mln to RUB 4.6 bln. According to the Ministry’s plans, the share of the domestic component base will grow from 20% to 80%. The Strategy envisages investments in the development of microelectronics in the amount of RUB 142 mln in the next two years and about RUB 266 bln till 2024.

The industry will also benefit from the government’s policy towards electronics development in Russia and digitalisation of the country’s industries and economy, including as part of the federal programme “Russia’s Digital Economy”. Constraints on the segment’s development include a reduction in the volume of state defence order.

REVENUE OF MICROELECTRONICS MARKET PARTICIPANTS IN RUSSIA, RUB bln



¹ A comprehensive project is a set of measures aimed at introduction of hardware and software systems or intelligent control systems, which includes organisation of manufacturing, R&D, software development and launch of products in the market.

Business development in 2020

Operating performance, mln items

SALES	2020	2019	CHANGE, %
Total microchips produced, incl.	2,674.1	2,201.8	21
Chip modules (passports, visas, IDs, medical insurance policies, bank cards)	10.2	13.7	-26
Chips for export (integrated circuits, Schottky diodes, TVS diodes)	2,449.0	2,016.3	21
Chips for domestic market (transport tickets, tags, defence industry, R&D, foundry)	215.0	171.8	25

Main exporter of microelectronics in Russia with revenue

3
USD bln

In 2020, the Group’s business was affected by the COVID-19 pandemic, which resulted in a lower demand from consumers. In addition, the rise in prices of precious metals used in chip production and growing FX rates led to a decrease in profit margins.

Element monitors the impact of macroeconomic factors on a continuous basis, using the following tools to reduce risks:

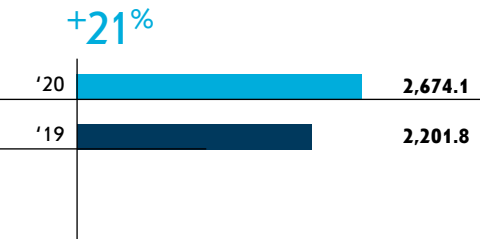
- › long-term contracts with a price formula;
- › effective procurement procedures;
- › direct contracts with manufacturers of products / suppliers of raw materials.

In 2020, Element together with the state-owned company Rostec and PJSC Rostelecom, supported by the Russian Industry and Trade Ministry, established the Telecommunication Technologies consortium, the goal of which is to create conditions for implementing the government’s strategy of imports substitution and development of domestic manufacturing or electronics, localisation of telecom equipment production and creating demand for Russian-made electronic component base.

PJSC Mikron, which is part of the Group, presented a number of new products oriented towards the market of transport and financial services in the reporting year:

- › RFID tags for city landscaping and labelling of street furniture and landscape structures
- › the Electronic Entrance system for remote management of access to municipal facilities with high visitor traffic amidst epidemiological risks
- › new generations of chips for electronic documents and labelling of technological objects

PRODUCTION DYNAMICS OF MICROCHIPS, mln items



In December 2020, Element signed a cooperation agreement with the National Research University of Electronic Technology, MIET, with view to develop the scientific, technological and production potential of the Russian microelectronics industry. The parties seek to join efforts in implementing digital projects in the fields whose digitalisation is dependent on microelectronics, such as artificial intelligence, machine-building, healthcare, transport, and power generation.

At present, Element:

- › is the leading producer of microelectronic component base in Russia by output (over 2,674 mln microchips);
- › is the main exporter of microelectronics from Russia (No 1, with a revenue of RUB 3 bln);
- › is present in all key centres of Russian microelectronics with a high HR potential;
- › has the production capacity of up to 11,000 plates (200 mm).

Strategic goals

The key strategic goals of Element Group are:

- › Growing business scale;
- › R&D development;
- › Product development at design centres;
- › Building a leading developer and producer of smart and computing devices using domestic component base and breakthrough technologies;
- › Entering the market of promising civilian products, including the Internet of Things, hardware and software systems, data storage systems, etc.;
- › Participation in such comprehensive projects as digital identification and labelling, telecom equipment, digitalisation of the energy sector and equipment for automated process control systems, etc.;
- › Becoming a leading actor in the Development Strategy of the Russian Electronics Market.

- SISTEMA PROFILE
- PERFORMANCE
- KEY ASSETS' PERFORMANCE
- CORPORATE GOVERNANCE
- SUSTAINABILITY MANAGEMENT
- ANNEXES

- MTS
- OZON
- SEGEZHA GROUP
- ETALON GROUP
- MEDSI
- STEPPE AGROHOLDING
- BINNOPHARM GROUP
- JSC BPGC
- BUSINESS NEDVIZHIMOST
- COSMOS HOTEL GROUP
- OTHER ASSETS
- FUNDS

CONCEPT
GROUP.

CONCEPT GROUP

43%

SISTEMA'S
EFFECTIVE
STAKE

Concept Group is one of the leading
fashion retailers in Russia.

263¹
outlets

37%
of revenue made
online

52.2
thsd sq m
total floorspace

>100
cities
present in

CONCEPT GROUP
//conceptgroup.ru



EFFECTIVE STAKE

¹ As of 31 December 2020.



SISTEMA PROFILE

PERFORMANCE

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MANAGEMENT

ANNEXES



Anna Grigorenko¹
CEO



Leonid Petukhov²
Chairman of the Board of
Directors

MTS

OZON

SEGEZHA GROUP

ETALON GROUP

MEDSI

STEPPE
AGROHOLDING

BINNOPHARM
GROUP

JSC BPGC

BUSINESS
NEDVIZHIMOST

COSMOS
HOTEL GROUP

OTHER ASSETS

FUNDS



SISTEMA PJSC

¹ As of 31 December 2020,
Natalia Privalova.

² As of 31 December 2020,
Artyom Sirazutdinov.

Business model

Concept Group’s portfolio comprises the brands Acoola (children’s clothes and accessories), Concept Club (women’s clothes and accessories), and Infinity Lingerie (lingerie). The business is based on a multi-brand and multi-channel model that provides for a wide diversification of revenue. A significant part of the revenue comes from the company’s nationwide retail and franchise chain that comprises over 260 stores. Concept Group is growing increasingly strong in e-commerce, which involves an extensive programme of upgrades of the webstore pages aimed to boost traffic and attract new customers. The share of e-commerce (webstores + marketplaces)

in the total 2020 revenue is up 20 p.p. year-on-year, to 37%. Production is distributed among major garment factories of China and Bangladesh.

As of the end of 2020, the chain comprised 263 outlets across 100 cities, including 209 owned stores and 54 franchise outlets (of which 6 were outside of Russia: in Belarus, Latvia, and Armenia).

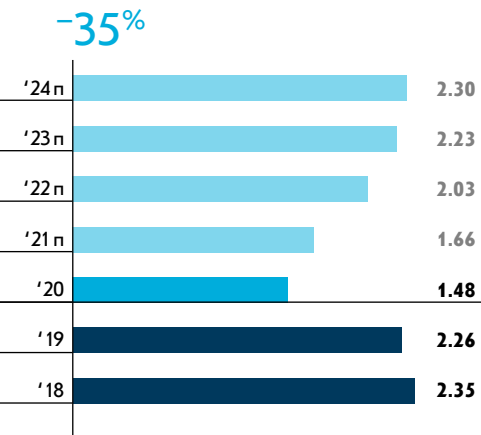
FORMAT	TOTAL	OWNED STORES	FRANCHISING
Acoola	229	178	51
Concept Club	11	8	
C&A (Concept Club + Acoola)	23	23	3
Total	263	209	54

Industry overview for 2020

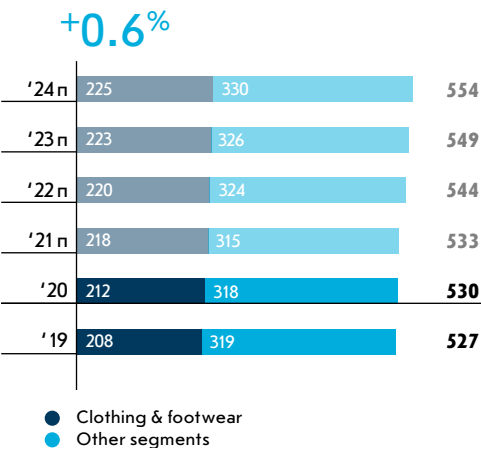
- › In 2020, the Russian market of clothing, footwear and accessories dropped 25.3%, to RUB 1.7 trn, primarily due to a negative effect of the pandemic and a downturn in household income¹.
- › In 2020, e-commerce in Russia went up 11%, to RUB 245.2 bln, and experts are predicting even faster growth rates in 2021 (37%, to RUB 335.2 bln).² By 2020, the market will likely exceed RUB 1 trn.
- › The childrenswear market in 2020 went up some 1%, to RUB 212 bln.²
- ›

245.2
RUB bln
e-commerce turnover
in Russia in 2020

RUSSIAN FASHION MARKET, RUB trn



RUSSIAN CHILDRENSWEAR MARKET, RUB bln



Source: Fashion Consulting Group

¹ Source: Fashion Consulting Group
² Source: Russia Target Groups Index by Ipsos Comcon.

Business development in 2020

Despite a broad market crisis and a significant drop in revenue, the company’s management moved quickly to cut costs and earn a positive EBITDA in 2020 with no additional shareholder funding involved, while also negotiating procurement terms so as to free up enough cash to meet current liabilities.

Operating & investment development strategy

Among the strategy’s main KPIs is the establishment of a strong and recognisable brand of affordable fashionable clothing, which, among other things, specifically requires evolving as an e-commerce player. The investment programme targets growth at pre-crisis rates, predicated on a demand recovery in 2021.

Targets for 2021



Gain a stronger position in the womens- and childrenswear markets through an enhanced recognition of all brands (Acoola, Concept Group, and Infinity Lingerie) among the target audience;



Increase the share of revenue coming from e-commerce channels and attract customers to the Concept Club webstore;



Achieve a revival in demand at Concept Group/franchise outlets through intensified marketing activity;



Improve operating efficiency through better lease & procurement terms, a more effective product mix, and further automation of business processes.



EAST-WEST UNITED BANK S.A.

European bank providing asset management services for individuals and transactional banking services for businesses with a focus on Russian clients.

100%
SISTEMA'S EFFECTIVE STAKE

155
EUR mln
Capital

697
EUR mln
Total assets

965
EUR mln
Assets under management

5.1
EUR mln
Fee revenue

EFFECTIVE STAKE

East-West United Bank (EWUB) is a bank in Luxembourg that serves both private and corporate clients. In private banking, it helps HNWI save and grow wealth by sound capital management. Services for corporate clients range from transactional banking to treasure and credit products that help clients in managing their day-to-day operations.

EWUB is also represented on the German market of bank deposits. The platform East-West Direkt serves some 5,000 owners of deposit accounts across Germany and has the highest customer service rating on Test.de, an independent consumer-rights platform.

The Bank spent 2020 enhancing customer service in both private and corporate segments as per the strategy approved in 2018, which prioritises investing in digital infrastructure to upgrade customer experience and broaden operating capacity.

2020 saw the launch of EWUB's trade finance business line, where raw-materials traders are offered service bundles comprising loans, payment & cash management, and currency transactions.

The Bank's pipeline of products now under development comprises a raft of consultancy and loan products for private banking.

Also launched in 2020, a far-reaching programme of infrastructure upgrades will deliver a still further enhancement of customer experience and productivity.



Key market trends

Luxembourg is the European centre for private banking that has recently been demonstrating a significant growth in assets under management. Despite a temporary pandemic-driven downturn in 2020, the upward AuM trend is expected to continue on the back of a global economic recovery and inflows of foreign capital.



Sergey Pchelintsev
CEO

Business development strategy

Being domiciled in Luxembourg, a European "capital" for finance and private banking, along with offering a broad product portfolio and a superior customer experience, EWUB is clearly well-positioned to further grow clientele in the years to come. By increasingly extending services to Russian clients (both private and corporate), the Bank aims to grow assets under management and boost transactional banking volumes.



Jeannot Krecké
Chairman of the Board of Directors

101 mln
Employees
(annual average)



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JSC BPGC

BUSINESS NEDVIZHIMOST

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SISTEMA PJSC



SISTEMA VENTURE CAPITAL

Sistema_VC is a venture capital fund investing in growth-stage high-tech companies capable of transforming conservative industries with tech solutions or creating new market niches.

Investment focus

90%
SISTEMA'S
EFFECTIVE
STAKE

10
RUB bln
Target fund
size

95%
Invested

2016
Year
established

25-
30%
Target IRR

EFFECTIVE STAKE



DEEP TECH PROJECTS

- › Projects using AI-based computer vision solutions for face and object recognition tasks in cybersecurity, agriculture, construction, real estate and other industries
- › Projects using machine learning to process data and improve the efficiency of data use
- › Projects with data transmission and processing technologies (SDN, NFV and SQL GPU Database)



PROJECTS IN THE SEGMENTS OF EDUCATION, E-COMMERCE AND C2C SERVICES
PRIORITY INVESTMENT STAGES:
LATE SEED, SERIES A, B



Industry overview for 2020

Europe

VC funding to European startups in 2020 totalled USD 40 bln,¹ down 4% from 2019. The slight decrease was in response to the pandemic in the first half of the year. However, the funding pace picked up in the third quarter and the fourth quarter of 2020 became the strongest quarter over the past two years with VC funding totalling USD 11.8 bln. Venture capital raised by European startups represented 13% of global funding in 2020.

Russia

In 2020, VC investments in the Russian market amounted to USD 702.9 mln,² down 19% year-on-year. However, the number of transactions increased by 14.2% year-on-year, to 281. Due to the high risks and difficult-to-predict consequences of the pandemic, many investors decided to minimise the risks in the first half of 2020 and postponed transactions until the second half of the year.

The market was characterised by consolidation in 2020: as part of the reform of development institutions announced by the Russian Government, six development institutions, including the Skolkovo Innovation Centre, were transferred to VEB.RF, and the Russian Venture Company was transferred to RDIF. This consolidation may result in decreased competition and pace of development. Today, the Russian market has a limited number of private funds and corporations interested in buying startups.

Business development in 2020

During the year, Sistema_VC was focused on supporting its current portfolio, with several companies (TraceAir, NFWare, MEL Science, KisanHub, SQream and Connecterra) successfully raising additional funding totalling USD 75 mln. New partners in these rounds included XTX Ventures, Soffline Venture Partners, Russia-China Venture Fund, Mubadala Investment Company, Low Carbon Investment Fund 2, Mangrove Capital Partners, Schusterman Family Investments, Pymwymic, etc.

In 2020, one of the portfolio companies, Ozon Holdings PLC, had a successful IPO. Ozon's proceeds totalled approximately USD 1.25 bln.

¹ Source: Crunchbase.
² Source: Dsight.



Dmitry Filatov
CEO



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Exit from Observe Technologies

In February 2021, one of the assets was monetised: Sistema_VC sold its stake in the British startup Observe Technologies (a developer of computer vision solutions for fish farms) to a strategic investor, AKVA Group (Norway). The deal was successfully closed with an IRR of 51%. Observe Technologies uses AI to give insights to optimise costs on fish farms: from feeding to health. The company's clients already include farms in Canada, the UK and Chile.

Overview of the fund's assets




VISIONLABS

Face and object recognition solutions for the commercial sector

- › Leader of the international industry competition NIST FRVT (Face Recognition Vendor Test)
- › Organiser of the annual international conference on computer vision and machine learning Machines Can See with the participation of researchers from the labs of Google, Facebook, Yandex, INRIA, Intel, etc

Partners:
Sberbank, Yandex.Taxi, Tinkoff Bank, Pochta Bank, Moscow Traffic Control Centre, Huawei




SEGMENTO

A platform that uses machine learning technologies to target digital advertising

- › The most accurate targeting because of combination of online and offline data
- › One of the largest programmatic advertising platforms in Russia
 - Coverage of 200 mln user profiles
 - Audience of 71 mln mobile devices
- › Unique position in the market due to access to data of MTS and Sberbank
- › Since 2019, the company has been profitable in terms of net income

Partners:
Sberbank, MTS, Lukoil, Toyota, Huawei, Acer, IVI, HP, Kaspersky



YODO

Marketplace of domestic and business services

- › YouDo actively participates in the formation of a culture of the self-employed in Russia
- › Operating indicators:
 - over 1.5 mln contractors
 - over 1 mln reviews on the quality of services

Partners:
Ozon, IKEA, HH.ru



MEL SCIENCE

Science experiments and VR lessons for kids

- › MEL Science kits are used by families and schools in 40 countries
- › The bulk of the company's sales come from the US
- › The EdTech Cool Tool Award for the best VR/AR solution of 2020

Partners:
Yandex, TMT Investments, Channel 4 Ventures, Mubadala Investment Company, Russia-China Venture Fund



SQREAM

Ultra-fast processing of large data sets for business insights

- › The company's solutions are used in telecommunications, finance, healthcare, etc
- › The Big Data Excellence Award for achievements in cancer research

Partners:
Alibaba Group, Nvidia, Lenovo, Amazon Web Services




FIVE AI

A platform for the development and testing of tech solutions for self-driving cars

- › The company participated in the UK government-backed project StreetWise with one of the most complex testing environments for self-driving vehicles on Europe's public roads

Partners:
Lakestar, Notion, Trustbridge, Kindred, Amadeus Capital Partners




CONNECTERRA

AI assistant for farmers and analytics for the dairy industry

- › Increasing productivity and product quality by reducing the use of antibiotics
- › Growth in annual farm profits by an average of EUR 30,000

Partners:
Danone, Monsanto-Bayer, Rabobank



SENSAT

Digital twins of infrastructure facilities

- › Precise solutions based on data from multiple sources, not assumptions or personal experience
- › The company's core product is Mapp, a cloud-based platform. Sensat operates on a SaaS model, with customers paying to interact with digital copies using Mapp
- › In 2020, Sensat founder James Dean made it to the Telegraph's prestigious Tech Hot 100 list of successful founders of British tech companies

Partners:
Tencent, Heathrow, Murphy, National Grid, Highways England




NFWARE

Solutions that help companies build networks with the flexibility and scalability that they need to be ready for 5G, the IoT and the future of the digital world.

- › Winner of the Network Transformation Award, the main award in network technologies

Partners:
Intel, Mail.ru Group, Telefonica, Lenovo, Hewlett Packard



TRACEAIR

Construction automation powered by drone data

- › TraceAir technology helped Sibur save more than RUB 1.3 bln in three years at four sites

Partners:
Engeo, Independent construction, Fivepoint, Lennar, Sibur, Morton, Norilsk Nickel



SISTEMA CAPITAL PARTNERS GROUP

The SCP Group (SCP) is a leading niche investment firm targeting scalable, asset-heavy opportunities in Europe.

49%
SISTEMA'S
EFFECTIVE
STAKE

Industrial focus:
**Asset-heavy
opportunities**

Geography:
Europe

3-5
years
Investment cycle

>15%
Target IRR

2
EUR bln
Assets under
management

EFFECTIVE STAKE



SCP GROUP
//thescpgroup.com

Current portfolio

Company overview

SCP focuses on building market-leading operating platforms, which own and manage asset portfolios. SCP has an established presence in London, Frankfurt and Luxembourg with a team of 20 highly experienced professionals and deep network of origination.

Since 2015, SCP has successfully developed three investment platforms focussed on the retail and real estate sectors; divestments thus far have achieved average returns of 20%+. As of the end 2020 GAV of assets under administration was around EUR 2 bln.

Key current projects

x+bricks

Development of real estate operating company aggregating food-anchored assets in Germany. Grew from EUR 100 mln seed equity to EUR 1 bln platform since launch in 2018.



Business development in 2020

In 2020, SCP raised EUR 476 mln in partnership capital from institutional and large private investors to complete acquisition of retail company Real and develop portfolio of x+bricks.

The gross value of assets involved in completed transactions amounted to EUR 1.7 bln as of 31 December 2020.

1.7
EUR bln
Gross value of
assets involved
in completed
transactions at the
end of 2020

Real

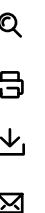
Restructuring of a large, distressed food retailer in Germany. Value optimisation through strategic property and store sales.



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MEDSI
STEPPE
AGROHOLDING
BINNOPHARM
GROUP
JSC BPGC
BUSINESS
NEDVIZHIMOST
COSMOS
HOTEL GROUP
OTHER ASSETS

FUNDS



SISTEMA PJSCF



SISTEMA ASIA FUND

Sistema Asia Fund (SAF) is Sistema's venture fund which invests in high-tech companies in India and Southeast Asia.

83%
SISTEMA'S
EFFECTIVE
STAKE

2015
Year Founded

Geography:
India, South
East Asia

Life
8 years
mandatory,
2 years
optional

3x
Cash on Cash
Target returns

Target funding
rounds:
A-C.

EFFECTIVE STAKE



INDUSTRY FOCUS

CONSUMER TECH

(E-commerce, healthcare, transport, media, finance and education)

- › ENTERPRISE TECH
- › SaaS



INVESTMENT CRITERIA

1. A proven business model and/or loyal audience;
2. Solutions specific to the Indian market;
3. Startup founders heavily involved in business management;
4. Co-investors.



Overview of venture capital market in India

VC ecosystem was vibrant in India in 2020, with a lot of young companies, especially in the digital space supported by tailwinds of consumer behaviour in the new normal. Spaces like education tech, online delivery, SaaS and remote medicine burgeoned because of needs of home-bound consumers across the country. The year witnessed over USD 10 bln of VC investments across 800+ deals in the start-up space. VC/PE space in India continues to get deeper and more attractive with over 40 new funds raising USD 8.4 bln as dry powder for the next few years.

PE/VCs in India have seen increased IPOs as a way of exit in 2020 and we expect the trend to continue with more companies going for IPO. The year saw an increased addition of companies joining the unicorn club (11 new in 2020 vs 9 in 2019).

>800
venture deals in
India in 2020

>10
USD bln
volume of venture
investments in India
in 2020



SISTEMA PROFILE

PERFORMANCE

KEY ASSETS
PERFORMANCE

CORPORATE
GOVERNANCE

SUSTAINABILITY
MANAGEMENT

ANNEXES

MTS

OZON

SEGEZHA GROUP

ETALON GROUP

MEDSI

STEPPE
AGROHOLDING

BINNOPHARM
GROUP

JSC BPGC

BUSINESS
NEDVIZHIMOST

COSMOS
HOTEL GROUP

OTHER ASSETS

FUNDS



SISTEMA PJSC

Business model

SAF invests in companies at various growth stages in the markets of India and Southeast Asia. SAF is focused on investments in high-tech companies that operate in the sector of technology products and services and also invests in other types of businesses and consumer brands that use technologies as their key competitive advantage and operate in India and/or have significant presence in the Indian market.

828
USD mln
Rebel Foods valuation

6 times
valuation of Infra.
Market increased
since the moment
of investment

Sistema Asia Fund Portfolio

SAF’s sector-diversified approach balanced the portfolio performance in the face of Covid-19, bringing Fund out as net-beneficiary in the pandemic year. Companies like Licious saw an unprecedented lift in business as online grocery ordering became an essential need of consumers. SaaS businesses like Uniphore witnessed a significant growth due to process automation and AI being adopted by businesses worldwide. Indian government’s push towards infrastructure investment in India is proving to be extremely beneficial for SAF’s B2B construction marketplace portfolio company Infra.Market. Portfolio companies in the lending space like Lendingkart and Kissht experienced headwinds caused by repayment moratorium, borrower hardships and illiquidity of funds from the various capital sources they draw on. From Q4 2020, fin-tech space has started getting back to pre-pandemic levels with some tweaks to the business model and credit framework. As we enter 2021, SAF expects Deep-Tech & B2B platforms to be dominant themes, while on the consumer front, D2C¹ brands are garnering increased investor attention and activity.

Key milestones in 2020 and H1 2021

In June 2020, SAF realized its second monetization event by selling a stake in Netmeds, one of the major e-pharmacy players in the Indian market. The exit was part of an M&A deal where Reliance Retail Ventures (part of Reliance Industries Limited, India’s largest company by market cap) marked its entry into the Indian e-pharmacy space by acquiring Netmeds.

In July 2020, SAF portfolio company Rebel Foods completed an E2 round of funding with Coatue Management LLC at a USD 828 Million valuation in June 2020. In November 2020, SAF completed a primary investment in Infra.Market, India’s leading infrastructure and construction materials marketplace. SAF coinvested with leading global investors including tiger Global and Accel.

In February 2021, Infra. Market completed a Series D round of funding from Tiger Global and others at a Unicorn valuation. The valuation of the company has already grown 6X since SAF’s investment in November 2020.

¹ Direct to consumer marketing.

Strategic Direction

SAF targets completion of primary deployment of Fund 1 2021 and launch of Fund 2 . With a targeted first close of the next fund in 2–3 quarters of fund-raising effort, the team plans to re-initiate fresh deployment with a medium term target of a 3-year primary deployment cycle. The focus of fund 2 raise

would be building a scalable and high quality LP base to become long-term partners of the SAF franchise. In the meantime, the team is also building a harvesting strategy for fund 1 to systematically monetize the portfolio balancing risk and upside, towards a full exit within the fund timelines.

Key portfolio companies



UNIPHORE

Uniphore was founded in 2008 and aims to bridge the communication gap between man and machine using voice and speech. The company develops and sells software solutions for conversational analytics, conversational assistance and conversational security. With over 80% of it’s revenues from North America and another 18% from Asia Pacific, the company is one of very few Indian SaaS companies that have achieved global scale.



REBEL FOODS

Rebel foods is India’s largest full stack food on demand company operating 300 cloud kitchens and 9 food brands therefore creating over 2700 virtual restaurants. The company adopts its unique food preparation technology in their kitchens that allows them to offer a highly standardized experience across locations. This process has helped the company create perhaps the largest cloud kitchen operation in the world.



LICIOUS

Licious is a brand operating in the meat and meat products-selling business in a market where over 90% of players represent disorganized retail with poor quality and low sanitary standards. The company manages the entire value creation chain, from sourcing to processing and delivery to customers, using uninterrupted cold chain.



INFRA.MARKET

Infra.Market is a construction marketplace which provides a one stop procurement solution to construction companies. The company is solving various issues like lack of price transparency, quality, fragmented vendor base, inefficient logistics and delivery in a highly unorganized market.



SISTEMA CAPITAL

Sistema Capital is a professional securities market participant that has been providing asset management services since 2001.

70%
SISTEMA'S
EFFECTIVE
STAKE

175.5
RUB bln
Assets under
management

122
RUB bln
Net income

30%
MTS's effective
stake

A++
Rating
(Expert RA)

>70%
Share of customers
from the market
in AUM

EFFECTIVE STAKE

Market overview

The most significant event for stock markets in 2020 was the coronavirus pandemic. It seriously changed the behaviour of some market segments: a sharp fall of the securities market was followed by a strong growth amidst monetary incentives created by the world's leading economies and the growing number of private investors. The bond markets were influenced by easing of the fiscal policy of central banks, which brought yields to all-time lows.

Business development in 2020

Thanks to the management's efficient work to attract new customers from the market, assets under Sistema Capital's management grew by 84% in 2020, from RUB 95.4 bln at the end of 2019 to RUB 175.5 bln at the end of 2020.

The mutual investment fund Sistema Capital – High Technology managed by Sistema Capital was ranked among leading funds investing in high-tech by returns in 2020, according to the list compiled by Investfunds website. Its dollar-denominated returns totalled 63.2%.

Sistema Capital's bond funds held high positions by yield among open bond mutual investment funds with net asset value exceeding RUB 50 mln.

In 2020, the Expert RA rating agency confirmed its rating of Sistema Capital at A++ (the highest level of reliability and service quality of a management company). The outlook is stable.

In the reporting period, Sistema Capital began offering a new financial tool for its customers – closed mutual investment funds, which represent a quality alternative to open funds in terms of investment in non-traded instruments, such as real estate.



Igor Busarov
CEO

Strategic goals

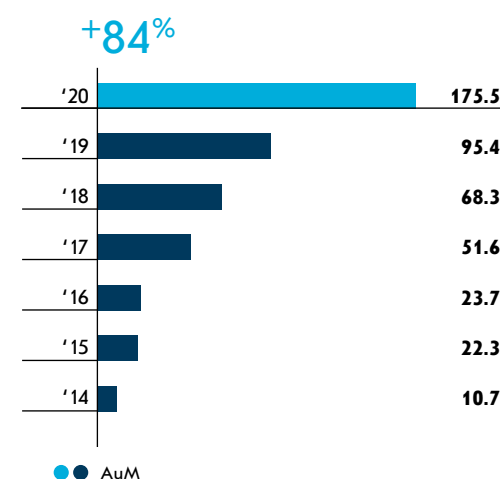
Sistema Capital's strategic goal is to develop as a leading asset management company oriented towards private and institutional investors (retail customers, HNWI and non-government pension funds) while continuing as a manager of Sistema Group's liquidity and the vehicle for investment of Sistema's funds in marketable securities with varied risk levels.

no.12
for AUM as of
31 December 2020
(Expert RA)

RETURNS OF MUTUAL INVESTMENT FUNDS MANAGED BY SISTEMA CAPITAL, % p.a.

	2020	2019
Savings	8.0	15.3
FX Savings	7.4	10.0
Reserve	7.4	12.6
Reserve. Foreign currency	4.5	9.4
Russian stocks	9.1	28.4
High technology	63.2	19.8
Biotechnology	25.5	–
IT+, exchange-traded mutual fund	68.0	–

ASSETS UNDER MANAGEMENT, RUB bln



~25
thsd
Number of retail
applications

GOVERNANCE

C O R P O R A T E

- SISTEMA PROFILE
- PERFORMANCE
- KEY ASSETS' PERFORMANCE

- SUSTAINABILITY MANAGEMENT
- ANNEXES

Corporate governance system

Corporate governance principles

As an investment company, Sistema believes that high-quality corporate governance and information transparency are important elements of its strategy. Sistema aims to meet the best international standards of corporate governance and transparency and improves its corporate governance practices on an ongoing basis through timely implementation of required changes and high effectiveness of managerial decision-making.

Sistema's corporate governance principles

- clear and effective procedures for taking investment decisions;
- reasonable transparency of management processes for investors and partners;
- a dividend policy that takes due account of both the reasonable expectations of investors and Sistema's financial resources;
- professionalism of the Board of Directors and its active involvement in strategic planning and the management and oversight of business processes;
- special focus of the Board of Directors on related-party transactions and potential conflicts of interest.

Guided by these principles in all of its activities, including strategic and financial management, HR and social policy, preparation of financial statements, control and audit, and risk management, the Corporation builds a stronger foundation for its investment case.

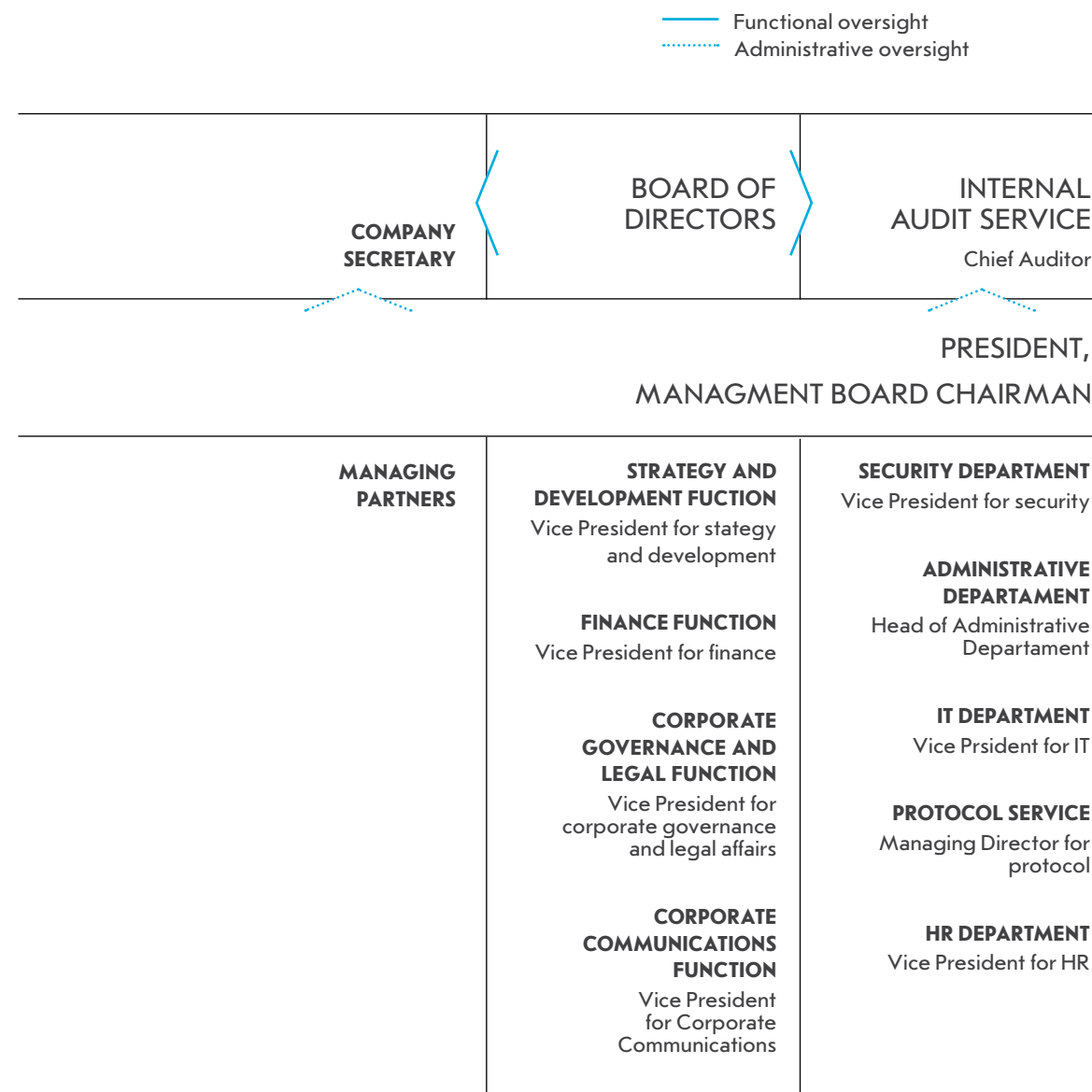
In its corporate governance practices Sistema abides by applicable legislation, the Listing Rules of Moscow Exchange, the recommendations of the Russian Corporate Governance Code¹ and the guidelines set out in the UK Corporate Governance Code.² In accordance with Russian legislation and best international practices, the Corporation's Charter and internal regulations define its corporate governance principles and procedures, as well as the composition, procedures and powers of its governance and control bodies. The Corporate Governance and Ethics Code of Sistema sets out the additional commitments of the Corporation, its top management and employees in terms of social responsibility, transparency and ethical business principles.

In accordance with its Charter, Sistema's corporate governance bodies are:

- the General Meeting of shareholders;
- the Board of Directors;
- the President;
- the Management Board.

Sistema's corporate governance structure

as of 31 December 2020



General Meeting of shareholders

The General Meeting of shareholders is the supreme governing body of the Corporation. The activities and powers of the Annual General Meeting of shareholders (hereinafter, "AGM") are governed by the laws of the Russian Federation, the provisions of Sistema's Charter and the Terms of Reference of the General Meeting of shareholders. The Corporation seeks to create the most favourable conditions for its shareholders enabling them to participate in the General Meeting.

¹. The text of the Corporate Governance Code recommended by the letter of the Bank of Russia No 06-52/2463 dated 10 April 2014 is available at: <https://www.cbr.ru/publ/Vestnik/ves140418040.pdf>
The conformity of Sistema's corporate governance practices with the standards set out in the Corporate Governance Code of Russia is analysed in Annex 6 to this report. If Sistema's corporate governance practices diverge from the standards recommended in the above documents, the Corporation provides an explanation of how it ensures that the balance of interests envisaged in applicable corporate governance standards is observed.

². The text of the UK Corporate Governance Code is available at: <https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf>

Observance of shareholders' rights

Proposing agenda items for the General Meeting of shareholders and nominating candidates to the Corporation's governance bodies

Shareholders who own at least 2% of the Corporation's voting shares are entitled to propose items for the agenda of the General Meeting of shareholders and nominate candidates to the Corporation's governance and control bodies. Such proposals should be submitted to the Corporation no later than 100 days after the end of the reporting year, in accordance with the Terms of Reference of the General Meeting of shareholders and other internal regulations of the Corporation.¹ Candidates nominated by shareholders to the governance and control bodies of the Corporation are provisionally reviewed by the Nomination, Remuneration and Corporate Governance Committee of the Board of Directors.

Participation in General Meetings of shareholders and voting on agenda items

Sistema aims to ensure maximum protection of the right of shareholders to take part in the governance of the Corporation by participating in the General Meetings of shareholders, voting on agenda items and receiving income in the form of dividends.

To ensure that shareholders can exercise their right to take part in the General Meeting, the Corporation is actively using electronic means of communication. All materials relating to the General Meeting's agenda items are published on the Corporation's website in Russian and in English (www.sistema.ru/www.sistema.com) at least 30 days before the date of the meeting and are then sent to nominee shareholders in electronic form².

Sistema's shareholders may use the e-voting system available on the website of the Corporation's registrar, JSC Reyestr. To use this service, shareholders should contact the office of JSC Reyestr for access to their personal shareholder accounts on the registrar's website. If a shareholder has a personal account on the e-government portal, they may get access to the service without applying to the registrar.

More detailed information on the procedure for connecting to the e-voting service is available on the website of the Corporation's registrar <http://www.aoreestr.ru/shareholders/e-voting>.

Each shareholder is also entitled to vote on agenda items either in person or through a representative (if the General Meeting is held as an in-person meeting of shareholders). The shareholders whose title to the shares is recorded in the shareholder register may complete ballot papers and send them to Sistema by mail ahead of the General Meeting.

¹. If an extraordinary General Meeting of shareholders is conducted and its agenda contains an item on the election of the Board of Directors, shareholders who own a sufficient number of shares are also entitled to nominate candidates to the Board of Directors. Such proposals should be submitted to the Corporation no later than 30 days prior to such General Meeting.
². The notice of the General Meeting of shareholders and ballots are also sent by mail to shareholders whose rights to the shares of the Corporation are recorded in the shareholder register.

The holders of Sistema's global depositary receipts (GDRs) may vote on General Meeting agenda items by a proxy vote in line with the established procedure via a depositary bank servicing Sistema's GDR programme. In 2020, Sistema's depositary bank was Citibank, N.A.

For more information on the depositary bank and voting procedures please go the bank's website <https://depositaryreceipts.citi.com/>.

The votes of the GDR holders registered with the depositary are collected by the depositary bank via clearing systems and are included in the general ballot along with information about the number of votes cast for and against the proposed draft resolutions, as well as abstentions.

The results of voting on the agenda items of General Meetings of shareholders held as in-person meetings are announced before the meeting is closed. After the minutes of the meeting are drafted, shareholders may also view the voting results on the Corporation's website.

Dividends

The Corporation announces the amount of dividends recommended by the Board of Directors and the record date in advance. Shareholders are thus able to take informed decisions with respect to disposing of their shares.

The Board of Directors of Sistema PJSC recommended that the General Meeting of shareholders approve the total amount of dividends payable for 2019 as equal to RUB 1,254,500,000.00, i.e. RUB 0.13 per share.

1,254.5
mln RUB
dividends payable
(RUB 0.13 per share)

Information about General Meetings of shareholders in 2020

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Date	27 June 2020
Form of the meeting	Absentee voting
Items reviewed and decisions taken	› Annual report and financial statements for FY 2019 were approved; › Dividends for 2019 were distributed in the amount of RUB 1,254,500,000, or RUB 0.13 per ordinary share (RUB 2.60 per GDR); › The Board of Directors was elected; › Auditors were appointed for RAS and IFRS audits for 2020.
Attended	Shareholders that together hold 75.8% of votes
Date and reference number of the minutes	2 July 2020, No 1–20

In 2020, a new law was passed in Russia allowing joint-stock companies to conduct their annual general meetings of shareholders in the form of absentee voting. In addition to absentee voting, the Corporation organised a live stream of the meeting, in the course of which the management presented the company's results for 2019 and took questions from the shareholders.

Board of Directors

The Board of Directors is a collective governance body in charge of the oversight and strategic management of the Corporation.

Under Sistema's Charter, the responsibilities of the Board of Directors include:

- › Supervising the operations of the Corporation in general;
- › Formulating strategic and financial development plans;
- › Determining investment principles and criteria;
- › Assessing management's performance;
- › Defining corporate governance principles;
- › Approving transactions and strategic projects in accordance with applicable legislation and the Corporation's internal regulations.

Composition of the Board

The Board of Directors effective as of 31 December 2020 was elected at the AGM held on 27 June 2020. Independent directors account for 50% of the Board of Directors.

MEMBERSHIP OF SISTEMA'S BOARD OF DIRECTORS
AS OF 31 DECEMBER 2020¹



Vladimir Evtushenkov
BOARD CHAIRMAN²



Anna Belova³
DEPUTY CHAIR OF THE BOARD
IN 2020



Andrey Dubovskov⁴
DEPUTY CHAIR OF THE BOARD
FROM 18 APRIL 2020



Felix Evtushenkov



Ron Sommer



Robert Kocharyan^{5, 5}



Roger Munnings^{3, 6}



Vladimir Chirakhov



Anatoly Chubais³



Mikhail Shamolin

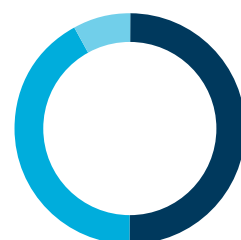


Etienne Schneider³



David Iakobachvili^{3, 7}

The Board of Directors has 12 members.



- Independent Directors** 50%
 - Anna Belova
 - Robert Kocharyan
 - Roger Munnings
 - Anatoly Chubais
 - Etienne Schneider
 - David Iakobachvili
- Non-executive directors** 42%
 - Vladimir Evtushenkov
 - Felix Evtushenkov
 - Mikhail Shamolin
 - Ron Sommer
 - Andrey Dubovskov
- Executive Director** 8%
 - Vladimir Chirakhov

Changes in the membership of the Board of Directors

Compared to the corporate year 2019–2020, the number of Board members was increased from 11 to 12, and S. Boev and J. Krecké quitted the Board. Among the new members elected to the Board of Directors at the General Meeting of shareholders on 27 June 2020 were the President of the Corporation V. Chirakhov and independent directors A. Chubais and E. Schneider.

Meetings of the Board of Directors

Sistema's Board meetings are held on a regular basis in accordance with the approved annual work plan of the Board of Directors, which is made based on Sistema's strategic planning and reporting cycle.

In 2020, the Board of Directors held 12 meetings: 7 scheduled in-person meetings and 5 unscheduled meetings held in the form of absentee voting. The Board of Directors reviewed a total of 68 agenda items in 2020.

12 members
of the Board of
Directors

12 meetings
of the Board held in
2020

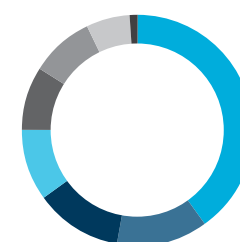
68 agenda
items
reviewed by the Board
in 2020

	2020	2019
Number of in-person meetings	7	8
Number of absentee votes	5	5
Number of items in accordance with the Board's work plan	40	37
Actual number of items reviewed by the Board	68	74

Over the reporting period the Board of Directors considered the following key items:

- › Sistema's development strategy.
- › Sistema's action plan for tackling the coronavirus pandemic.
- › Sistema Group's strategic planning cycle.
- › Investment policy, strategy of Sistema's investment funds and priority areas for investment in 2020–2021.
- › New investment projects.
 - Managing and creating value for Sistema's investments in the following areas:
 - Telecommunication and digital assets;
 - E-commerce and retail assets;
 - Agricultural assets;
 - Timber processing and pulp and paper assets;
 - Banking assets;
 - High-tech assets;
 - Development and construction assets;
 - Healthcare assets;
 - Hotel assets.
- › Sistema's results and performance against budget.
- › Budget planning, approval of the consolidated budget of Sistema PJSC and management's KPIs for 2020–2021.
- › Management of the Corporation's risks.
- › Activities of the internal audit department.
- › HR matters and employee incentive systems.
- › Assessment of the quality of corporate governance.
- › Corporate Social Responsibility.
- › Mandatory corporate procedures, including calling the General Meeting and developing the work plan of the Board of Directors.
- › Composition of Board Committees and determining the status of Board members.
- › Approval of transactions, including the acquisition of equity stakes.

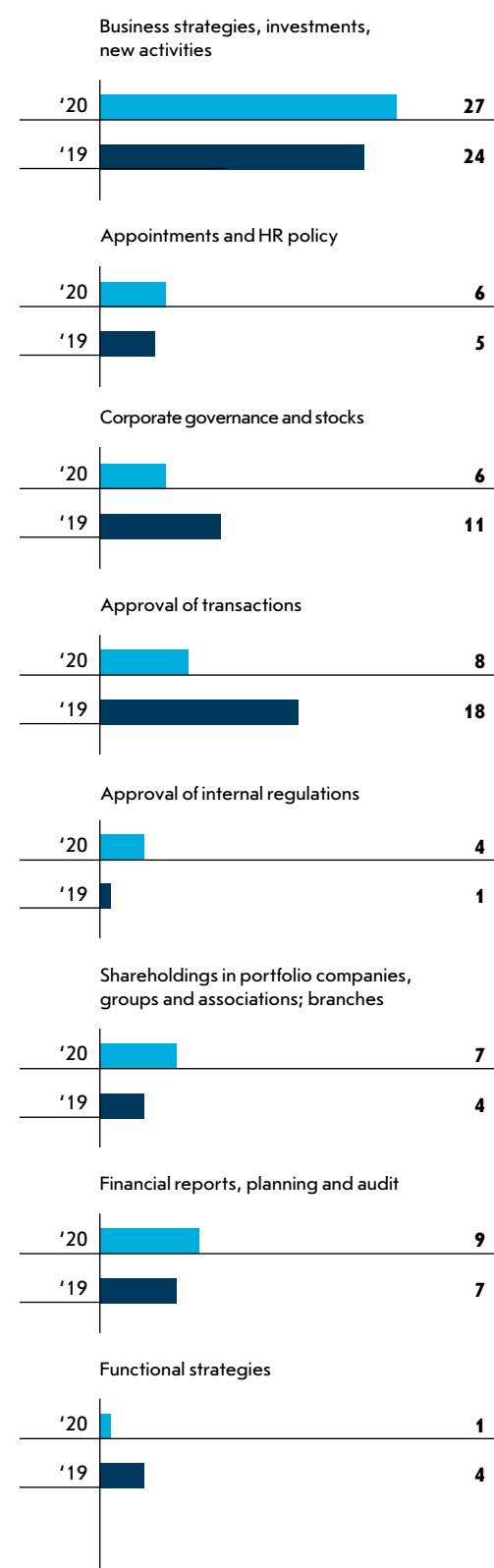
ITEMS REVIEWED BY THE BOARD OF DIRECTORS IN 2020, %



- Business strategies, investments, new activities 40
- Financial reports, planning and audit 13
- Approval of transactions 12
- Shareholdings in portfolio companies, groups and associations; branches 10
- Appointments and HR policy 9
- Corporate governance and stocks 9
- Approval of internal regulations 6
- Functional strategies 1

- Short biographies of the members and information about their shareholdings in Sistema PJSC are available in [Annex 1](#).
- The Chairman and Deputy Chairs of the Board of Directors were elected at the first Board meeting on 27 June 2020 (which was held after the AGM).
- Independent Director.
- After the reporting period, on 18 April 2020, A. Dubovskov was also elected Deputy Chair of the Board of Directors.
- In line with Moscow Exchange listing rules, R. Kocharyan was deemed independent by Sistema. Information pertaining to the decision is available on Sistema's website.
- In line with Moscow Exchange listing rules, R. Munnings was deemed independent by Sistema. Information pertaining to the decision is available on Sistema's website.
- In line with Moscow Exchange listing rules, D. Iakobachvili was deemed independent by Sistema. Information pertaining to the decision is available on Sistema's website.
- After the end of the reporting period, from 19 April 2020, A. Dubovskov became non-executive director due to termination of his powers as the President of the Corporation.

DISTRIBUTION OF ISSUES CONSIDERED BY THE BOARD OF DIRECTORS IN 2019 AND 2020, by topics



96.5%
the average quorum of meetings

Most of the items reviewed by the Board of Directors in 2020 were related to the Corporation's business strategy and management of its portfolio of investments in various industries, financial planning and approval of transactions (including shareholdings in companies). The number of items concerning corporate governance and functional strategies decreased after these aspects were integrated into reports on business strategies.

Preparation for meetings and quorum of the Board of Directors

The existing procedures of preparation for Board meetings are designed to ensure the best use of the experience and expertise of Board members. Materials on the agenda items are published on the Board's electronic portal at least 10 days before the meeting, which gives members sufficient time to form an informed opinion on all agenda items. Most agenda items (including the approval of transactions) undergo a mandatory preliminary review at meetings of the Board's Committees.

The Corporation practices in-depth analysis and preliminary review of materials relating to key items of the agenda involving thorough discussions between Board members and management. This makes it possible to increase the involvement of the Board members in the development of the Corporation's strategy.

Meetings of Sistema's Board of Directors usually have a high attendance rate: the average quorum of meetings in 2020 was 96.5%.

PARTICIPATION OF SISTEMA BOARD MEMBERS IN MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES IN 2020

	Board of Directors	Strategy Committee	Audit, Finance and Risk Committee	Nomination, Remuneration and Corporate Governance Committee	Ethics and Control Committee	Investor Relations and Dividend Policy Committee
	Attendance ¹					
V. Evtushenkov	12/12	4/4				
A. Belova	12/12	3/4	17/17	9/9	6/6	8/8
S. Boev ²	5/5				3/3	
A. Dubovskov	12/12	3/4		4/5	2/3	
F. Evtushenkov	12/12	3/4				
R. Sommer	12/12	4/4	17/17	9/9		4/4
R. Kocharyan	8/12	4/4	2/9	6/9	2/3	
J. Krecké ²	5/5		9/9		3/3	4/4
R. Munnings	12/12		17/17	9/9	3/3	8/8
V. Chirakhov ³	7/7	4/4			3/3	
A. Chubais ³	7/7					
M. Shamolin	11/12	3/4			1/3	
E. Schneider ³	7/7		8/8			4/4
D. Iakobachvili	12/12	4/4	8/8	9/9		4/4

¹ The first number shows the number of meetings attended by the Board member, the second number is the total number of meetings.

² Member of Sistema's Board of Directors until 27 June 2020.

³ Member of Sistema's Board of Directors from 27 June 2020.

Assessment of the work of the Board of Directors and its committees

The assessment of the Board of Directors' performance is an important mechanism for maintaining and improving Board effectiveness. It aims to identify strengths and areas of improvement in Sistema's Board governance, and suggests changes and adjustments. Holding externally facilitated assessments from time to time is a global best practice that is also recommended by the Russian Corporate Governance Code. Sistema has endorsed this practice since 2017, when the first external evaluation of its Board was conducted. In keeping with recommendations of the Corporate Governance Code, the second external evaluation was scheduled for spring 2020 but was postponed to spring 2021 due to the coronavirus pandemic. The assessment was carried out by a consortium of two highly-reputed global firms: Nestor Advisors Ltd., a London-based advisory firm that specialises exclusively in corporate governance, and EY, one of the world's leading professional services organizations with significant presence in the Russian market.

The assessment covered the following areas of the Board's work:

- › Key responsibilities, including strategic direction, oversight of company's performance, strategic HR issues, internal control and risk management;
- › Board relationship with management and quality of information flows;
- › Board profile, composition and director nomination practices;
- › Board functioning and dynamics;
- › Role of the Chairman;
- › Board Committee structure and functioning;
- › Board processes and support; and
- › Board Committee effectiveness.

The goal of the assessment was to:

- › Enhance the effectiveness of the Board by identifying possible improvements in its structure, processes, functioning, dynamics, and capacity to constructively challenge management;
- › Develop shared views among Board members on how the Board can better contribute to Sistema's performance;
- › Strengthen confidence in Sistema's approach to corporate governance among shareholders and key stakeholders;
- › Assist Sistema in maintaining "best in class corporate governance", including compliance with the Russian Corporate Governance Code and alignment with international best practices in the area of board effectiveness; and
- › Track progress vis-à-vis the previous 2017 Sistema Board evaluation.

The assessment was conducted on the basis of an extensive questionnaire and follow up interviews with board members and several members of senior management reporting to the Board. Its main findings can be summed up as follows:

1. Sistema has a hard-working Board with developed governance processes and practices at Board and Committee level;
2. Board members are very senior with significant decision-making and strategic experience and commensurate reputational weight. They are capable of complementing the Chairman's long-standing leadership;
3. Going forward, the Board might want to focus more on long-term portfolio strategies. It should also consider a more independent composition profile in line with comparable investment companies worldwide and continue focusing its attention on the quality of the board leadership of its significant investees; and
4. To this effect, succession planning at every level and its oversight by the Board could become more systematic.

The external assessment provided a set of recommendations for specific improvement in these and other areas whose implementation Sistema is currently exploring.

Committees of the Board of Directors

Sistema has five committees of the Board of Directors:

- › Strategy Committee;
- › Audit, Finance and Risk Committee;
- › Nomination, Remuneration and Corporate Governance Committee;
- › Ethics and Control Committee;
- › Investor Relations and Dividend Policy Committee.

The main role of the Committees is to assist the Board in the preparation and adoption of decisions in specific functional areas, as well as to ensure prior in-depth scrutiny of matters put forward for the Board’s consideration.

The status, procedures for nominating members, responsibilities and decision-making procedures of the Board’s Committees are regulated by the Terms of Reference of the relevant committees as approved by the Board of Directors and published on the Corporation’s website in the Corporate Documents section <http://www.sistema.ru/o-kompanii/korporativnoe-upravlenie/korporativnye-dokumenty/>.

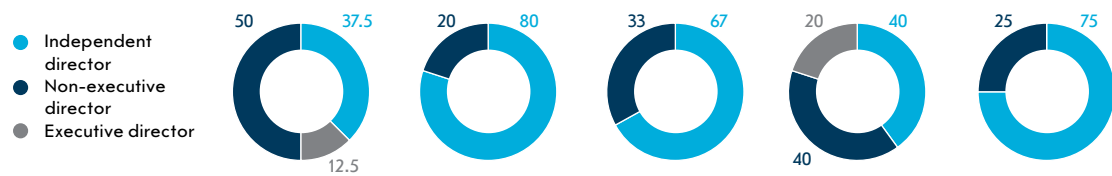
FUNCTIONS OF THE BOARD COMMITTEES

NAME OF THE COMMITTEE	FUNCTIONS OF THE COMMITTEE
STRATEGY COMMITTEE	<ul style="list-style-type: none"> › Analysing the strategic management issues of Sistema Group; › Reviewing the strategy planning methodology; › Reviewing M&A transactions with a value exceeding USD 100 M; › Reviewing Sistema Group’s investment projects requiring an entry into new geographies or industries and projects with significant state ownership.
AUDIT, FINANCE AND RISK COMMITTEE	<ul style="list-style-type: none"> › Facilitating and supervising the processes of preparing and auditing the Company’s financial statements; › Assessing the quality of audit services based on the audit of Sistema’s financial statements and making preliminary recommendations to the Board of Directors with respect to the selection of RAS and IFRS auditors; › Assessing the risk management system and ensuring compliance with applicable legal requirements in financial reporting, audit and planning; › Performing a provisional appraisal of transactions submitted to the Board of Directors; › Budgeting and financial modelling.
NOMINATION, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	<ul style="list-style-type: none"> › Facilitating the development of an effective corporate governance system meeting international standards at the Corporation and its portfolio companies; › Conducting a preliminary review of candidates: <ul style="list-style-type: none"> – for the Board of Directors of Sistema PJSFC; – for the boards of directors of portfolio companies; – for senior management positions across Sistema Group; – for the position of the Corporation’s Company Secretary; › Developing the Corporation’s incentive and remuneration policies; › Organising the assessment of the performance of the Board of Directors.
ETHICS AND CONTROL COMMITTEE	<ul style="list-style-type: none"> › Ensuring an effective system of economic and corporate security; › Monitoring compliance with the requirements of the Code of Ethics of the Corporation; › Introducing a system for preventing corruption and fraud and other misconduct related to violations of applicable legislation at Sistema Group companies.
INVESTOR RELATIONS AND DIVIDEND POLICY COMMITTEE	<ul style="list-style-type: none"> › Strengthening the Corporation’s investment case; › Supporting effective relations with the financial community; › Developing Sistema’s dividend policy, including recommendations for the Corporation’s Board of Directors with respect to the amount of payable dividends; › Protecting the rights and interests of Sistema’s shareholders.

THE STRUCTURE OF SISTEMA’S BOARD COMMITTEES AS OF 31 DECEMBER 2020

	Strategy Committee	Audit, Finance and Risk Committee	Nomination, Remuneration and Corporate Governance Committee ¹	Ethics and Control Committee	Investor Relations and Dividend Policy Committee
V. Evtushenkov	CHAIR				
A. Belova					CHAIR
A. Dubovskov				CHAIR	
F. Evtushenkov					
R. Sommer					
R. Kocharyan			CHAIR		
R. Munnings		CHAIR			
V. Chirakhov					
A. Chubais					
M. Shamolin					
E. Schneider					
D. Iakobachvili					

Composition of the Committee



R. Munnings, a member of the Audit, Finance and Risk Committee is an expert in finance and audit with many years of experience in the sector.

¹. The President of Sistema PJSFC attends Committee meetings in the capacity of a permanent invitee and does not vote on the matters submitted for consideration of the Committee.

MATTERS CONSIDERED BY THE COMMITTEES OF THE BOARD OF DIRECTORS OF THE CORPORATION

NAME OF THE COMMITTEE	NUMBER OF MEETINGS IN 2020	TOPICS DISCUSSED
Strategy Committee	4	<ul style="list-style-type: none">› Value creation by the Corporation’s investments in various industries;› Strategic planning cycle;› Strategy of digital transformation;› Corporate culture development.
Audit, Finance and Risk Committee	17	<ul style="list-style-type: none">› Appraisal of the auditor’s services, development of recommendations for the Board of Directors on appointing an external auditor;› Review and approval of the Corporation’s financial reports, the annual report and report on performance against the Corporation’s budget;› Review of management’s reports on risk management at Sistema, risk maps and mitigation plans;› Preliminary review and evaluation of transactions and investment projects to be submitted to the Board of Directors;› Review of performance and work plans of internal audit units;› Review of the principles of investment project prioritisation.
Nomination, Remuneration and Corporate Governance Committee	9	<ul style="list-style-type: none">› Development of corporate governance across Sistema Group;› Organising the work of the Corporation during the coronavirus pandemic;› Incentive system and key parameters, performance assessment and bonuses for the key managers and employees of Sistema;› HR process and preview of candidates for senior management positions at Sistema and nominees to the boards of directors of the key portfolio companies.
Ethics and Control Committee	6	<ul style="list-style-type: none">› Performance of the Internal Audit Department in 2019 and its work plan for 2021;› The system for preventing fraud and corruption at Sistema;› Functional strategy in the area of corporate (including information) security.
Investor Relations and Dividend Policy Committee	8	<ul style="list-style-type: none">› Amount of dividends and dividend policy of the Corporation;› The Corporation’s ESG strategy;› Analysis and monitoring of Sistema’s market and investment base;› Functional strategy in the area of external communications;› Sistema’s equity story and perception of Sistema by the investment community.

President

The President of Sistema PJSC is a permanent chief executive officer whose main tasks include managing the current operations of the Corporation and dealing with matters outside the remit of the General Meeting of Shareholders, the Board of Directors and the Management Board, with the aim of achieving the strategic goals set by the Board of Directors, ensuring the Corporation’s profitability and safeguarding the rights and legitimate

interests of its shareholders. The President reports to the Board of Directors and the General Meeting of shareholders of Sistema PJSC. The President chairs the Management Board of Sistema PJSC.

On 20 April 2020, the Board of Directors of Sistema PJSC approved the appointment of Vladimir Chirakhov as the President and Chairman of the Management Board of Sistema PJSC.



Vladimir CHIRAKHOV

Born in Tbilisi (Georgia) in 1974.

In 1996, graduated with honours from the Russian Federal Security Service Academy with a degree in applied mathematics. In 2000, studied system analysis and business management at Moscow International Higher Business School MIRBIS. In 2001, graduated from the Russian Presidential Academy of National Economy with a degree in management. In 2013, completed Executive MBA at Moscow Skolkovo School of Management.

2005–2009 – category manager, project manager at LLC M.Video. Management.

2009 – Sales Director at LLC Lindex.

2009–2012 – Sales Director, Executive Director, CEO at LLC Korablik-R.

Appointed Deputy CEO for Sales at OJSC Detsky Mir in March 2012. CEO of PJSC Detsky Mir from September 2012 to March 2020.

Appointed President of Sistema PJSC on 20 April 2020.

Awarded a national Order of Friendship in March 2020.

- SISTEMA PROFILE
- PERFORMANCE
- KEY ASSETS' PERFORMANCE
- CORPORATE GOVERNANCE
- SUSTAINABILITY MANAGEMENT
- ANNEXES

Management Board

The Management Board of Sistema PJSC determines methods for the implementation of the Corporation’s development strategy, formulates development plans, determines and monitors investment processes and previews most matters to be subsequently submitted to the Corporation’s Board of Directors.

In 2020, the Management Board held 8 meetings and reviewed 34 agenda items in the following key areas:

- › Sistema’s development strategy.
- › Management of Sistema’s investment funds
- › Sistema Group’s strategic planning cycle.
- › Development strategy, value creation and monetisation of Sistema’s investments in various industries.

- › Corporate governance practices at the Corporation
- › Budget execution, budget planning and key performance indicators.
- › Debt and liquidity management.
- › Sistema’s ESG strategy.

In May 2020, the powers of the previously elected Management Board were terminated, and the Board of Directors approved a new Management Board for a three-year term. As of 31 December 2020, the Corporation’s Management Board consisted of 15 members.

MEMBERS OF THE MANAGEMENT BOARD OF SISTEMA PJSC AS OF 31 DECEMBER 2020¹

1	Vladimir Chirakhov	President, Chairman of the Management Board
2	Igor Alyoshin	Vice President for Security
3	Sergey Egorov	Managing Partner
4	Artyom Zasursky	Vice President for Strategy
5	Alexey Katkov	Managing Partner
6	Igor Kozlov	Vice President for IT
7	Svetlana Matveyeva	Vice President for HR
8	Leonid Monosov	Managing Partner
9	Oleg Mubarakshin	Managing Partner
10	Leonid Petukhov	Managing Partner
11	Vsevolod Rozanov	Managing Partner
12	Artyom Sirazutdinov	Managing Partner
13	Vladimir Travkov	Vice President for Finance
14	Ali Uzdenov	Managing Partner
15	Sergey Shishkin	Vice President for Corporate Governance and Legal Matters

CHANGES IN SISTEMA’S MANAGEMENT BOARD IN 2020

	DATE OF CHANGE	GROUND OF A CHANGE
V. Chirakhov	20 April 2020	appointed President, Chairman of the Management Board
A. Pilipenko J. Tulgan M. Yanpolsky	16 May 2020	appointment was terminated
L. Monosov	17 May 2020	appointed
I. Kozlov	13 July 2020	appointed
L. Petukhov	18 December 2020	appointed

Governance bodies reporting to the President and the Management Board

To improve its managerial decision-making processes Sistema has established a number of governance bodies that report to the President and the Management Board, namely the Finance and Investment Committee, the Risk Committee, the Tender Committee and the IT Committee.

These committees are permanent consultative collective bodies tasked with a detailed analysis of current affairs and processes within their remit and with assisting the President and the Management Board in decision-making.

Finance and Investment Committee

The responsibilities of the Finance and Investment Committee include:

- › Review of the Corporation’s investment projects at different stages from conception to completion;
- › Approval of financial models, business plans and key performance indicators of investment projects;
- › Recommendations regarding the feasibility of projects, exit scenarios and sources of financing;
- › Review of external financing terms.

The Committee considers the Corporation’s investment projects once they are approved by the Expert Council. An approval by the Committee is required for further review of the project by the Management Board and/or Board of Directors.

The Committee consists of 7 members and is chaired by the President of the Corporation Vladimir Chirakhov.

The Finance and Investment Committee oversees the work of the Expert Council, the Budget Subcommittee and the Remuneration Subcommittee.

The Expert Council consists of 12 members and considers all of the Corporation’s new investment ideas and projects for acquisition of assets in new and related industries, as well as in industries where Sistema already has a presence. The Expert Council is charged with verification of the conformity of the projects with a series of formal requirements set out in the Corporation’s regulatory documents, the scoring of projects, and the preparation of written opinions thereon. Once approved by the Expert Council, projects are further reported to the Finance and Investment Committee.

The Budget Subcommittee consists of 5 members and aims to improve budgeting policies, principles and procedures and to develop guidelines in this area for the governance bodies of the Corporation.

The Remuneration Subcommittee consists of 8 members and aims to improve budgeting policies, principles and procedures and to develop guidelines in this area for the governance bodies of the Corporation.

12
members
of the Finance
and Investment
Committee

47
meetings
of the Committee
held in 2020

¹. Short biographies of the members and information about their shareholdings in Sistema PJSC are available in Annex 1.

13 members
of the Risk Committee

4 meetings
of the Risk Committee
held in 2020

Risk Committee

The Risk Committee's responsibilities include:

- › Assessment of the most material risks facing the Corporation and its portfolio companies;
- › Ensuring the preparation of a risk register and a generalised risk map of Sistema;
- › Preparation and approval of risk assessment reviews;
- › Development of proposals regarding acceptable risk levels (risk appetite) for Sistema;
- › Coordination of risk management strategies and plans and monitoring of their implementation.

The Committee consists of 13 members and is chaired by the Vice President for Finance Vladimir Travkov.

The Risk Committee includes an Expert Group consisting of 8 members that reviews matters pertaining to the approval of counterparty limits (applying to banks, insurers and management companies) and guarantees (including bank guarantees) securing counterparty obligations, the pre-approval of WACC¹ estimates for the evaluation of investment projects of portfolio companies to be further reported to the Finance and Investment Committee, and other operational matters pertaining to risk management across Sistema Group.

Tender Committee

The responsibilities of the Tender Committee include:

- › Ensuring the acquisition of goods, works and services on the best terms available;
- › Minimising the costs of purchase (ownership, operation) of goods, works and services without compromising their quality;
- › Ensuring the sale of Sistema's property and rights as they become irrelevant to the company's operations on the best economic terms available;
- › Ensuring the transparency of purchasing procedures and impartial decision-making;
- › Facilitating the prevention of corruption, fraud and other wrongdoing in purchasing.

The Committee consists of 7 members and is chaired by the Vice President for Finance Vladimir Travkov.

Information Technologies Committee

The IT Committee's responsibilities include:

- › Coordinating the work of subdivisions and employees of the Corporation on matters related to information technologies;
- › Creating conditions conducive to effective implementation of Sistema's IT projects and initiatives;
- › Building and maintaining the integrated IT architecture of the Corporation based on advanced digital technologies;
- › Ensuring the uniformity of corporate IT standards and tools at Sistema.

The Committee consists of 12 members and is chaired by the Vice President for IT Igor Kozlov.

Specific characteristics of risk management, internal control and internal audit systems

Risk management

Sistema's risk management system employs a two-level approach, under which the risks identified at Sistema and its portfolio companies are consolidated to assess their impact on Sistema Group as a whole.

The enterprise risk management system (ERM) used in the Corporation addresses the following tasks:

- › Identification of risks at all levels of management (from the top to line management), which includes identifying risk owners and making risk passports;
- › Primary assessment of the materiality of identified risks and their analysis (VaR methodology);
- › Ranging risks by management levels;
- › Assessment of the aggregate influence of material risks on the Corporation's key financial indicators (Monte Carlo modelling);
- › Development of plans to mitigate identified risks at all management levels;
- › Regular monitoring of performance against mitigation plans and assessment of their effectiveness;
- › Risk monitoring, quarterly reports on risks facing the Corporation.

Sistema's risk management procedures are carried out by a dedicated risk management unit with the support of risk management professionals from the Finance Function.

The reassessment of identified and/or new risks, the effects of mitigation and response measures and the approval of limits applying to counterparties (banks, management companies and insurers) are monitored at least on a quarterly basis by a special Expert Group of the Risk Committee, which includes representatives of all of the Corporation's key departments. The risk management system is monitored by Sistema's Risk Committee and Management Board.

Sistema's senior executives make regular reports on risk management at the Corporation to the Audit, Finance and Risk Committee, which translate into further reports to the Board of Directors.

Internal control system

Sistema's internal control system is based on advanced international and Russian internal control practices and methodologies, covers all the main material decision-making levels and serves the best interests of the Corporation's shareholders, investors and management.

The internal control system and the responsibility for implementation of control procedures are formalised in codes, policies, procedures and other internal regulations of the Corporation.

The Internal Control Policy was approved by the Corporation's Board of Directors and is an internal top-level document describing the key principles of internal control as a continuous and integrated process that involves all units and governance bodies of the Corporation.

The Corporation methodically works on the development of a regulatory framework designed to govern all matters relating to internal control by means of cascading them from the level of the Board of Directors to the level of employees.

The key objectives of the internal control system are:

- › Creating new and improving existing control mechanisms that will ensure efficient business processes and the implementation of the Corporation's investment projects;
- › Ensuring the safety of the Corporation's assets and efficient use of its resources;
- › Protecting the interests of the Corporation's shareholders and preventing and resolving conflicts of interest;
- › Creating conditions for the timely preparation and submission of reliable reports and other information that is legally required to be publicly disclosed;
- › Ensuring the Corporation's compliance with applicable laws and requirements of regulators.

In accordance with advanced practices and approaches in internal control and audit, the effectiveness of the Corporation's internal control system is ensured at three levels (in addition to the Board of Directors and the Corporation's senior management):

- › Level 1: Heads of subdivisions and employees of the Corporation are responsible for building an effective internal control system and assessing and managing risks within their remit.
- › Level 2: Sistema's controlling bodies and Committees perform control functions, e.g.:
 - The Risk Committee and the Risk Management Function are responsible for developing and monitoring the implementation of an effective risk management practice;
 - The Finance and Investment Committee of the Corporation approves and monitors the implementation of investment projects;
 - The Security Department is responsible, inter alia, for economic security, the prevention of corruption and information security.
- › Level 3: The Internal Audit Department, which conducts independent assessments of the effectiveness of the internal control system, the risk management procedures, and the corporate governance system.

The internal control system of the Corporation includes, but is not limited to:

- › Regulation of processes and procedures;
- › Division of roles and responsibilities in decision making;
- › Prevention and identification mechanisms of control;
- › Notification about irregularities, abuse of office, conflicts of interest;
- › Ethical standards of business conduct;
- › Awareness of the Corporation's employees about the internal control system.

All of the Corporation's employees in charge of various control procedures bear responsibility for the effectiveness of such controls and risk management activities as prescribed in their job descriptions, internal regulations and legislation of the Russian Federation and other applicable jurisdictions.

Internal audit

The Internal Audit Department reports to the Board of Directors (functionally) and Sistema's President (administratively). The Audit Department is headed by a Chief Auditor who is appointed and dismissed by the President based on the resolutions passed by the Corporation's Board of Directors following a preliminary approval by the Board's Ethics and Control Committee.

The key objectives of the Internal Audit Department are:

- › Helping shareholders and management improve the internal control system by performing regular audits of the effectiveness of the Corporation's internal control, risk management and corporate governance systems;
- › Supplying management and shareholders with objective information on existing internal and external risks, as well as their probability and consequences;
- › Enhancing awareness among the Corporation's management team about the performance of Sistema Group companies;
- › Monitoring the achievement of the goals of shareholders of the Corporation.

To meet these objectives, the Internal Audit Department carries out the following functions:

- › Performing independent audits of individual operations, processes and units;
- › Assessing the effectiveness of the internal control system;
- › Assessing the effectiveness of the risk management system;
- › Assessing the effectiveness of the corporate governance system, preventing violations of legislation and the Corporation's regulations, ensuring the observance of professional and ethical standards and preparing recommendations for improving them;
- › Developing recommendations to remedy deficiencies identified and monitoring the execution of remedial actions;
- › Administering and conducting (where appropriate) internal investigations;
- › Monitoring compliance with the Corporation's internal regulations;
- › Administering the Whistleblower Hotline.

The Internal Audit Department has all the resources and powers required to perform the above functions and is an independent structural unit. The Department's activities are performed in compliance with the existing laws of the Russian Federation, the Charter of Sistema PJSC, the Code of Ethics and other internal regulations of the Corporation, as well as the recommendations of international professional organisations and standards in the area of internal control and audit (e.g., the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and International Internal Audit Standards).

Aiming to improve the quality, widen the scope and increase the depth of audits, the Department continuously works on a single methodology base to standardise audit and control procedures in specific fields and risk areas.

The Internal Audit Department closely interacts with Sistema's independent auditors, helping them better coordinate their work and providing consultations to ensure better annual audit planning with respect to evaluation of the effectiveness of the internal control system in the area of financial reporting, and assessing the identified risks.

Regular reports on the performance of the Internal Audit Department are reviewed by the Audit, Finance and Risk Committee and the Ethics and Control Committee of the Board of Directors of Sistema PJSC and are also submitted for consideration by the Board of Directors at the end of the year.

Resolution of conflicts of interest

Matters related to conflicts of interest are governed by the Corporation's Code of Ethics as well as the laws of applicable jurisdictions. The Corporation has an ethics assessment procedure: all top managers of the Corporation complete Ethics and Conflict of Interest Declarations annually or as conflicts of interests arise. Moreover, all new employees are introduced to the requirements of the Code of Ethics and the procedure for completion of Declarations and are required to report relevant conflicts of interest (if any) before starting to perform their responsibilities.

External audit

In compliance with the decision of the Audit, Finance and Risk Committee, the Corporation uses the following procedures to appoint the independent auditors of Sistema's financial statements. The Committee performs an annual assessment of the quality of audit services received. If the quality of services provided by the current auditor is deemed unsatisfactory, the Audit, Finance and Risk Committee organises a tender

In 2020, the Internal Audit Department conducted 23 audits to assess the effectiveness of the Corporation's internal control, risk management and corporate governance systems. The audits performed by the Internal Audit Department did not uncover any weaknesses or risks that could affect the sustainability of the Corporation's business as a whole. Specific comments pertaining to various aspects audited were communicated to stakeholders in a timely manner and followed up by recommendations on how to eliminate them.

Sistema's Internal Audit Department actively develops automation technologies in an effort to improve the effectiveness of audit procedures, specifically at planning, risk analysis and testing stages.

In 2020, the results of the ethics declaration campaign were reviewed by the Ethics and Control Committee of Sistema's Board of Directors. In most cases, the declared conflicts of interest did not require any resolution measures, as they posed no risks to the Corporation's interests. However, action plans on conflict resolution were implemented with respect to several declarants in accordance with best corporate governance practice.

for engaging a new auditor. If the quality is deemed satisfactory, Sistema negotiates the price of the services with the current auditor for the following period. According to the decision of the Audit, Finance and Risk Committee, a tender for external audit services should be held at least every five years to ensure the auditor's impartiality and objectivity.

Corporate governance across Sistema Group

The quality of strategic planning and the investment appeal of Sistema’s portfolio companies depend, inter alia, on the quality of the corporate governance procedures. To increase the value of its investments, Sistema is giving particular attention to improving the quality of corporate governance at its portfolio companies.

The Corporation carries out strategic management of its key portfolio companies through the efficient work of boards of directors by including professional independent members with expertise in the relevant industries, as well as in strategy, finance, audit and corporate governance. Independent directors account for about one-third of members of the boards of key portfolio companies (depending on the level of the company’s organisational maturity).

The Corporation continuously improves its corporate governance system in order to increase efficiency and remain in line with best practices. Improving the quality of corporate governance processes at portfolio companies and attracting competent professionals to their boards of directors is designed to increase the quality of decision-making and the shareholder value of Sistema’s portfolio assets. With that in mind, the Nomination, Remuneration and Corporate Governance Committee of Sistema’s Board of Directors gives priority to the selection of candidates to be nominated to the boards of directors

of portfolio companies and is deeply involved in the process, from formulating the skills and expertise requirements for each key asset to making recommendations with regard to specific lists of candidates.

The boards of directors of portfolio companies and their committees ensure control and coordination and support the management of portfolio companies in decision-making in the following main functional areas, seeking to further enhance the quality of management of portfolio companies:

- › Strategy and key transactions;
- › Budget planning;
- › HR policy and incentive system;
- › Internal audit.

The committees of the boards of directors of portfolio companies play a pivotal role in the collective review of relevant matters to be reported to the Board of Directors.

Development of the corporate governance system in 2020

Independent directors on the Corporation’s Board of Directors

In 2020, 12 members were elected to the Corporation’s Board of Directors, 6 of which qualify as independent directors or are recognised as independent according to Moscow Exchange’s Listing Rules and the Russian Corporate Governance Code.

The current Board comprises the following independent directors:

- › Anna Belova;
- › Robert Kocharyan;
- › Roger Munnings;
- › Anatoly Chubais;
- › Etienne Schneider;
- › David Iakobachvili.

All of the Corporation’s independent directors have strong reputations in the professional community and vast experience in managing large organisations, which ensures the objectivity of their judgements and independence from the influence of the Corporation’s management and shareholders when making decisions.

At the first meeting of Sistema’s Board of Directors held after the Annual General Meeting of shareholders, independent director Anna Belova was elected Deputy Chair of the Corporation’s Board of Directors. In this capacity, she, inter alia, coordinates the activities of independent members of the Board of Directors and interacts with the Chairman of the Board of Directors, acting as a senior independent director. Anna Belova has extensive experience as a board member of large Russian companies and has been a member of Sistema’s Board of Directors since 2017.

Approval of internal regulations in the area of ESG

In 2020, the Board of Directors of the Corporation approved two internal regulatory documents reflecting Sistema’s commitment to the ESG agenda: Sustainability Policy and a new version of the Corporate Governance Code. These documents were made in accordance with international

standards and reflect best practices in the area of sustainable development. Sistema has made a commitment to implement these practices in its portfolio companies acting through representatives on the boards of directors.

Live streaming of the Annual General Meeting of shareholders

In 2020, a new law was passed in Russia allowing joint-stock companies to conduct their annual general meetings of shareholders in the form of absentee voting. However, in addition to absentee voting, Sistema’s Board of Directors decided to organise a

live stream of the meeting on the final date of voting. In the course of the live stream the Corporation’s management made a report on the results of 2019 and took questions from the shareholders.

Plans for the development of corporate governance

The Nomination, Remuneration and Corporate Governance Committee of Sistema’s Board of Directors annually develops and approves the Corporation’s action plan for improving corporate governance in the next year. The plan includes the following actions for 2021:

- › development of succession plans for the management and the Board of Directors with potential formalisation of this process in a special internal regulation of Sistema PJSFC (the first half of 2021);
- › development and approval of internal regulations of Sistema PJSFC in the area of environment and human rights as part of the ESG agenda (the first half of 2021);

- › development of a plan for preparing and holding an online meeting of shareholders in 2022 in the event of adoption of the corresponding amendments in Russian laws on joint-stock companies (the second half of 2021);
- › search for new independent candidates to be nominated by Sistema to the boards of Group companies.

Remuneration policy

applied to board members and senior management

Remuneration policy applied to the Board members of Sistema PJSC

Remuneration for the work of members of the Board of Directors is calculated and paid in accordance with the Policy on Remuneration and Compensations Payable to Members of the Board of Directors of Sistema PJSC (hereinafter, "the Policy") approved by the General Meeting of shareholders.

Basic remuneration of members of the Board of Directors

In 2020, basic remuneration of members of the Board of Directors amounted to RUB 13.7 M or RUB 17.8 M per year depending on whether a director is a tax resident of Russia. Basic remuneration was paid to Board members in cash in equal quarterly instalments.

Supplementary remuneration of members of the Board of Directors

In accordance with the amended Policy being in effect during the reporting period, additional remuneration in the form of ordinary shares is paid to the members of the Board of Directors subject to capitalisation growth in the reporting year.¹ The size of additional remuneration is set as a variable amount equal to a share² of the increase in capitalisation achieved in the relevant financial year.

The amount of additional remuneration is at any rate limited by the amount of basic remuneration (not more than RUB 17.8 m a year).

Remuneration for performance of additional duties

Members of the Board of Directors performing additional duties, i.e., the Chairman of the Board, Deputy Chair of the Board and Chairs of the Board Committees, receive remuneration on a quarterly basis in the amount stipulated by the Policy.

Reimbursement of expenses and other conditions

Members of the Board of Directors are reimbursed for their expenses associated with performance of their duties, including participation in the meetings of the Board of Directors and Board Committees.

Sistema PJSC insures the liability of the members of the Corporation's Board of Directors.

Sistema PJSC does not provide loans to the members of the Corporation's Board of Directors.

Remuneration policy applied to the senior management of Sistema PJSC

The short-term incentive scheme for the top managers of Sistema PJSC in 2020 consisted of:

- › A fixed monthly salary determined in line with the internal system of job categories (grades);
- › Bonuses paid for implementation of projects, generation of cash income, achievement of KPIs and set objectives. Remuneration is paid based on employees' individual performance and positive cashflow generated by projects implemented by the teams of Managing Partners and Departments of Sistema. Payments may amount to
 - a) up to 20% of cash income from implemented projects,
 - b) fixed % of annual income for achievement of KPIs.

For the purpose of calculating bonuses, cash income means:

- › an increase in the value of an asset (in the event of an asset sale or an IPO) net of (i) hurdle rate determined by the Finance and Investment Committee chaired by the President of the Corporation prior to the start of a project or the acquisition of an asset, (ii) investments made in such an asset and project costs;
- › % of the project team's annual income.

Other terms and conditions

No extra compensation above the level stipulated by Russian labour legislation is paid to the President or other senior executives in case of termination of employment.

Share incentive schemes at Sistema PJSC

At the beginning of 2020, the Board of Directors approved the main principles of an employee share incentive plan aimed at building a long-term relationship with the key managers and motivating them to achieve a shared goal: growing the capitalisation of the Corporation (hereinafter, "Share Incentive Plan").

The participants of the Share Incentive Plans are selected on the basis of their performance and personal contribution to the development of the Corporation and/or portfolio companies. The final list of participants is approved by the Board of Directors. Each participant shall be granted a substantial number of ordinary shares in Sistema PJSC (more than 0.1% of the authorised capital).

Sistema does not pay remuneration to executive management for serving on the Management Board.

The Corporation does not provide loans to senior executives.

¹. For an increase in capitalisation to be recorded for the purposes of the Policy, the weighted average price of one ordinary share of Sistema on the Moscow Exchange at the end of the reporting year (for 60 preceding trading days) should exceed the weighted average price of one share at the beginning of the reporting year (for 60 preceding trading days).
². 0.1% or 0.125% (depending on tax residency) of the increase in capitalisation for the financial year.

Remuneration paid to Sistema’s Board members and senior management in 2020¹

MEMBERS OF SISTEMA’S BOARD OF DIRECTORS RECEIVED THE FOLLOWING REMUNERATION IN 2020:

	2020	2019
Remuneration for work as member of the Board of Directors	RUB 365,497,500	RUB 191,720,000
Salaries ²	RUB 122,499,000	RUB 106,523,000
Bonuses ²	RUB 393,456,200	RUB 631,513,400
Remuneration for work as member of the Board’s committees	RUB 5,820,000	RUB 6,750,000
Reimbursement of expenses incurred by Board members in connection with their duties ³	RUB 824,200	RUB 4,917,600

MEMBERS OF SISTEMA’S MANAGEMENT BOARD⁴ RECEIVED THE FOLLOWING REMUNERATION IN 2020:

	2020	2019
Salaries	RUB 584,901,900	RUB 507,160,500
Bonuses	RUB 4,889,969,300	RUB 2,933,809,000 ^{5, 6}
Other types of remuneration	RUB 861,000	RUB 946,700

^{1.} All figures in this section are given before the applicable income tax.
^{2.} Remuneration in the form of salaries and bonuses is the compensation allocated in the reporting period to the non-executive directors sitting on the Board of Directors.
^{3.} Including reimbursement of travel and accommodation expenses related to participation of members in the meetings of the Board of Directors in the reporting period.
^{4.} Including the President of Sistema PJSC.
^{5.} Bonuses for 2019 were paid to the employees of Sistema PJSC in Q1 2020.
^{6.} In Q1 2020, some members of the Management Board used a part of their cash bonuses for 2019 for acquiring about 12 million ordinary shares of the Corporation, which is consistent with Sistema’s strategy for increasing the participation of its employees in the company’s equity.

Risk management

Integrated risk management system and the Group’s risk appetite

The main risks that the business of the Corporation may encounter are the consequences of the processes and factors that Sistema has little or no influence on. That said, the Corporation can take measures to reduce the negative consequences of such factors if a certain risk materialises. This makes efficient assessment of the existing risks and the probability of their occurrence, as well as effective risk management, an important part of Sistema’s strategy.

Risk management is an integral part of all processes at Sistema: it extends to strategy planning and implementation, investing, budgeting, procurement, and everyday operations. The integrated risk management system (ERM) operating at Sistema was built in compliance with international standards, recommendations and best practices in risk management. The ERM system is designed to keep risks at the level that is acceptable for Sistema’s shareholders and management.

As part of quarterly ERM procedures the risk managers of Sistema Group compile risk registers for portfolio companies and a consolidated risk register for the Group, prioritise risks and aggregate them into portfolios, evaluate the probability and materiality of all risks and analyse the impact of material risks on the financial results of specific companies and Sistema Group as a whole, using simulation and financial modelling methods.

In order to address the risks listed in the risk register of Sistema Group, the risk owners develop risk management (mitigation) and response plans, conduct risk monitoring and make necessary adjustments.

One of the key principles of risk management at Sistema Group is the use of the risk appetite concept. This approach implies the identification and monitoring of the Corporation’s target risk profile in accordance with the current strategic goals and in the context of their integration into risk management procedures.

Sistema Group’s risk appetite determines the level of risks acceptable for the shareholders, and includes the following basic provisions:

- › The amount of potential losses under the risks accepted by Sistema Group should not reach the level leading to the termination of the Group’s operations, including under stressful conditions;
- › The structure of cash flows of Sistema Group companies should guarantee a timely fulfilment of obligations to counterparties in the short and long term;
- › In its operations, the Group aims to avoid concentration of risks in specific counterparties, industries, and countries/ regions with high risk levels;
- › Sustainable development and economic efficiency in the long term;
- › Compliance with the requirements of national regulators in the countries of operation and the standards and recommendations of international regulatory bodies;
- › Maintaining an impeccable business reputation, avoiding actions that could damage the company’s public image;
- › Maintaining the external individual credit rating from international rating agencies.

Risk management reports are submitted for review to the relevant collective governance bodies of the Corporation at least once a quarter. Each such report contains a revaluation of risks and their impact on the Corporation's financial performance, an assessment of the effectiveness of risk mitigation and response plans, and potential risk areas (areas requiring attention) identified for future periods.

The Corporation has built a unified compliance system with a programme of measures to minimise risks in the areas of anti-corruption and stock exchange compliance, personal data and confidentiality protection, anti-money laundering and counter-terrorism practices.

Global and country risks

Risks related to changes in the political and economic situation in Russia are material for Sistema because most of the Group's business is conducted in Russia. The companies and investment funds of Sistema Group also operate in the CIS, the EU, South and Southeast Asia. A significant portion of products produced by the Group's companies is sold in the CIS, Southeast Asia, Eastern Europe and North Africa. In the event of any major political turmoil in these regions, the Group's business in these regions may be disrupted or discontinued, which may lead to material losses.

Political and economic instability, as well as any potential downturn or slowdown in Russia's economic growth may lead to a decrease in household incomes and consumer demand, which could have significant negative consequences for the results of operations and the financial position of all of Sistema Group companies.

The business of the Group may be adversely influenced by a toughening of sanctions, a complete economic blockade and change in the political situation in the country, as well as potential involvement of the Russian Federation in military conflicts.

Due to the situation in Ukraine, western countries imposed sanctions on a number of Russian citizens and companies. There is a probability of extension of existing sanctions or introduction of additional categories of sanctions that may influence the companies of the Group or the executives employed by the Group of companies. Any potential breach of sanctions may prevent the companies of the Group from cooperating with the government authorities of the USA/EU, result in civil or criminal penalties being applied to the sanctioned persons or their personnel in accordance with the laws of the USA/EU, or lead to significant fines being imposed on the companies of the Group with potential damage to their reputation.

Any further tensions in the relationship between Russia and other countries and any escalation of existing conflicts, introduction of additional sanctions or continued uncertainty as to their scope may have an adverse impact on the Russian economy, the financial status of the Group's partners and suppliers, the capability of the Group's companies to conduct trading and financial operations and to raise funding on commercially beneficial terms, and may increase the volatility of Sistema's share price.

Industry risks

Sistema is faced with diverse risks associated with the presence of Sistema's portfolio companies in various sectors of the economy. The most material risks are related to the Group's operations in the telecom, electric power, retail (including e-commerce), banking, high tech, hospitality, healthcare, pharmaceuticals, timber, agricultural and real estate industries.

Any significant changes in these industries may have a material negative impact on the financial position of the portfolio companies of Sistema and on the Group as a whole.

Sistema's external risks

Financial risks

The business of Sistema is inextricably connected to the state of the global economy and financial markets. In particular, it is sensitive to movements in the prices of oil, gas and other commodities exported by Russia. A weakening or strengthening of the rouble against the US dollar and the euro amid fluctuating oil prices and imposed sanctions may result in a rise in costs and/or a drop in revenues or impede the achievement of financial targets and repayment of debt by Sistema Group companies.

An exodus of foreign investors from Russia amid the restrictions introduced for foreign companies as a result of sanctions may have a negative impact on the joint ventures (partnerships) and new investment projects of Sistema Group.

Growing inflation may result in higher expenses and, therefore, put pressure on profit margins and also affect the domestic demand for the products and services of Sistema Group companies.



The servicing and refinancing of the existing and future liabilities of the Corporation may lead to a significant cash outflow. If in the medium term sanctions are maintained and the access of Russian banks and businesses to foreign debt remains restricted, this may significantly increase the current liquidity deficit in the market and result in further interest rate rises, making it difficult for Sistema Group to raise funding for its operations and to refinance the debt of the Corporation and its portfolio companies. Should the Corporation be unable to raise necessary funding on the terms and within the timeframes required, it may create significant restrictions on business development and the Group's operating and investment activity.

An unfavourable macroeconomic environment in many countries where Sistema's assets operate may make it necessary to re-evaluate goodwill at some of the assets.

Foreign currency control and restrictions on capital repatriation may adversely affect capital flows and reduce the value of Sistema's investments in Russia, which may have a significant negative impact on the business of Sistema Group.

Potential bankruptcy of one of the Russian banks acting as the Group's counterparty may result in a reduction in the sources of borrowing for the Corporation and its portfolio companies and may lead to direct losses of funds deposited in the accounts of such banks.

Political risks

The influence of geopolitical risks on the activities of the Corporation and its portfolio companies remains high, as protectionism and economic sanctions are increasingly being used as a tool for achieving geopolitical goals with unpredictable results.

Introduction of sanctions against Russia or Russian companies and individuals may cause disruptions in international payment systems, which in turn may prevent the Corporation and its portfolio companies from making settlements and reduce Sistema's investment appeal.

Social and environmental risks

Due to the variety of industries where the companies of Sistema Group operate, the social and environmental risks faced by the assets differ materially across the Group. However, it is possible to highlight a number of major trends that may be seen both as risks and opportunities for the companies of the Group:

- › change in consumer preferences, a trend towards responsible consumption and a healthy lifestyle, higher expectations from brands in terms of their mission, responsibility and sustainable development;
- › change in the age structure of customers, the need to adapt and update products and services in accordance with the demands of the ageing population;
- › increased competition for talents due to demographic gaps and changing expectations of the young workforce in relation to working conditions;
- › climate change and extreme weather conditions that may impact crop yields, the health of the population and the operation of infrastructure;
- › emergence of new technological solutions and economic transformation, including digitalisation and automation in the manufacturing and service sectors and potential redundancy of a big number of employees;
- › a growing threat to cyber security and a tightening of regulations in the area of confidentiality and personal data protection;
- › deteriorating living standards and potential rise in social tensions in the regions where the Group operates, which may reduce the income of the Corporation and the portfolio companies of the Group;
- › a tightening of regulations in the area of sustainable development, carbon regulations and information disclosure.



SISTEMA PROFILE

PERFORMANCE

KEY ASSETS' PERFORMANCE

CORPORATE GOVERNANCE

SUSTAINABILITY MANAGEMENT

ANNEXES



Among the material risks faced by the Group's industrial companies are environmental, occupational health and safety and waste disposal risks, as well as risks related to the state of the infrastructure, the threat of accidents and electromagnetic safety, which are critical for telecommunications and power grid companies.

In the agricultural sector the most material risks include climate risks and challenges related to the need to adapt to changing weather conditions, greenhouse gases, water consumption and animal farming.

Emergencies and accidents at the production facilities of Sistema Group may have a significant impact on the environment: pollution of land and water, emissions above the allowable limit, discharge of waste waters or leaks of hazardous substances. Occurrence of these risks may damage the local communities, ecosystems and biodiversity. Irrational use of natural resources (land, forest) may deplete the raw materials/ production base and lower the economic results of agricultural and forest assets.

To manage these risks the companies of the Group are implementing advanced technological solutions, improving management systems in the area of environmental protection, energy efficiency, occupational health and safety, and developing measures aimed at prevention and mitigation of accidents and emergencies.

The risks related to failure to comply with the principles of sustainable development in supply chains may result in disruption of supplies and have an adverse effect on the reputation of Sistema Group. As part of their efforts to minimise such risks the companies of the Group set strict requirements to suppliers, contractors and partners in terms of compliance with existing laws and internal regulations.

In view of the increased threat of global and regional terrorist attacks, any potential accidents at the enterprises and infrastructure facilities of the Group may cause significant economic damage, negatively affect people's health and provoke a tightening of regulatory requirements in the area of data access.

Legal risks

There is a risk of unpredictable court rulings and administrative decisions being passed with respect to the business of Sistema Group and its portfolio companies, which may have an adverse effect on the Group's operations. This risk is caused by numerous factors, including:

- › possible discrepancies and ambiguities in: (i) federal and other laws; (ii) bylaws issued by the executive authorities of the states where Sistema Group operates; (iii) regional and local laws, rules and requirements;
- › gaps in legislation and lack of court and administrative guidelines on the interpretation of some laws, as well as conflicts between certain court guidelines and rulings.
- › influence of political, social and commercial factors on the judicial system;
- › potential selective or arbitrary actions of government authorities.

Gaps in Russia's existing corporate and securities legislation may create barriers to raising capital in the future.

Lack of clarity about the applicability of the Federal Law "On the Procedure for Foreign Investment in Companies of Strategic Importance to National Defence and State Security" and the regulations of the Customs Union of the Eurasian Economic Union to Sistema Group may have a negative impact on the business of Sistema Group due to its having foreign shareholders.

There is a risk of amendments to the laws of the countries where Sistema Group companies operate, due to potential changes in the laws and regulations governing international trade and investments that may be introduced by foreign states or international organisations.

Since Russian corporate law provides for the liability of shareholders for the obligations of their controlled companies, Sistema may incur financial losses related to the liabilities of its portfolio companies.

The minority shareholders of Sistema's subsidiaries may contest or vote against related-party or other transactions, which may limit Sistema's capabilities of closing investment deals and restructuring businesses.

If the Russian Federal Anti-Monopoly Service concludes that Sistema or one of its material subsidiaries has violated any of the existing anti-monopoly laws, this may result in serious administrative sanctions involving losses for the Corporation. The Federal Anti-Monopoly Service may also prevent the Corporation and its portfolio companies from closing and/or performing certain transactions, which may also limit Sistema's capacity to do investment deals and restructure businesses.

Tax risks

The tax laws, regulations and practices of the jurisdictions where Sistema's assets operate are intricate, opaque and prone to frequent modifications and ambiguous interpretations. If the actions of the Corporation and its portfolio companies are interpreted as breach of tax laws, this may produce an adverse effect on the business of Sistema Group.

Russian law on transfer pricing may make it necessary to introduce adjustments to the price-setting practices used at Sistema Group's companies and result in additional tax liabilities related to some transactions.

In 2015, new rules were introduced relating to the taxation of undistributed profits of controlled foreign companies and profits from indirect sale of properties in Russia, the concept of a beneficiary owner, and new criteria to be used to establish tax residency of foreign legal entities in Russia. Since coming into force these rules have been revised several times, with the introduced amendments having retroactive effect. As a result of the need to apply the new taxation rules, the Group's companies may face new tax liabilities arising from the uncertainty around the interpretation of tax law and lack of relevant legal precedents.

Risks related to stock markets

Deterioration of the geopolitical situation, sanctions imposed on some Russian companies, worsening of the macroeconomic environment and capital and investor flight from the Russian market led to a reduction in values of Russian companies in 2014–2019. In view of these circumstances Sistema Group's access to investor funding through stock markets may be restricted further as a result of introduction of sectoral sanctions in the business segments where the companies of Sistema Group operate and/or due to the cautious approach of investors to Russian companies in general. In particular, Sistema's ability to raise funding via debt instruments may be limited, which is liable to lead to a lack of working capital and cash available for investment and significantly undermine the Corporation's financial performance.

Risks related to the coronavirus pandemic

In March 2020, the World Health Organisation (WHO) declared the rapid spread of the novel coronavirus disease (COVID-19) a pandemic. The steps taken by many countries, including Russia, to contain the spread of COVID-19 have created serious operational difficulties for many businesses and had a serious impact on financial markets. COVID-19 has had a significant impact on the operations of many companies in various sectors of the economy, including, but not limited to, temporary or permanent shutdown of production, breakup of supply chains, quarantine of personnel and decreased demand. The significance of COVID-19 impact on Sistema Group's operations will largely depend on the duration and extent of its impact on the global and Russian economies.

Risks related to Sistema Group’s operations

Implementation of the business strategy

The Corporation’s strategy aims to develop a balanced and diversified asset portfolio in the sectors and regions where Sistema has expertise and competitive advantages, while attracting leading international and Russian partners. Despite having a well-formulated strategy, Sistema cannot guarantee achievement of the established goals, efficient management of the portfolio companies or benefits from new investment opportunities due to its high debt and limited investment resources. Sistema’s failure to achieve the goals set in the strategy may undermine its financial results.

The development of Sistema Group companies depends on numerous factors, including the receipt of necessary permits from state authorities, sufficient demand from consumers, successful development of technologies, efficient risk and cost management, timely completion of R&D and introduction of new products and services. Difficulties arising in any of these areas may have a detrimental effect on the development of Sistema Group companies and the Corporation’s financial figures.

Acquisition, integration, disposal or restructuring of assets

Sistema implements its strategy via acquisitions, disposals and restructuring of assets. New investment opportunities come with various risks, including failure to find relevant targets or their not being available for acquisition, insufficient or inadequate due diligence of the target company’s operations and/or financial situation, and potential overvaluation of assets. These risks can also affect Sistema’s financial performance.

Acquisition of assets may increase pressure on the cash position and create a need for raising external funding.

Delays in the implementation of investment deals or failure to close investment deals may have an adverse effect on the achievement of Sistema’s strategic goals and negatively influence the results, financial position and investment appeal of the Corporation.

Sistema may struggle with building an efficient system for managing and controlling new assets. The top risks in this area include:

- › inability to efficiently integrate the operating assets and personnel of the acquired company;
- › inability to establish and integrate necessary control mechanisms, including those related to logistics and distribution;
- › conflicts between shareholders;
- › hostility and/or unwillingness to cooperate on the part of the management and personnel of the acquired asset;
- › loss of customers by the acquired asset.

If any of the above risks materialise, the relevant asset may lose part of its value and/or worsen Sistema’s financial performance.

When disposing of its assets the Corporation may face the following risks:

- › delays in closing or failure to close the deal due to inability to obtain corporate or state approvals;
- › mistakes in asset valuation;
- › assuming excessive obligations towards the buyer;
- › loss of synergies with other assets staying in the portfolio.

If one or several of the specified risks materialise, the Corporation may lose potential profit and thus see poorer financial performance.

Management and key personnel

The implementation of Sistema’s strategy in many respects depends on the efforts and professionalism of the management team. Failure to hire a sufficiently competent and motivated management team may jeopardise Sistema’s business, performance, financial position and development prospects.

Cash flows from Sistema Group companies

The Corporation’s financial performance depends on the ability of Sistema Group companies to generate cash flows needed to service its financial liabilities, including repayment of debt and interest, and to make other investment activities in the future. Such cash-generation capacity may be restricted due to regulatory, tax or any other barriers, which may have an adverse effect on the financial position and liquidity of the Corporation.

Borrowings

Cash flows from portfolio companies may be insufficient to finance all of the Corporation’s investments scheduled for a particular period. This may create a need to raise additional external funding and increase the debt burden of the Corporation, which, in turn, will put pressure on the credit ratings of the Corporation and the companies of Sistema Group. A downgrading of the credit rating may increase the cost of existing debt, make new borrowings more expensive or inaccessible and, in some cases, trigger acceleration of existing loans. The risk of deterioration or withdrawal of the Corporation’s credit rating is correlated with reputation and liquidity risks. The current debt level of the Corporation also restricts new borrowings.

Uncertainty of estimates in reporting

In compliance with the provisions of the Company’s accounting policy the management should make assumptions, estimates and judgements with respect to the book value of those assets and liabilities that cannot be assessed on the basis of other sources. The estimates and their underlying assumptions are formed on the basis of previous experience and other factors that are considered relevant in the given circumstances. The actual results may differ from these estimates, which may have a substantial adverse impact on the Group’s financial results.

The estimates and the resulting assumptions are revised on a regular basis. Changes in estimates are recognised in the period in which the estimate was revised if the change influences only this period, or they are recognised in the period in which the estimate was revised and in future periods if the change influences both the current and future periods.

Loan covenants

The loan and debt securities agreements signed by the Corporation and the companies of Sistema Group provide for certain restrictive covenants. These covenants restrict further borrowings, encumbrance of property with pledges, sale of assets, and transactions with affiliates. They may also restrict certain aspects of Sistema’s operations, such as financing of capital expenses, or limit its capacity to repay debts and service other liabilities. Any breach of covenants, however inadvertent, may entitle the creditors of the Corporation and/or its portfolio companies to demand early repayment of loans, which is a threat to the Corporation’s financial performance.

Licences and permits

The operations of Sistema Group's companies are regulated by different government bodies and agencies issuing and renewing licences, approvals, and permits, and also depend on applicable laws, regulations, and standards. Regulatory authorities to a large extent rely on their own judgement when interpreting and implementing legal requirements, issuing and extending licences, approvals and permits, and monitoring compliance with such licences. There is no guarantee that the existing licences and permits, including those issued to the Group's companies, will be extended, that new licences and permits will be issued, or that the companies will be able to comply with the terms of such licences. There is no guarantee either that existing or future licences or permits will not be suspended or revoked on some grounds. Any of these circumstances may have material negative consequences for Sistema's business.

Privatised companies

The portfolio of Sistema Group contains several privatised assets. In the future the Corporation and the companies of the Group may also take part in privatisation of assets. Since Russia's privatisation-related legislation remains somewhat unclear and inconsistent and contradicts some other provisions of law (e.g., there are contradictions between federal and regional provisions on privatisation), privatisation of many companies can potentially be contested, however selectively, which may have a material negative impact on the business, financial situation, performance, or development prospects of the Corporation.

Compliance with applicable laws and regulations

The Corporation and the companies of Sistema Group should conduct their business activities in compliance with a number of rules and regulations in the area of market competition, corporate governance, fraud and corruption prevention, management of conflicts of interest, compliance with sanctions, fair treatment of customers, prevention of money laundering and terrorism financing, adherence to the policy on information security, prevention of illegitimate use of insider information and market manipulation. Any failure to comply with these requirements may create the risk of legal and regulatory sanctions, significant financial losses and reputational damage.

Moreover, the operations of Sistema and its portfolio companies are regulated by the anti-corruption laws of relevant jurisdictions, where they conduct their business or where their securities are traded, including the laws of the Russian Federation, the UK Bribery Act and the US Foreign Corrupt Practices Act (FCPA). Any investigation into potential violations of the FCPA, UK Bribery Act or other anti-corruption laws of the US, the UK, or other jurisdictions, may negatively affect the reputation, business, financial situation and performance of Sistema and the companies of Sistema Group.

Human rights

The Corporation is aware of its responsibility for observing human rights, preventing any exertion of harmful influence on human rights, eliminating or mitigating the potential consequences of such influence whenever it takes place.

As part of its operations and cooperation with suppliers, contractors, partners and other stakeholders the Corporation may exert direct and indirect impact on the rights of employees, local communities, customers, patients and consumers. Any instances of violations of human rights may have an adverse effect on the Corporation's reputation and lead to court disputes, loss of confidence of investors, customers and employees, cause resistance from local communities, trade unions and NGOs.

The risks associated with human rights are taken into account in the risk management systems of the companies of Sistema Group, and material items are regularly reviewed by the boards of directors of relevant portfolio companies. For more detail on the management of risks related to human rights, please refer to the section "[Sustainability management](#)".

Digitalisation of business, development of IT and protection of personal data

With digitalisation of businesses (implementation of modern IT solutions and systems) and comprehensive penetration of the Internet, the risks related to cyber security and personal data protection are becoming a major threat to the business of the companies of Sistema Group. Sistema Group's inability to prevent cyber attacks and unsanctioned access to its networks and data bases may cause, inter alia, leaks of personal data and confidential information, damage to the assets of the Group's portfolio companies, disruption in production processes, network security breaches, costs related to the restoration of IT systems and equipment, which may significantly undermine the business of Sistema Group.

The risks associated with the protection of personal data are most relevant for assets in the segments of telecommunications, online services, finance and e-commerce. Sistema's portfolio companies implement their own programmes, projects and measures that make it possible to reduce the likelihood and possible negative consequences of their industry-specific risks.

Competition

All business segments where Sistema operates are exposed to competition from other companies. Telecom, electric power, retail (including e-commerce), hospitality, private healthcare, pharma, banking, high tech, real estate, timber and agricultural markets in Russia and elsewhere are highly competitive. Inability of Sistema Group's companies to compete efficiently may have a material negative impact on the business, performance, financial situation and development prospects of the Corporation.

Brand quality and reputation

Developing and maintaining brand awareness for the Group's companies is crucial to shaping the public opinion about their existing and future products and services. Sistema believes that the importance of a company brand is growing steadily in highly competitive markets. Successful development and improvement of brand awareness depends to a great extent on the efficiency of marketing and ability to provide quality products and services at competitive prices. The effort and money invested in brand development may prove greater than the incomes they yield, which means potential financial losses for the Group's companies.

The reputation of Sistema may suffer in the event of unethical business conduct, professional errors (including medical errors), negligence, failure to observe human rights or dissemination of inside information and corruption offences committed at the Corporation or its portfolio companies.



SUSTAINABILITY

M A N A G E M E N T

Management system

Sistema's Board of Directors plays a key role in determining the strategic areas and overseeing the performance of the Corporation's sustainability activities. Sustainability aspects that are essential for the Corporation are managed at both strategic and functional levels, with the key principles and approaches transmitted to the Group's companies through their boards of directors, which include key executives of Sistema PJSC (Managing Partners).

The company spent 2020 implementing an action plan aiming to develop approaches to sustainability management and responsible investing. The Corporation's Board of Directors approved a new version of the Corporate Governance Code devised in reliance on global best ESG practices. In 2020, Sistema adopted its first-ever Sustainability Policy setting forth the guiding principles of Sistema Group's ESG activities and the key ESG aspects in which Sistema can produce a lasting positive effect and create long-term value for stakeholders: Accessibility and Quality, Well-being, and Smart Environment.

Sistema's corporate responsibility principles

- › **Risk management.** Consideration of environmental, social and governance risks and opportunities when developing and implementing strategy, assessing investment opportunities and developing the Group Companies.
- › **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.
- › **Respect for human rights.** The Corporation promotes inclusivity and diversity, ensures equal opportunities, prevention of child and forced labour, protection of personal data, respect for labour and other fundamental human rights.
- › **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 Group Companies.
- › **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.
- › **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.
- › **Respect for the environment.** The Corporation seeks to ensure responsible resource management and environmental safety of production processes, products and services in the Group Companies.
- › **Investment in socially impactful projects and programmes** through the Sistema Charitable Foundation and the charitable activities of Sistema Group Companies.

At the level of Sistema's Board of Directors, sustainability is supervised by the Investor Relations and Dividend Policy Committee, which preliminarily defines the Corporation's position on ESG factors and reviews the strategy of Sistema Charitable Foundation. Other Committees of the Board of Directors consider certain ESG aspects (corporate governance, ethical business conduct, etc.) within their respective mandates. The implementation of final ESG policies at the operational level, its communication to investors and public non-financial reporting are the responsibilities of the IR Service, which comprises ESG experts.

Issues of social corporate responsibility, social communications, regional policy and charitable activities are supervised by the Corporate Communications Function; corporate governance and compliance aspects of the said issues are supervised by the corporate secretary, the Corporate Governance & Legal Function and the Internal Audit Service, while the HR Department is responsible for HR policy aspects. Wherever necessary, cross-functional working groups are created in the Corporate Centre to develop common approaches to managing the key sustainability aspects.

ESG risk management is part of the corporate risk management system. To learn more about ESG risks, go to [Risk Management](#).

All risks associated with human rights are reviewed within the risk management systems of Sistema Group companies, and related material matters are regularly reviewed by their boards of directors. The Corporation has zero tolerance for human rights violations across its entire value chain and expects its suppliers, contractors and partners to ensure the same degree of commitment to legal compliance and respect for human rights. The Group's companies use accessible and properly formalised whistleblowing mechanisms, which ensure confidentiality and fair review, protect whistleblowers from retaliation, and provide post-investigation feedback.

In implementing its investment and social programmes, Sistema draws upon comprehensive corporate expertise, strikes synergistic intersectoral partnerships with government bodies, academia, civic & non-profit organisations, and encourages cooperation between businesses across the Group.

Transparency and ongoing dialogue with stakeholders are the basic principles of Sistema's activities as a public company. Sistema prepares public non-financial reports in accordance with recognised international standards and promotes the disclosure of material non-financial information by its key portfolio companies and funds.

In the autumn of 2020, consistent with its sustainability principles, Sistema signed an agreement with Sberbank for an up to RUB 10 bn credit facility where specific interest rates may be tied to the company's sustainability performance (i.e., as sustainability improvement loans). In entering into the agreement, Sistema committed to approve an Environment Policy and integrate responsible investment principles in its investment process and business model.

Participation in sustainability initiatives

Sistema is a signatory to the [UN Global Compact](#) promoting shared values and responsible business practices, and to the [Social Charter of the Russian Business](#), a set of fundamental principles of responsible business practices adopted by the Russian Union of Industrialists and Entrepreneurs.

Responsible investment

The responsibility of Sistema as an investor is in the effective management of portfolio assets and funds to build value for shareholders and a wide range of stakeholders in the long term.

The Corporation aims to build competitive high-added-value businesses that honour the principles of social and environmental responsibility and contribute to the sustainable development of their respective industries and regions of operation and to the steady growth of socioeconomic and technological potential, human and natural capital, standards of living, and social well-being.

Sistema’s investment process is regulated by internal documents and procedures. Provisional investment projects and programmes of portfolio companies receive detailed examination as part of Sistema’s multi-stage investment process. In addition to financial and industrial analysis that underlie decision-making for each project, such aspects as management quality, staffing, the state of production facilities, infrastructure and technology, as well as related social obligations and environmental risks, are also factored in.

At the end of 2020, Sistema’s strategic approach to responsible investment was incorporated into an updated set of investment criteria (as specific ESG parameters) approved by the Board of Directors and entered into corporate governance bylaws, making sustainability an indispensable strategic aspect carrying weight in all investment decisions and asset management strategies.

IMPLEMENTATION OF RESPONSIBLE INVESTMENT PRINCIPLES

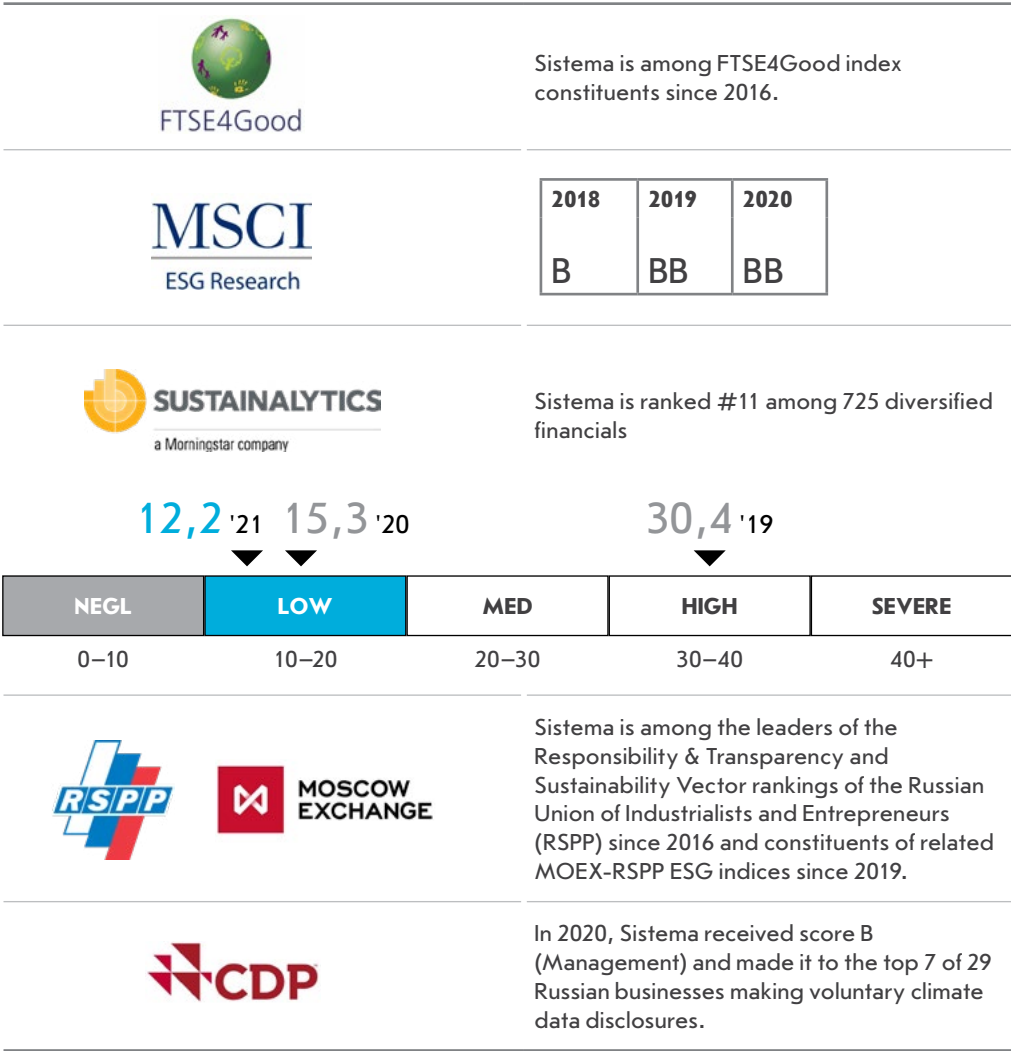
IMPLEMENTATION OF RESPONSIBLE INVESTMENT PRINCIPLES	WHEN MANAGING ASSETS	WHEN DIVESTING FROM ASSETS
No “sin stocks” and activities that are forbidden by local law or international standards	Basic sustainability requirements to portfolio companies and extra requirements in preparing for IPOs	Ensuring the independence and reliability of sustainability management systems within the company
Reviewing the ESG profile of each company when making investment decisions	Engagement with portfolio companies via their boards (as per established corporate procedures) to enhance sustainability management and drive ESG performance	Issuing reference notes and guidelines on sustainability where necessary

For more details go to [Responsible Investment](#) on the corporate website.

The Corporation’s further plans include the development of an Environmental Policy, a Human Rights Policy, and sustainability monitoring criteria, as well as support for sustainability practices development across the group in accordance with the approved basic requirements.

ESG ratings and rankings in 2020

Last year’s Russian Business Leaders: Dynamics, Responsibility, and Sustainability, an annual prize-giving campaign organised by the RSPP, awarded Sistema for “High quality of sustainability reporting” and Segezha Group, for a “Contribution to local social development”.



Key ESG areas

Sistema identified three key ESG areas to cultivate through investing, with a view to achieving a meaningful positive impact:

- › **Accessibility and quality** of products and services
- › **Well-being** of employees, customers and local communities
- › **Smart**, efficient and safe environment.

Innovation and digital transformation are the focus of the Corporation's strategy. Sistema consistently invests in building intellectual potential through science and education, advanced research, tech startups, new developments and digitalisation. The Corporation cooperates

with innovation support institutes, creates its own R&D centres, and facilitates the adoption of advanced technologies and organisational innovations in its portfolio companies. Most of the projects implemented by the Corporation, its assets and Sistema Charitable Foundation contribute to solving socially important issues at the intersection of the key ESG areas.

Investment strategy



Accessibility and quality

- › Access to products, services and information
- › Customer experience
- › Responsibility for products



Well-being

- › Human capital
- › Health and safety
- › Data privacy and security



Smart environment

- › Smart homes, cities and industries
- › Operational eco-efficiency
- › Energy management and climate change



Corporate governance and synergies

- › Business ethics
- › Human rights and stakeholder engagement
- › Risk management
- › Innovation management
- › Sustainable supply chain



Examples of key ESG efforts of portfolio companies

Sistema and its portfolio companies significantly contribute to the formation of a competitive labour and procurement market, including the engagement of small and medium-size businesses, the modernisation of infrastructure, industry and agriculture, the enhancement of the accessibility and safety of products and services, the development of the health and education systems and the social and environmental well-being of communities where they operate.

Given the vast diversity of industry sectors Sistema invests in, sustainability risks and value creation potential vary across the Group. Below we provide some of the most illustrative examples of the efforts of portfolio companies made in 2020. Traditional synergies between assets enabled many cross-sectional projects.

Recognition of customer experience achievements

MTS Bank received the Best Customer Service award at the 13th Bank of the Year ceremony organised by Banki.ru. Along with a highly efficient 24/7 help-desk service, the bank gained recognition for best customer service in social media.

The National Association of Housing Developers recognised **Etalon Group** as Moscow's best property developer (with

the highest reliability rating). In announcing its development strategy through 2024, Etalon Group identified "best customer service throughout the entire client journey" among its core areas of focus, aiming to become the nation's No. 1 in customer service, from project sourcing to delivery.



New approaches to stakeholder engagement in estate planning

In a tie-up with Citymakers, **Etalon Group** launched Generation Zil, an urban-planning media platform where Russian and international experts will discuss the future of the ZIL-South territory with Moscow residents.

The project offers analytical insights into the past of the district and plans for its development, a platform for expert discussions, and registrations for workshops of the urban planning lab. The final products of the public discussions and workshops, coupled with the territory's new master plan,

will form the basis for the redevelopment of the new district in Moscow's south.

Drawing on the philosophy of participatory design and the capabilities of the media platform, the new district has potential to evolve into a point of growth for urban environment and next-level urban infrastructure, with the best findings and solutions to be later rolled out nationwide.



International healthcare accreditation

Medsi's CDC Krasnaya Presnya in Moscow received accreditation from the international nonprofit Joint Commission International (JCI), which evaluates healthcare providers for safety and service quality. CDC Krasnaya Presnya is Russia's fifth and Medsi's first health facility to receive a JCI certificate. The accreditation covers a set of parameters related to patient safety, customer needs, the quality of diagnostic and therapeutic services, professional skills, observance of the rights of patients and their families, the safety of buildings, and information

security. The preparation for the accreditation involved an in-depth analysis of the clinic's last three years of operation, a 6-month comparative study, and the adoption of new targets, international analytical methods, and standardised processes.



Digital solutions for remote health monitoring

MTS developed digital solutions for remote health monitoring, controlling safety discipline, and minimising contagion risks at major industrial companies. The package includes three IoT features to monitor the health of staff and visitors: a non-contact thermometer, an automated telemedicine system for pre-travel (pre-shift) medical examinations, and an infra-red scanner. The solution specifically caters to large offices, major industrial, transport and logistical facilities, shopping malls, and high-hazard production sites. Although prompted by the COVID-19 pandemic, the solution is broad in the scale of applications and will also come in useful during flu season.

Launched in December 2019, **Medsi's** referral centre for radiology and instrumental diagnostics makes it possible to make interpretation reports remotely, which translates into steadily high quality and optimal utilisation of both scanners and personnel, where patients and cases

are distributed among doctors with relevant skill sets. The referral centre provides expert support to doctors dealing with challenging diagnostic cases, as well as local clinics lacking doctors of relevant specialisations. As of the end of 2020, the centre was networking with 18 clinics in four regions of Russia, having issued over 200 thsd remote interpretations of radiographic images and over a thnd of "second opinions". In 2021, the centre will expand its reach to 35 Medsi clinics nationwide, while also building relations with third-party healthcare providers.



Development of human capital

Etalon Group signed a long-term cooperation agreement with Moscow State Construction University, involving research & development in the applications of new materials and technologies and the identification of scientific and technical challenges that require solving to drive the evolution of the construction industry and nurture young scientists.

Although **Segezha Group's** new manufacturing factory, Galich Plywood Mill (GPM), is still in construction, its management is working to make sure that finding professionals locally won't be a problem. The company has signed a cooperation agreement with Galich School of Agriculture and Technology, whose brand-new Timber Processing Department will serve as a talent factory for the giant-in-the-making, offering graduates decent employment in their home town. GPM will provide practical training, including factory tours, mentorship, and internship programmes. With logging jobs included, the factory will need more than a thnd workers. The new production facility will free Galich from "one-factory town" status and generate a hefty tax revenue for the town's budget.

Element Group has signed a cooperation agreement with the National Research University of Electronic Technology (MIET) to drive the scientific, research, and production potential of the Russian ME industry, create new skill sets, and promote sophisticated technical systems and industrial ecosystems. The agreement will serve to pool together expertise, organisational resources, and goodwill to cultivate new markets and enhance the efficiency of engineering solutions and deployments across a variety of industries, regions, and countries, under a raft of Russian governmental programmes, such as the National Strategy for Scientific and Technological Development, the Digital Economy Programme, and the Strategy for the Development of Russia's Electronic Industry.



Cyber security to benefit customers

Ozon has launched a programme of money rewards (a "bug bounty") for users who can detect any errors and vulnerabilities in the online platform. Just a handful of Russian companies have such programmes. Russia's first e-commerce player to launch its own "bug bounty" programme, Ozon is planning to invest over RUB 3 M in cooperation with cybersecurity researchers. The size of rewards to be paid for each identified "bug" will depend on the degree of its impact on the website's operation, the potential

damage that such vulnerability may cause, and other factors.

An e-commerce giant that services over 3.5 M people every day, Ozon launches the bug bounty to achieve 24/7 safety monitoring, a valuable addition to the efforts of its IT Security Lab currently employing more than 1,000 engineers.



Digitalisation of waste collection and disposal

With the support of the Russian Ecological Society, **MTS** launched a nationwide programme for the digitalisation of waste management. The solution helps local household services in tracking waste-bin fill-level, scheduling pick-up routes, controlling cleaning activities for timing and quality, and automating a full cycle of paperwork procedures, from billing to executing contracts to releasing payments to contractors. The programme ensures the timeliness and efficiency of waste pick-up and pricing transparency.

The initiative also helps in preventing unauthorised dumping (via a high sensitivity to route deviations) and so works towards better environment in the regions. Better route planning and saved trips translate into lower fuel consumption and a reduction in emissions. Looking ahead, the company plans to enhance the solution to predict landfill capacity and the workloads of recycling facilities. The solution has already been market-launched at four regions across Russia, with another seven currently in the pilot-testing pipeline.



Zero-waste wood processing

Segezha Group's paper-making arm Sokol Pulp & Paper Mill commissioned a pulp recycling line that produces dry lignosulfonates, widely used in construction, metallurgy, drilling fluid production, dye production, etc.

The automated hi-tech process is continuous and observes all applicable environmental requirements. The new industrial process creates more than 20 jobs.

Another site of **Segezha Group**, Galich Plywood Mill (currently under construction), launched the construction of an environmentally friendly 36 MW "power centre", which will serve as a permanent solution for waste disposal and a source of heat energy for the entire mill. The construction of the facility will be completed in 2021, even before the mill is commissioned.



#COUNTRYWITHOUTVIRUS: fighting the COVID-19 pandemic in 2020

In the first weeks after the Russian government introduced a lockdown due to a high number of coronavirus cases, Sistema Group spent about RUB 1 bn to prevent the spread of the disease. The money was used to finance healthcare-related measures, a launch of the manufacturing of personal protective equipment (PPE), the protection of employees' health, and support to the consumers of goods and services provided by the Group's companies.

In order to keep medical personnel healthy, efficient and motivated, a support centre was established for those involved in fighting the pandemic. The Centre accepts donations and humanitarian aid from individuals and organisations. The programme also involved the delivery of a more than RUB 1.7 bn worth of medical equipment, test kits, PPE, etc. to clinics and hospitals across the nation.

The #COUNTRYWITHOUTVIRUS initiative was among the winners of the Best Social Projects of Russia contest and also received the People Investor award.

Medsi Group

Medsi's flagship hospital in Otradnoye was converted into an infectious disease hospital and provided with all the necessary equipment, including 40 lung ventilators and 100-bed facility with capacity for expansion. Effective from 01 April 2020, the hospital started admitting solely confirmed and suspected coronavirus patients.

Medsi also offers testing for Covid-19 all across its chain of clinics, while Medsi doctors provide advice on how to stay safe in a pandemic and how to work towards a fast and full recovery if infected.

The company set up a specialised Covid-19 centre to diagnose and prevent post-Covid pathologies.

Cosmos Hotel Group

Cosmos Hotel Group organised daily five-meals-a-day deliveries for the Medsi Otradnoye patients and personnel. On top of that, the company supplied the necessary household items such as bed linens, tableware, and small household appliances, and provided hotel accommodation for doctors.

Binnopharm Group

The pharmaceutical company set up the trial testing and industrial production of the world's first registered coronavirus vaccine (in cooperation with the Russian Direct Investment Fund and the Gamaleya Scientific Research Institute of Epidemiology and Microbiology).

Binnopharm Group doubled its output of products from the public "Covid-19 approval and recommendations list" in just nine months.

Sistema BioTech

The biotech laboratory has developed several Covid-19 diagnostic kits allowing to detect the coronavirus with a 95%+ accuracy. Moscow clinics received about a million of Sistema BioTech test kits of the type.

Ozon

Throughout the lockdown period the marketplace was meticulously monitoring prices for "hot products" in heightened demand due to the pandemic and subjected vendors caught exceeding their respective maximal allowed prices to harsh penalties. Just one day into the monitoring programme, the company blocked over 300 offers with surcharges ranging from 200% to 3,000%, both detected by Ozon and reported by customers.

Ozon has upscaled its "delivery by the door" service launched back in 2019 and ramped up investment in a special information campaign to popularise contactless delivery methods.

MTS

MTS provided its outlets and warehouses with abundant personal protective equipment, sanitisers, and other protection and disinfection material.

To keep network capacity high and ensure that digital services suffer no interruptions despite the internet traffic surge amid the pandemic, the company increased network power, with a redundancy reserve for future periods.

MTS has provided cloud resources for computer modeling of the new virus's pathogenic mechanism as part of Folding@Home, a global project aimed to help scientists find effective treatment for Covid-19.

In just two days, the telco deployed a wi-fi network and amplified signal quality at Medsi Otradnoye Hospital and Sanatorium, which was temporarily repurposed into a hostel for medical staff. MTS's retail arm provided tablets for no-contact doctor-patient communications.

MTS also launched special options in customer support, such as:

- › the possibility to use home internet and TV even with negative account balance; free traffic on popular educational platforms and culture & arts websites, and free access to MTS Fitness and MTS Library apps;
- › online consultations with Medsi doctors through the healthcare app SmartMed for just RUB 1, whatever your mobile operator;
- › the possibility to receive calls even when your phone is blocked for non-payment, and free calls to public coronavirus helplines and to air carriers;
- › senior support, with volunteers helping the elderly to learn how to get online doctor consultations, order grocery deliveries, and apply to the authorities online;
- › discounts and instalment plans for a variety of services and special solutions for corporate customers;
- › a free psychological helpline for those struggling with anxiety amid the pandemic (in collaboration with Moscow State Lomonosov University and the Russian Presidential Academy of National Economy and Public Administration).

Vologda Textile

To meet society's needs in the coronacrisis, the textile factory specifically converted many of its production lines to increase the output of fabric by 5x, to 120,000 linear metres a month (an equivalent of 2 M face masks).

The company was put on the governmental "priority" list of businesses involved in the production of materials and components essential to the fight against the coronavirus pandemic.

Segezha Group

Segezha Group donated RUB 1 M to Lesosibirsk Infections Disease Hospital and RUB 18 M to Segezha Central Hospital.

The money went towards medical equipment, PPE, transport vehicles, and other materials and machines for fighting the coronavirus.

Sistema Group stays committed to taking every necessary step to protect the health of people around and prevent the spread of the Covid-19 virus.

Social investing

and operations of Sistema Charitable Foundation

Sistema Charitable Foundation (SCF) is one of the largest charitable foundations in Russia, specifically established as an operator for Sistema's social investments. SCF invests in education and professional development, supports cultural and educational projects, and provides social assistance through a platform specifically designed for the implementation and promotion of the Corporation's philanthropic initiatives.

The foundation spent 2020 making sure its organisational structure and management system are fully aligned with global best practices, with the Board of Trustees greeting its first-ever independent member.

SCF also streamlined funding procedures, raising the total number of donors both from inside and outside Sistema Group. In June of 2020, SCF was put on the "priority nonprofits list" of the Ministry of Economic Development, enabling donors to record donations in their financial reports under "non-operating expenses" and so become eligible for tax breaks. The total donations in 2020 grew up by 64.7% year-on-year.

In the middle of 2020, the Foundation adopted a new Development Strategy until 2023. The priority social investment initiative for Sistema is [Lift to the Future](#), a programme designed to develop career opportunities across the Group and address SDG No 4 in providing quality education accessible for all genders, ages, and geographies.

Leaders of Corporate Charity 2020

Sistema is in Group A (Best Practice) of the 2020 national rating Leaders of Corporate Charity (LCC), organised by the Donors Forum, EY Russia, and Kommersant Publishing. The rating serves to recognise businesses that have managed to produce the most efficient practices in, and systematic approaches to, charity and social investing. Also among Leaders of Corporate Charity are Sistema's major portfolio companies, such as MTS and Segezha Group.

The Corporation is the proud winner in the LCC's category Best Programme (Project) Using Information Technology to Achieve Sustainable Development Goals, given in recognition of **Project Odyssey**, Russia's first IT initiative for searching and rescuing people lost in natural environment. The foundation's regular socio-cultural Sistema Fest events also earned mentions among the nation's best local social investing programmes consistent with sustainability principles and business strategies.

A novelty of 2020, the programme [Sistema in Support of Good Cause](#) combines all charity initiatives from across the Corporation on a single platform. SCF consolidated the data on all social projects in one database and launched a corporate-wide programme involving 80% of Sistema Group companies. Among the major charity endeavours of 2020 is the corporate-wide Green Marathon, which engaged 1,254 employees from 21 assets.

Digitalisation in the [Culture](#) category involved the launch of the first free-for-all online training course with Russian Museum, a 3D tour of the Lenino-Snegiri Military History Museum, and a video tour titled Fashion for All Things Russian in the Era of Alexander III, reaching a total viewership of some 34,000 people.

With support from Sistema Charitable Foundation, the State Russian Museum developed a sign language video guide app for people with hearing impairments covering the expositions of the Mikhailovsky and Marmor Palaces in Saint Petersburg, one of the first national initiatives of the type. A programme of inclusivity projects for visitors with special needs was initiated by the Russian Museum and Sistema Charitable Foundation in 2019 with adapted museum tours and art therapy for people with disabilities and special needs.

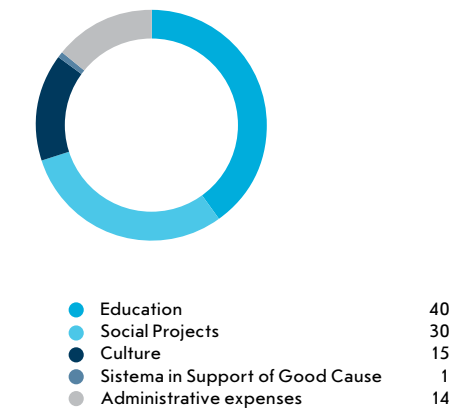
SCF's 2020 [Social Projects](#) included the following:

- › Local Sistema Fests in the Kostroma region, the Kurgan region (a grant contest) and the Republic of Altay (an online festival), reaching a total audience of some 3,500 individuals.
- › Some 3,000 veterans received gifts for Victory Day.
- › Over 400 children visited a New Year party in the Maly Theatre. Over 2,000 children from seven regions of Russia received gifts.

- › 150 employees took part in the corporate sports day ("Games of the Heroes") as part of a new sports initiative.
- › Two working bees (clean-up events) were held among employees.

Although many offline activities had to be cancelled and/or put on hold due to the pandemic, the foundation did manage to carry out most of what it had planned.

SCP EXPENDITURE BY PROJECT CATEGORY, %



Lift to the Future

10 years into the project, Lift to the Future is a truly nationwide programme providing career guidance, education, and career opportunities across the Group.

Over the course of 2019–2020, the foundation set up five engineering and 15 career guidance classrooms in seven cities.

In 2020 Lift to the Future acquired an online incarnation. The digital Lift to the Future uniquely combines latest learning digitalisation trends with advanced analytics in addressing the projected labour-market needs of the future. The programme is free for all and accessible for high schoolers and undergraduates across Russia. Among distinctive features of Lift to the Future are its unique expert-created practical content, direct contacts with potential future employers, and focus on both hard and soft skills.

Since relaunch, the platform has received more than 80,000 new registered users and uploaded 12 career guidance videos, 40 training courses, and more than 400 vacancy listings for 12 companies across the Group. The digital platform will serve to create a large educational community with open access to training programmes, career aptitude tests, a library of professions, and job listings.

ANNEXES

ANNEX 1.
Brief biographies of Sistema’s Board members, President, Management Board members, and Corporate Secretary. Their shareholding in Sistema.¹

MEMBERS OF THE BOARD OF DIRECTORS

NAME, POSITION	BRIEF BIOGRAPHY
Vladimir Evtushenkov	Born in 1948 in the Smolensk region.
Chairman of the Board of Directors	Graduated from the Mendeleev Moscow Institute of Chemical Technology in 1973 and from the Economics Department of the Lomonosov Moscow State University in 1980. PhD degree in Economics.
Non-Executive Director	1975-1982 – workshop manager; deputy director; chief engineer, the Karacharovo Plastics Factory. 1982-1987 – chief engineer, First Deputy CEO, the Polymerbyt Research and Manufacturing Association. 1987-1988 – Head of the Technical Department; Head of the Main Department of Science and Technology at the Moscow City Executive Committee. 1990 – Chairman of the Moscow Municipal Committee for Science and Technology. 1993 – co-founded Sistema Joint-Stock Financial Corporation. Majority shareholder, Chairman of the Board of Directors and Chairman of the Strategy Committee of the Board of Directors of Sistema PJSC. Actively involved in the development of solutions aimed at enhancing the competitiveness of the Russian industry, developing high technologies and innovations, supporting science and arts. Chairman of the Russian side of the Russian-Arab Business Council and the Russian-Saudi Business Council, member of the National Council on Corporate Governance, member of the management boards of the main associations of entrepreneurs in Russia: the Russian Union of Industrialists and Entrepreneurs, the Russian Chamber of Industry and Commerce. Co-chairman of the Committee on Industrial Policies and Regulations of the Russian Union of Industrialists and Entrepreneurs. Chairman of the Board of Trustees of the development fund of the State Russian Museum; member of boards of trustees of numerous other charitable, non-profit and educational organisations, including the Lomonosov Moscow State University, the Higher School of Management of Saint Petersburg State University, the Russian Geographic Society, etc. Honorary Consul of the Grand Duchy of Luxembourg in the Russian Federation with jurisdiction over the Yekaterinburg and Khabarovsk regions. Share in the authorised capital of Sistema PJSC: 59.2105%.

NAME, POSITION	BRIEF BIOGRAPHY
Anna Belova	Born in 1961 in Aleksandrovsk, the Sakhalin region.
Independent Director	In 1984, graduated from Moscow Engineering & Physics Institute. PhD degree in Economics, Professor of the Higher School of Economics. 1993-1998 – CEO and area director at Booz Allen & Hamilton Inc. Russia. 2001-2003 – Deputy Railway Minister of Russia. 2004-2005 – Deputy Chair of the Management Board, Vice President for Corporate Governance, Reform and Computerisation at OJSC Russian Railways. 2005-2007 – advisor to the head of the Federal Nuclear Energy Agency. 2007-2011 – member of the Management Board, Deputy CEO, Director for Strategy, Corporate Development and Integration at OJSC SUEK. 2008-2016 – member of the Board of Directors (independent director) at OJSC Sheremetyevo International Airport. From 2017 on, academic supervisor at the Systemic Transformation Centre of Lomonosov Moscow State University. Author of over 50 articles and academic papers on economics, entrepreneurship, management strategies and business transformation. Holder of various public and government awards: 2010 – winner of the Russian national competition organised by the Russian Union of Industrialists and Entrepreneurs and the Association of Independent Directors in the category “Independent Director of the Year”. 2014 – winner of the award “Best Corporate Director Among Companies Partially Owned by Government” in the category “Best Board Chairperson” established by the National Association of Corporate Directors and Top Managers. 2014 – winner of ARISTOS, the Russian national award in the area of management, in the category “Best Independent Director”. Deputy Chair of the Board of PJSC Unipro, member of the boards of directors of PJSC Segezha Group and Tiscali S.p.A. Over the past 10 years, has been a member of the boards of directors of more than 25 Russian and international companies. Member of the Board of Directors of Sistema PJSC since 2017, Deputy Chair of the Board of Directors of Sistema PJSC since 2019. Chair of the Investor Relations and Dividend Policy Committee, member of the Strategy Committee, the Audit, Finance and Risk Committee, the Nomination, Remuneration and Corporate Governance Committee and the Ethics and Control Committee of Sistema’s Board of Directors. Share in the authorised capital of Sistema PJSC: 0.0075%.

¹ As of 31 December 2020.

NAME, POSITION	BRIEF BIOGRAPHY
<p>Andrey Dubovskov</p> <p>Non-Executive Director</p>	<p>Born in 1966 in Alma-Ata.</p> <p>In 1993, graduated from the Gerasimov University of Cinematography.</p> <p>Has extensive expertise in telecommunications: since 1993, has held multiple managerial positions at Millicom International Cellular S.A., Millicom International Cellular B.V., LLC Regional Cellular Telecommunications, CJSC 800 and other companies in Moscow, Alma-Ata, Nizhny Novgorod, Yekaterinburg, Perm and Kiev.</p> <p>2002-2004 – CEO, Tele2 (Nizhny Novgorod).</p> <p>In 2004, joined OJSC MTS as head of the company’s Nizhny Novgorod branch.</p> <p>2006-2007 – Director of the MTS Ural Macroregion.</p> <p>In 2007, became first deputy CEO of CJSC UMS (MTS Ukraine) and was appointed CEO of MTS Ukraine in 2008.</p> <p>2011-2018 – President of PJSC MTS.</p> <p>March 2018 to April 2020 – President of Sistema PJSC.</p> <p>Member of the Board of Directors of Sistema PJSC since 2015, elected Deputy Chairman of the Board in April 2020. Chairman of the Ethics and Control Committee, member of the Strategy Committee and the Nomination, Remuneration and Corporate Governance Committee of Sistema’s Board of Directors.</p> <p>Share in the authorised capital of Sistema PJSC: 0.0685%.</p>
<p>Felix Evtushenkov</p> <p>Non-Executive Director</p>	<p>Born in 1978 in Moscow.</p> <p>In 2000, graduated from the Griboyedov Institute of International Law and Economics with a degree in law.</p> <p>1999-2000 – Assistant to President of CJSC Sistema Invest, Executive Director of Industry Department at Sistema.</p> <p>2000-2006 – Deputy CEO and later CEO of CJSC Sistema Hals.</p> <p>2006-2008 – President, OJSC Sistema Hals.</p> <p>2008-2011 – Vice President, Head of Consumer Assets Business Unit, Sistema.</p> <p>2011-2012 – First Vice President, Head of Core Assets Business Unit, Sistema.</p> <p>2012-2018 – First Vice President, Sistema.</p> <p>2018-2019 – Deputy Chairman of the Board of Directors of Sistema.</p> <p>From 2019 – Chairman of the Board of Directors of PJSC MTS.</p> <p>Member of the Board of Directors of Sistema since 2015. Member of the Strategy Committee of the Board of Directors of Sistema. Chairman of the Board of Trustees of Sistema Charitable Foundation.</p> <p>Share in the authorised capital of Sistema PJSC: 5.2125%.</p>

NAME, POSITION	BRIEF BIOGRAPHY
<p>Ron Sommer</p> <p>Non-Executive Director</p>	<p>Born in 1949.</p> <p>In 1971, received a doctoral degree in mathematics from the University of Vienna.</p> <p>1980-1986 – Managing Director, German branch of Sony Group.</p> <p>1986-1990 – Chairman of the Management Board, Sony Deutschland.</p> <p>1990-1995 – President and CEO, Sony Corporation USA, from 1993 – Sony Europe.</p> <p>1995-2002 – Chairman of the Management Board, Deutsche Telekom AG.</p> <p>1998-2018 – member of the Supervisory Board of Munich Reinsurance.</p> <p>2004-2009 – member of the Board of Directors, Motorola Inc., USA.</p> <p>2005-2011 – member of the Board of Directors of Sistema, Chairman of the Investor Relations Committee of the Board.</p> <p>2009-2011 – First Vice President, Head of the Telecom Assets Business Unit, Sistema.</p> <p>2009-2019 – Chairman of the Board of Directors of PJSC MTS.</p> <p>Member of the Board of Directors of Sistema PJSC since 2017. Member of the Strategy Committee, the Audit, Finance and Risk Committee, the Nomination, Remuneration and Corporate Governance Committee, the Investor Relations and Dividend Policy Committee of Sistema’s Board of Directors.</p> <p>Share in the authorised capital of Sistema PJSC: 0.0026%.</p>
<p>Robert Kocharyan</p> <p>Independent Director</p>	<p>Born in 1954 in Stepanakert, Nagorno-Karabakh Autonomous Region.</p> <p>In 1982, graduated from the Yerevan Polytechnic Institute.</p> <p>1991-1994 – Deputy of the first Supreme Council of the Nagorno-Karabakh Republic (NKR), Chairman of the State Defence Committee of the NKR and Prime Minister of the NKR.</p> <p>1994-1997 – President of the NKR.</p> <p>1997-1998 – Prime Minister of the Republic of Armenia.</p> <p>1998-2008 – President of the Republic of Armenia.</p> <p>Member of the Board of Directors of Sistema PJSC since 2009. Chairman of the Nomination, Remuneration and Corporate Governance Committee, member of the Strategy Committee and the Ethics and Control Committee of Sistema’s Board of Directors.</p> <p>Share in the authorised capital of Sistema PJSC: 0.0306%.</p>

NAME, POSITION	BRIEF BIOGRAPHY
Roger Munnings Independent Director	<p>Born in 1950 in the United Kingdom.</p> <p>Graduated from the Oxford University in 1972 with a degree of Master of Arts in Politics, Philosophy and Economics.</p> <p>In 1973-2008, worked for the international auditor KPMG, including in the capacity of the President and Managing Partner of KPMG in Russia and the CIS (1996-2009), as well as Chairman of the world energy and natural resources committee of KPMG (1993-2008). Member of the Institute of Certified Accountants of England and Wales.</p> <p>Commander of the Order of the British Empire since 2007.</p> <p>Member of the Board of Directors of Sistema PJSC since 2010. Chairman of the Audit, Finance and Risk Committee, member of the Nomination, Remuneration and Corporate Governance Committee and the Investor Relations and Dividend Policy Committee of Sistema's Board of Directors.</p> <p>Share in the authorised capital of Sistema PJSC: 0.0297%.</p>
Vladimir Chirakhov Executive Director	<p>Born in 1974 in Tbilisi.</p> <p>In 1996, graduated with honours from the Russian Federal Security Service Academy with a degree in applied mathematics. In 2000, studied system analysis and business management at Moscow International Higher Business School MIRBIS. In 2001, graduated with honours from the Russian Presidential Academy of National Economy with a degree in management. In 2013, completed Executive MBA at Moscow Skolkovo School of Management.</p> <p>2005-2009 – senior manager for product categories, project manager at LLC M.Video. Management.</p> <p>2009 – Sales Director at LLC Lindex.</p> <p>2009-2012 – Sales Director, Executive Director, CEO of LLC Korablik-R.</p> <p>2012-2020 – CEO of PJSC Detsky Mir.</p> <p>From April to July 2020 was Chairman of the Board of Directors of PJSC Detsky Mir.</p> <p>Appointed President of Sistema PJSC on 20 April 2020.</p> <p>Awarded a national Order of Friendship in March 2020.</p> <p>Member of the Board of Directors of Sistema PJSC since 2020. Member of the Strategy Committee and the Ethics and Control Committee of Sistema's Board of Directors. Member of the Board of Trustees of Sistema Charitable Foundation.</p> <p>Share in the authorised capital of Sistema PJSC: 0.1540%.</p>

NAME, POSITION	BRIEF BIOGRAPHY
Anatoly Chubais Independent Director	<p>Born in 1955 in Borisov, Belarus.</p> <p>In 1977, Graduated from Palmiro Togliatti Leningrad Institute of Engineering and Economics (LIEE). In 2002, graduated from Moscow Power Engineering Institute (major in Problems of the Contemporary Energy Generation). PhD in Economics.</p> <p>1990-1991 – deputy, then first deputy chair of the Executive Committee of the Leningrad City Council of People's Deputies.</p> <p>1991-1994 – Chairman of the Committee for the Management of State Property, author and coordinator of privatisation in Russia.</p> <p>1992-1996 – Deputy Prime Minister, then First Deputy Prime Minister of the Russian Federation for economic and financial policy.</p> <p>1995-1996 – Member Country Governor at the World Bank and the International Monetary Fund.</p> <p>1997-1998 – First Deputy Prime Minister and Minister of Finance of the Russian Federation.</p> <p>1996-1997 – Chief of Staff of the Presidential Executive Office of the Russian Federation.</p> <p>1998-2008 – Chair of RAO Unified Energy System of Russia.</p> <p>In 2008-2020 – CEO of the Russian Corporation of Nanotechnologies; in 2013-2020 – Chairman of the Management Board of LLC RUSNANO Management Company.</p> <p>In 2020 was appointed special representative of the Russian President for relations with international organisations to achieve the Sustainable Development Goals.</p> <p>Was awarded the Order "For Merit to the Fatherland" (class IV).</p> <p>Member of the Board of Directors of Sistema PJSC since 2020.</p> <p>Share in the authorised capital of Sistema PJSC: 0%.</p>

NAME, POSITION	BRIEF BIOGRAPHY
Mikhail Shamolin Non-Executive Director	<p>Born in 1970 in Moscow.</p> <p>In 1992, graduated from the Moscow Automobile and Road Technical Institute, and in 1993 from the Russian Presidential Academy of Public Administration.</p> <p>In 1996-1997, completed a finance and management course for senior executives at the Wharton School of Business.</p> <p>In 1998-2004, worked for McKinsey&Co, an international consultancy firm.</p> <p>2004-2005 – Managing Director for the Ferroalloys Division, Interpipe Corp (Ukraine).</p> <p>2005-2011 – Vice President for Sales and Customer Service; Vice President, Head of MTS Russia Business Unit; President at OJSC MTS.</p> <p>2011-2018 – President and Management Board Chairman, Sistema PJSC.</p> <p>From 2018 – President of LLC Segezha Group MC.</p> <p>Member of the Board of Directors of Sistema PJSC since 2011. Member of the Strategy Committee and the Ethics and Control Committee of Sistema’s Board of Directors. Member of the Board of Trustees of Sistema Charitable Foundation.</p> <p>Share in the authorised capital of Sistema PJSC: 0.3063%.</p>
Étienne Schneider Independent Director	<p>Born in 1971 in Luxembourg.</p> <p>Graduated from the ICHEC Brussels Management School and the University of Greenwich, London. In 1995, received a degree in business and finance.</p> <p>1995-2005 – councilor in Kayl, Luxembourg.</p> <p>1997-2004 – secretary general of the Luxembourg Socialist Workers’ Party (LSAP).</p> <p>2005-2010 – first alderman of the municipality of Kayl.</p> <p>In 2012, joined the Government of the Grand Duchy of Luxembourg as Minister of the Economy and Foreign Trade. In 2013, was appointed Deputy Prime Minister, Minister of the Economy, Minister of Internal Security and Minister of Defence of the Grand Duchy of Luxembourg.</p> <p>2018-2020 – Deputy Prime Minister, Minister of the Economy and Minister of Health of the Grand Duchy of Luxembourg.</p> <p>Member of the Board of Directors of Sistema PJSC since 2020. Member of the Audit, Finance and Risk Committee and the Investor Relations and Dividend Policy Committee of Sistema’s Board of Directors.</p> <p>Share in the authorised capital of Sistema PJSC: 0%.</p>

NAME, POSITION	BRIEF BIOGRAPHY
David Iakobachvili Independent Director	<p>Born in 1957 in Tbilisi.</p> <p>Graduated from Tbilisi Polytechnical Institute with a degree in industrial and civil engineering.</p> <p>Private entrepreneur in 1986-2000: official dealership for General Motors, travel and hospitality, timber processing, retail, telecom, and banking.</p> <p>In 1992, co-founded Wimm Bill Dann, sold to US PepsiCo in 2011.</p> <p>1992-2011 – Member and later Chairman of the Board of Directors of Wimm Bill Dann.</p> <p>In 2011, invested in Bioenergy Corporation, becoming its co-owner and chairman of the board of directors.</p> <p>President of Orion Heritage Co, Ltd, Founder of Private Sobraniye Museum, Chairman of the Board of Petrocas Energy International.</p> <p>Vice President of the Russian Union of Industrialists and Entrepreneurs (RSPP) and Chairman of its Committee for Corporate Social Responsibility and Sustainable Development. Chairman of the Joint Ethics Commission of the RSPP. Member of the Consumer Market Council of the Russian Chamber of Commerce and Industry. President of the InOil Research and Production Group. Chairman of the Board of Directors of RusBrand, the Association of Branded Goods Manufacturers in Russia. President of the Russian-American Business Council. Member of the Coordination Board of the Russian-Arab Business Council. Member of the Public Council of the Ministry of Construction and Utilities of the Russian Federation. Member of the General Council of Business Russia. Member of the World Economic Forum in Davos and B20 summits, Co-Chairman of the Employment and Education task force. Member of the Franco-Russian Dialogue Association. Member of the President’s Global Council at New York University (NYU).</p> <p>Member of the boards of trustees of the Higher School of Economics, RSPP Business School, French University College in Russia, Mstislav Rostropovich Foundation for Scholarships, State Hermitage Museum, Russian Museum of Decorative, Applied and Folk Art, Russian Military History Society, Maria Charity.</p> <p>Member of the Board of Directors of Sistema PJSC since 2011. Member of the Strategy Committee, the Audit, Finance and Risk Committee and the Nomination, Remuneration and Corporate Governance Committee of Sistema’s Board of Directors.</p> <p>Share in the authorised capital of Sistema PJSC: 0.0345%.</p>

PRESIDENT AND MANAGEMENT BOARD MEMBERS

NAME, POSITION	BRIEF BIOGRAPHY
Vladimir Chirakhov President, Chairman of the Management Board	<p>Born in 1974 in Tbilisi.</p> <p>In 1996, graduated with honours from the Russian Federal Security Service Academy with a degree in applied mathematics. In 2000, studied system analysis and business management at Moscow International Higher Business School MIRBIS. In 2001, graduated with honours from the Russian Presidential Academy of National Economy with a degree in management. In 2013, completed Executive MBA at Moscow Skolkovo School of Management.</p> <p>2005-2009 – senior manager for product categories, project manager at LLC M.Video. Management.</p> <p>2009 – Sales Director at LLC Lindex.</p> <p>2009-2012 – Sales Director, Executive Director, CEO of LLC Korablik-R.</p> <p>2012-2020 – CEO of PJSC Detsky Mir.</p> <p>From April to July 2020 was Chairman of the Board of Directors of PJSC Detsky Mir.</p> <p>Appointed President of Sistema PJSC on 20 April 2020.</p> <p>Awarded a national Order of Friendship in March 2020.</p> <p>Member of the Board of Directors of Sistema PJSC since 2020. Member of the Strategy Committee and the Ethics and Control Committee of Sistema’s Board of Directors. Member of the Board of Trustees of Sistema Charitable Foundation.</p> <p>Share in the authorised capital of Sistema PJSC: 0.1540%.</p>
Igor Alyoshin Vice President for Security	<p>Born in 1965 in Kurgan.</p> <p>In 1987, graduated from the Omsk High School of Police of the USSR Ministry of Internal Affairs with a degree in law.</p> <p>1983-2012 – Service with law enforcement agencies.</p> <p>2012-2013 – Management Board member, Vice President for Security and Assets Protection of the Security and HR Department, Medsi Group.</p> <p>2013-2014 – Vice President for Security, MTS Group Corporate Centre, Security Unit, MTS.</p> <p>2014-2018 – Senior Vice President, Head of Security Service, MTS Bank.</p> <p>From 2018 – Vice President for Security, Sistema PJSC.</p> <p>Share in the authorised capital of Sistema PJSC: 0.0233%.</p>
Sergey Egorov Managing Partner	<p>Born in 1982 in Bishkek.</p> <p>In 2004, graduated from the Kyrgyz National University with a degree in Finance and Credit.</p> <p>2007-2008 – Senior Analyst, Private Equity and Structured Financing Department, LLC United Capital Partners Advisory.</p> <p>2008-2012 – Analyst, LLC Sberbank Capital.</p> <p>Started working at Sistema PJSC in 2012, held the position of Director for Special Projects in 2018-2019.</p> <p>Managing Partner of Sistema PJSC from 2019.</p> <p>Share in the authorised capital of Sistema PJSC: 0.0233%.</p>

NAME, POSITION	BRIEF BIOGRAPHY
Artyom Zasursky Vice President for Strategy	<p>Born in 1979 in Moscow.</p> <p>In 2001, graduated from the Lomonosov Moscow State University with a degree in Foreign Social and Economic Geography. In 2005, completed postgraduate studies at the Journalism Department of the Lomonosov Moscow State University.</p> <p>In 2001, graduated from the Lomonosov Moscow State University with a degree in Foreign Social and Economic Geography and Translation.</p> <p>2002-2003 – Head of Department at LLC Crossmedia Solutions.</p> <p>2005-2006 – Executive Director at LLC Territoriya Igr.</p> <p>2007-2009 – CEO at LLC Dragonara.</p> <p>2011 – Director for Development, LLC Stream.</p> <p>2012-2013 – Vice President for Development at OJSC SMM.</p> <p>2013-2016 – CEO at LLC Stream.</p> <p>From 2017 – Vice President for Strategy, Sistema PJSC.</p> <p>Share in the authorised capital of Sistema PJSC: 0.0432%.</p>
Alexey Katkov Managing Partner	<p>Born in 1977 in Moscow.</p> <p>In 1999, graduated from the Russian Presidential Academy of National Economy with a degree in Management.</p> <p>2000-2015 – Advertising Manager, Sales Director, Commercial Director (since 2007) at LLC Mail.Ru.</p> <p>2015-2017 – Member of Management Board, First Vice President, COO at JSC SMM; then President of JSC Sistema Venture Capital.</p> <p>2017-2018 – CEO and then President of LLC SVC Fund.</p> <p>Managing Partner of Sistema PJSC from 2018.</p> <p>Share in the authorised capital of Sistema PJSC: 0.2434%.</p>
Igor Kozlov Vice President for IT	<p>Born in 1979 in Moscow.</p> <p>In 2002, graduated from the Bauman Moscow State Technical University (Bauman MSTU). In 2008, received an MBA degree in Financial Management from Moscow International Higher Business School MIRBIS.</p> <p>In 2001-2009, was in charge of designing software for RESO Garantiya.</p> <p>2010-2011 – Head of Software Development & Maintenance at VSK Insurance.</p> <p>2011-2013 – Head of IT at UralSib Insurance.</p> <p>2013-2020 – CIO at Kapital Life.</p> <p>From July 2020 – Vice President for IT, Sistema PJSC.</p> <p>Share in the authorised capital of Sistema PJSC: 0%.</p>

NAME, POSITION	BRIEF BIOGRAPHY
<p>Svetlana Matveyeva</p> <p>Vice President for HR</p>	<p>Born in 1984 in Moscow.</p> <p>In 2006, graduated from the Plekhanov Russian University of Economics with a degree in Economics. In 2007, graduated from the Department of Computational Mathematics and Cybernetics of the Lomonosov Moscow State Lomonosov University.</p> <p>Before 2012, held various positions at Sportmaster Group; in 2012, joined Sistema.</p> <p>2017-2019 – Executive Director for Motivation, Training and Organisational Development, HR Department of Sistema PJSFC.</p> <p>From 2019 – Vice President for HR at Sistema PJSFC.</p> <p>In 2019, made it to the short list (15 finalists) of Leaders of Russia (a national executive ranking).</p> <p>Share in the authorised capital of Sistema PJSFC: 0.0139%.</p>
<p>Leonid Monosov</p> <p>Managing Partner</p>	<p>Born in 1958 in Mozyr, Belarus.</p> <p>In 1980, graduated from the Moscow Institute of Railway Engineers with a degree in industrial and civil construction.</p> <p>1999 - 2007 – CEO of OJSC Moskapstroy.</p> <p>2007 - 2010 – Head of the Moscow City Contract Repairs Department.</p> <p>2010 - 2012 – Vice President, the state-owned corporation Olympstroy.</p> <p>2012-2013 – Executive Vice President, Sistema.</p> <p>2013-2018 – Vice President, Head of Investment Portfolio, Sistema PJSFC.</p> <p>2018-2020 – Adviser to the Chairman of the Board of Directors of Sistema PJSFC.</p> <p>From May 2020 – Managing Partner of Sistema PJSFC.</p> <p>Share in the authorised capital of Sistema PJSFC: 0.1018%.</p>
<p>Oleg Mubarakshin</p> <p>Managing Partner</p>	<p>Born in 1968 in the Saratov region.</p> <p>In 1991, graduated from the Defence Ministry’s Military Institute. Graduated from Moscow State Academy of Law with a degree in Law in 2000 and from the Finance Academy of the Government of the Russian Federation with a degree in Finance in 2002.</p> <p>1996-1998 – Deputy CEO for legal matters, the oil and gas company Belye Nochi (Russia).</p> <p>1998-2007 – Vice President for Corporate and Legal Affairs for Central and Eastern Europe, InBev FMCG Group (Russia).</p> <p>2008-2009 – Vice President for Legal Affairs for Western Europe, InBev FMCG Group (Belgium).</p> <p>2009-2013 – Member of the Management Board, Head of Legal, EastOne Investment and Consulting Group (Ukraine, United Kingdom).</p> <p>2013-2015 – Vice President, Head of the Legal Function, Sistema.</p> <p>2015-2018 – Vice President, Head of the Legal Function, Sistema.</p> <p>From 2018 – Managing Partner of Sistema PJSFC.</p> <p>Share in the authorised capital of Sistema PJSFC: 0.4316%.</p>

NAME, POSITION	BRIEF BIOGRAPHY
<p>Leonid Petukhov</p> <p>Managing Partner</p>	<p>Born in 1978 in Moscow.</p> <p>Graduated from the Finance Academy of the Government of the Russian Federation with a degree in Accounting and Audit in 2000. In 2001, graduated with honours from the Moscow State Academy of Law. In 2003, completed McKinsey’s Mini-MBA programme (Kellogg, INSEAD Business School). In 2007, graduated from Harvard University (John F. Kennedy School of Government), Public Administration.</p> <p>In 2000-2007, worked for the Moscow office of McKinsey&Co, an international consultancy firm.</p> <p>From 2008 to 2013, was CEO of a number of oil and gas companies in Eastern Europe, Russia and Ukraine.</p> <p>2014–2015 – Vice President, ESN Group.</p> <p>2015-2016 – Managing Director at Investment Department, LLC Investment Company A1.</p> <p>2017 - 2020 – CEO at Far East Investment and Export Agency.</p> <p>From December 2020 – Managing Partner of Sistema PJSFC.</p> <p>Share in the authorised capital of Sistema PJSFC: 0%.</p>
<p>Artyom Sirazutdinov¹</p> <p>Managing Partner</p>	<p>Born in 1969 in Novokuznetsk.</p> <p>In 1993, graduated from Siberian University of Metallurgy with a degree in Aluminium Production Engineering.</p> <p>In 1996, received an MBA degree from Virginia Commonwealth University.</p> <p>1996-2005 – Vice President at Russia Partners Managing Company.</p> <p>2005-2007 – Managing Director at Sputnik Investment Group.</p> <p>2007-2010 – Member of Management Board, Chief Investment Officer at EastOne.</p> <p>2010-2016 – Deputy Management Board Chairman at OJSC International Financial Club Bank.</p> <p>2016-2018 – Vice President, Sistema PJSFC.</p> <p>2018-2021 – Managing Partner, Sistema PJSFC.</p> <p>From February 2021 – CEO of LLC Sistema BioTech.</p> <p>Share in the authorised capital of Sistema PJSFC: 0.0515%.</p>

¹ His appointment as Management Board member was terminated after the end of the reporting period.

NAME, POSITION	BRIEF BIOGRAPHY
Vladimir Travkov Vice President for Finance	<p>Born in 1979 in Tashkent.</p> <p>In 2000, graduated from the Lomonosov Moscow State University with a degree in economics and in 2002 received a degree in management from the same university.</p> <p>2003-2004 – Specialist of the strategic analysis service at MTS.</p> <p>2004-2007 – Chief economist, head of the planning and analysis department at Comstar United TeleSystems.</p> <p>2007-2010 – Head of the consolidation and planning methodology department at MTS.</p> <p>2010-2011 – Head of the planning and management reporting department at Comstar United TeleSystems.</p> <p>2011-2018 – Head of the functional controlling department at MTS.</p> <p>From 2018 – Vice President for Finance, Sistema PJSC.</p> <p>Share in the authorised capital of Sistema PJSC: 0.0306%.</p>
Ali Uzdinov Managing Partner	<p>Born in 1962 in Kislovodsk.</p> <p>In 1985, graduated from Rostov Institute of Railway Engineers with a degree in Automation, Telemechanics and Communications.</p> <p>In 1990, continued his education at the International Survival School (Italy).</p> <p>1994-1997 – Head of the Rostov Commodity Exchange.</p> <p>1997-1998 – CEO of LLC Ayaks.</p> <p>1998-2001 – CEO of the Rostov branch of OJSC Bashneft.</p> <p>2001-2007 – Chairman of the Board of Directors of OJSC Kormmash.</p> <p>2007-2009 – CEO of LLC Rostovregiongaz.</p> <p>2009-2012 – First Vice President for Refining and Sales, OJSC Bashneft.</p> <p>2012-2018 – Vice President, Senior Vice President, Sistema.</p> <p>From 2018 – Managing Partner of Sistema PJSC.</p> <p>Share in the authorised capital of Sistema PJSC: 0.4290%.</p>
Sergey Shishkin Vice President for Corporate Governance and Legal Affairs	<p>Born in 1970 in Moscow.</p> <p>In 1992, graduated with honours from the Lomonosov Moscow State University with a degree in law. In 1996, he received a PhD in Law.</p> <p>1998-2000 – Director at the Foundation of International Institute for Development of Legal Economy.</p> <p>2001-2003 – Member of the bar association of Moscow.</p> <p>2005-2011 – Head of the Property Department, Director for Property Projects, Sistema.</p> <p>2011-2015 – Executive Vice President for Corporate Projects at Sistema; October 2014- December 2015 – Acting Senior Vice President, Head of the Corporate Governance Function at Sistema.</p> <p>2015-2018 – Vice President, Head of the Corporate Governance Function, Sistema.</p> <p>From 2018 – Vice President for Corporate Governance and Legal Affairs, Sistema.</p> <p>Share in the authorised capital of Sistema PJSC: 0.0806%.</p>

CORPORATE SECRETARY	
NAME, POSITION	BRIEF BIOGRAPHY
Ekaterina Kulakova Corporate Secretary	<p>Born in 1981 in Magdeburg, German Democratic Republic.</p> <p>In 2003, graduated from the Moscow State Social University with a degree in sociology. In 2010, graduated from the Lomonosov Moscow State University with a degree in management.</p> <p>In 2003-2010 worked in the capacity of secretaries of Sistema's collective governance bodies (Management Board, Strategy Committee).</p> <p>2010-2013 – PR Manager at the Corporate Development Department of Sistema.</p> <p>In 2013-2020 – Secretary of the Board of Directors, Deputy Corporate Secretary of Sistema.</p> <p>From August 2020 – Corporate Secretary, Sistema PJSC.</p> <p>Share in the authorised capital of Sistema PJSC: 0.0013%.</p>

ANNEX 2.

Financial results of Sistema in 2020 in accordance with Russian Accounting Standards (RAS)

KEY FINANCIAL INDICATORS, RUB thsd

	2020	2019
Revenue from sale of products, goods, works and services (net of VAT)	29,438,119	44,947,796
Administrative expenses	-16,245,675	-10,349,809
Sales profit	13,192,444	34,597,987
Interest income	4,874,944	6,087,299
Interest expense	-16,443,774	-19,409,648
Other income	183,801,592	118,021,673
Other expenses	-30,373,827	-56,163,444
Profit / (loss) before tax	155,051,379	83,133,867
Current income tax	-	-9,544
Net income (loss)	140,837,044	80,016,465
Retained earnings	333,667,598	194,085,054

The core business of Sistema PJSC is management of equity stakes in commercial organisations.

INCOME STRUCTURE, RUB thsd

	2020	2019
Total revenue, incl.:	29,438,119	44,947,796
Income from equity holdings in other companies	29,411,720	44,931,482
Other operating income (property rent, agency services and sureties)	26,399	16,314

PERFORMANCE INDICATORS

	2020	2019
Productivity, RUB thsd/FTE	107,047.71	164,043.05
Debt to equity ratio	0.64	0.93
Long-term debt to the sum of long-term debt and equity	0.35	0.43
Debt service coverage ratio	2.75	1.01
Overdue debt, %	0	0

FINANCIAL STABILITY

	2020	2019
Net working capital, RUB thsd	18,509,526	22,076,343
Current ratio	1.5	1.6
Quick ratio	1.5	1.6
Debt ratio	1.6	1.9
Equity to total assets	0.6	0.5

INFORMATION ABOUT FUEL AND ENERGY CONSUMPTION

	2020		2019	
TYPE OF RESOURCES	VOLUME	AMOUNT WITH VAT, RUB THSD	VOLUME	AMOUNT WITH VAT, RUB THSD
Heat, Gcal	1,313.43	2,540.13	1,461.16	2,726.98
Electric power, thsd kWh	2,172.88	9,133.97	2,191.69	9,159.37
Water, cu m	6,724.52	278.6	7,197.84	285.1
Petrol, l	191,979.73	9,204.31	192,279.33	9,284.46
TOTAL	-	21,157.01	-	21,455.90

ANNEX 3.
Transactions involving Sistema shares performed by Sistema's Board members, President and Management Board members during 01 January-31 December 2020¹

SISTEMA SHARES RECEIVED BY MEMBERS OF SISTEMA'S BOARD OF DIRECTORS ON 15 JULY 2020 AS REMUNERATION FOR SERVING ON SISTEMA'S BOARD IN THE CORPORATE YEAR 2019-2020

FULL NAME	NUMBER OF SISTEMA SHARES
A. Belova	721,489
A. Dubovskov	480,992
V. Evtushenkov	721,489
F. Evtushenkov	721,489
R. Sommer	754,237
R. Kocharyan	754,237
R. Munnings	754,237
M. Shamolin	721,489
D. Iakobachvili	754,237

SISTEMA SHARES RECEIVED BY MEMBERS OF SISTEMA'S BOARD OF DIRECTORS, PRESIDENT AND MEMBERS OF SISTEMA'S MANAGEMENT BOARD ON 25 DECEMBER 2020 UNDER THE INCENTIVE PROGRAMME

FULL NAME	NUMBER OF SISTEMA SHARES
I. Alyoshin	2,253,195
F. Evtushenkov	2,253,195
S. Egorov	2,253,195
A. Zasursky	2,253,195
A. Katkov	18,089,111
S. Matveyeva	1,090,256
L. Monosov	513,061
O. Mubarakshin	2,253,195
V. Rozanov	2,253,195
A. Sirazutdinov	2,253,195
V. Travkov	2,253,195
A. Uzdenov	27,439,695
V. Chirakhov	14,865,261
S. Shishkin	2,253,195

ACQUISITION OF SISTEMA SHARES BY MEMBERS OF THE BOARD OF DIRECTORS, PRESIDENT AND MEMBERS OF THE MANAGEMENT BOARD OF SISTEMA PJSFC

FULL NAME	NUMBER OF SISTEMA SHARES	DATES OF TRANSACTIONS
A. Dubovskov	629,100	21 January 2020
O. Mubarakshin	12,038,877	14 February 2020

DIVESTMENT OF SISTEMA SHARES BY MEMBERS OF THE BOARD OF DIRECTORS, PRESIDENT, AND MEMBERS OF THE MANAGEMENT BOARD OF SISTEMA PJSFC

FULL NAME	NUMBER OF SISTEMA SHARES	DATES OF TRANSACTIONS
R. Sommer	504,237	8 September 2020

ANNEX 4. List of transactions carried out by Sistema in the reporting year that are recognised as major transactions under the Federal Law "On Joint-Stock Companies"

During 2020 Sistema PJSFC did not perform any transactions which are recognised as major transactions in accordance with the Federal Law "On Joint-Stock Companies", or other transactions which are covered by the procedure for approval of major transactions in accordance with the Company's Charter.

¹ Information provided herein coincides with the information included in the notices of transactions with the Corporation's securities sent to Sistema PJSFC by the Board members, President and Management Board members. All the persons whose transactions are referred to herein were members of the Corporation's governance bodies as of the time of each such transaction.

ANNEX 5.
List of transactions carried out by
Sistema in the reporting year that are
recognised as related party transactions
in accordance with the Federal Law
"On Joint-Stock Companies"

All of the transactions performed by Sistema PJSC in 2020 that qualify as related party transactions according to the Federal Law "On Joint-Stock Companies" were endorsed or approved by the Corporation's Board of Directors.

NO	NO OF BOD MINUTES AND DATE OF RESOLUTION	DESCRIPTION	COUNTERPARTIES	TRANSACTION VALUE	RELATED PARTIES
1	04-20, 16/05/2020	Acquisition of investment units in closed-end mutual investment funds managed by LLC Sistema Capital MC from LLC Cosmos Hotel Group	LLC Cosmos Hotel Group	RUB 1,022,114,210.92	V. Evtushenkov, F. Evtushenkov, V. Rozanov
2	08-20, 11/09/2020	Modification of terms of interest-bearing loans provided to JSC Steppe AgroHolding	JSC Steppe AgroHolding	RUB 3,770,000,000.00	V. Evtushenkov, F. Evtushenkov, S. Shishkin, V. Travkov, A. Uzdenov
3	07-20, 31/08/2020	Sale to JSC RTI of an equity stake in a subsidiary of JSC RTI	JSC RTI	RUB 281,250,000.00	V. Evtushenkov, F. Evtushenkov, S. Shishkin, V. Travkov, O. Mubarakshin
4	12-20, 18/12/2020	Contribution to the authorised capital of LLC Sistema Telecom Assets	LLC Sistema Telecom Assets	RUB 3,825,000,000.00	V. Evtushenkov, F. Evtushenkov, S. Shishkin
5	09-20, 23/10/2020	Acquisition of an equity stake in JSC NVision Group from MTS Group companies	LLC MTS Capital, LLC Telecom Projects	RUB 369,301,251.00	V. Evtushenkov, F. Evtushenkov
6	09-20, 23/10/2020	Sale of an equity stake in JSC NVision Group to JSC Sitronics	JSC Sitronics	RUB 377,500,000.00	V. Evtushenkov, F. Evtushenkov, A. Katkov
7	12-20, 18/12/2020	Contribution to the property of LLC Sistema Telecom Assets	LLC Sistema Telecom Assets	RUB 2,400,000,000.00	V. Evtushenkov, F. Evtushenkov, S. Shishkin
8	12-20, 18/12/2020	Signing of agreements providing for indemnification against legal and other expenses or losses	Sistema Finance S.A., V. Chirakhov	USD 26,000,000.00 USA	V. Evtushenkov, F. Evtushenkov, V. Chirakhov
9	12-20, 18/12/2020	Granting a loan to JSC Sistema Invest	JSC Sistema Invest	RUB 979,000,000.00	V. Evtushenkov, F. Evtushenkov, S. Shishkin
10	12-20, 18/12/2020	Contribution to the property of LLC Sistema Telecom Assets	LLC Sistema Telecom Assets	RUB 3,425,000,000.00	V. Evtushenkov, F. Evtushenkov, S. Shishkin
11	12-20, 18/12/2020	Contribution to the authorised capital of LLC Sistema Telecom Assets	LLC Sistema Telecom Assets	RUB 3,750,000,000.00	V. Evtushenkov, F. Evtushenkov, S. Shishkin

ANNEX 6.

Report on compliance with the Corporate Governance Code recommended by the Bank of Russia

In the opinion of Sistema’s Board of Directors, the Corporation complies with the principles and the guidelines of the Corporate Governance Code recommended by the Bank of Russia (hereinafter, “the Code”) with the reservations mentioned herein below.

When assessing compliance of Sistema’s corporate governance practices with the Code’s recommendations, the Board looked at both formal and actual adherence to the principles and recommendations of the Code by the Corporation and its officers, including the achievement of the general level of corporate governance standards stipulated by the Code through both conventional and alternative mechanisms.

Nº	CORPORATE GOVERNANCE PRINCIPLE	CRITERIA FOR ASSESSMENT	COMPLIANCE	NOTES
I.	Shareholder rights and equality in their exercise			
1.1.	The company should ensure equal and fair treatment of all shareholders as regards their rights to participate in the company’s governance.			
1.1.1.	The company should create for its shareholders the most favourable conditions for participation in the general meeting, for developing a substantiated position on the general meeting’s agenda items, coordinating their actions, and expressing their opinions on matters under consideration.	<div>1. The company has made publicly available the internal document that sets out the procedures for conducting the general meeting of shareholders, and this document is approved by the general meeting of shareholders.</div> <div>2. The company offers an available means of communication with the company, such as a hotline, e-mail or a web forum, that allows shareholders to express their opinions and submit queries about the agenda during preparations for the general meeting. These actions were taken by the company ahead of each general meeting held in the reporting period.</div>	OBSERVED	<div>The procedure for convening, preparing and conducting the General Meeting of shareholders of the Corporation is regulated by the Terms of Reference of the General Meeting of shareholders that were approved by the General Meeting of shareholders of Sistema PJSC and is freely available on the Corporation’s website.</div> <div>When holding each General Meeting of shareholders, the Corporation communicates to its shareholders an e-mail address to which they may send their opinions or questions with regard to the General Meeting, including its agenda.</div>
1.1.2.	The procedure for notifying shareholders of the forthcoming general meeting and providing materials for the general meeting should enable the shareholders to prepare for the meeting in an appropriate manner.	<div>1. A notice of the general meeting of shareholders is published on the website at least 30 days before the date of the meeting.</div> <div>2. The notice specifies the venue and documents needed for admission to the meeting.</div> <div>3. The shareholders are provided access to information about persons that proposed agenda items and nominated candidates to the board of directors and the audit review commission of the company.</div>	OBSERVED	<div>In accordance with Sistema’s Charter, a notice of the general meeting of shareholders, including the date, time and venue of the meeting and documents needed for admission, is published in both Russian and English on the Company’s website (www.sistema.ru/www.sistema.com) at least 30 days before the meeting.</div> <div>The information about who proposed each item to the agenda of the general meeting and about each candidate nominated for election to the Corporation’s governance bodies and who nominated them is provided in explanatory notes or other relevant materials.</div>

Nº	CORPORATE GOVERNANCE PRINCIPLE	CRITERIA FOR ASSESSMENT	COMPLIANCE	NOTES
1.1.3.	During preparation for the general meeting and the meeting itself the shareholders should be able to receive information about the meeting and relevant materials in a timely manner and without any hindrance, put questions to executive bodies and members of the company's board of directors and communicate with each other.	<ol style="list-style-type: none"> 1. In the reporting period, the shareholders had an opportunity to put questions to members of the Company's governance bodies and board of directors ahead of or during the annual general meeting of shareholders. 2. The stance of the board of directors (including dissenting opinions entered in the minutes) on each agenda item of shareholders' meetings held in the reporting period is properly reported in the materials provided for the general meetings. 3. Prior to each general meeting held in the reporting period, the company provided eligible shareholders with lists of persons entitled to participate in such meeting on the same date as it itself obtained such lists. 	OBSERVED	<p>During preparations for an Annual General Meeting, the shareholders are able to receive answers to their questions sent to a special email address (osa@sistema.ru) indicated in the notice of the general meeting. Shareholders participating in the general meeting may put questions to members of the governance bodies, of the board of directors and the management board and the President who are also present at the meeting.</p> <p>In 2020, a new law was passed in Russia allowing joint-stock companies to conduct their annual general meetings of shareholders in the form of absentee voting. However, in addition to absentee voting, a live stream of the meeting on the final date of voting was organised for shareholders. In the course of the live stream the Corporation's management made a report on the results of 2019 and took questions from the shareholders.</p> <p>The stance of the Board of Directors on the agenda items of the General Meeting is reported in the explanatory note for each such agenda item.</p> <p>In accordance with the Terms of Reference of the General Meeting of shareholders, shareholders have the right to see the list of persons entitled to participate in the general meeting, for which purpose they should contact Sistema's Corporate Secretary.</p>
1.1.4.	Shareholders should be able to request the convocation of general meetings, nominate candidates to the company's governance bodies, and propose items for the AGM's agenda without needless difficulties.	<ol style="list-style-type: none"> 1. In the reporting period, shareholders had the opportunity within at least 60 days after the end of the relevant calendar year to propose items for the agenda of the annual general meeting. 2. In the reporting period, the company did not refuse to accept items proposed for the agenda or nominees to the company's governance bodies for reasons of typos or other insignificant deficiencies in a shareholder's proposal. 	OBSERVED	<p>The Charter of Sistema PJSC sets a deadline for submission of shareholders' proposals for the general meeting's agenda to 100 days after the end of the financial year.</p> <p>Should a shareholder's proposal contain a material shortcoming, the Corporation should inform such shareholder about such shortcoming well in advance, so that such shortcoming can be properly eliminated before the Board of Directors has approved the general meeting's agenda and the list of nominees to the governance and control bodies.</p>
1.1.5.	Each shareholder should be able to exercise their voting right in the easiest and most convenient way for the shareholder, without any hindrance.	<ol style="list-style-type: none"> 1. The company's internal regulations (internal policy) include provisions that entitle each participant of the general meeting to request a copy of their filled-in voting ballot, certified by the teller committee, before the end of the general meeting. 	OBSERVED	<p>The provision that a person filling in the voting ballot is entitled to have a copy of their filled-in voting ballot certified by the teller committee before the end of the general meeting is included in the Terms of Reference of the Annual General Meeting of Shareholders.</p>
1.1.6.	The procedure of general meetings adopted by the company should ensure equal opportunities for all persons present at the meeting to express their opinions and ask their questions.	<ol style="list-style-type: none"> 1. Each physical meeting of shareholders held in the reporting period afforded ample time for reports on all agenda items and discussions of such reports. 2. Candidates to the company's governance and control bodies were available for answering shareholders' questions at the meeting at which their nominations were to be voted on. 3. When making decisions related to the preparation for and procedure of general meetings of shareholders in the reporting period, the board of directors considered the use of telecom technologies to give shareholders remote access to general meetings. 	OBSERVED	<p>In the reporting year, the Corporation did not hold meetings of shareholders in the format of joint presence.</p> <p>All of the current nominees to the Board of Directors are present at the relevant General Meeting.</p> <p>From 2017, Sistema's shareholders may use the e-voting system available on the website of the Corporation's registrar JSC Reyestr. Shareholders are also given the opportunity to vote remotely, provided that the relevant depository provides the technical means for such voting.</p> <p>Preparing for the Annual General Meeting of shareholders, which in the reporting year was held in the form of absentee voting due to the epidemiological situation, the Board of Directors decided to organise a live stream for shareholders on the final date of voting. In the course of the live stream the Corporation's management made a report on the results of 2019 and took questions from the shareholders.</p>
1.2.	The shareholders should be given equal and fair opportunities to share in the company's net income via dividends.			
1.2.1.	The company should develop and implement a transparent and clear mechanism for determining the amount of dividends and distributing them.	<ol style="list-style-type: none"> 1. The company has developed a dividend policy, which has been approved by the board of directors and publicly disclosed. 2. If the company's dividend policy uses the indicators in the company's financial statements to determine the dividend amount, the relevant provisions of the dividend policy are based on consolidated financial statements. 	OBSERVED	<p>The Board of Directors of the Corporation approved the Regulation on Dividend Policy, which is disclosed on the corporate website.</p>

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1.2.2.	The company is advised against deciding in favour of any dividend distribution that, although being in no breach of statutory restrictions, is economically impractical and/or conducive to misconceptions about the company's performance.	1. The company's dividend policy clearly specifies financial/ economic circumstances under which it should not pay dividends.	PARTIALLY OBSERVED	<p>According to the Dividend Policy, the Company's shareholders shall receive dividends only if there are sources and grounds for their payment, as stipulated by Russian law.</p> <p>The Corporation does not declare dividends if net income or cash flow are insufficient (there is a liquidity shortage) or if distributing dividends is economically unreasonable. Although such circumstances are not formally set out in the Dividend Policy, the Corporation believes it to pose no additional risks to shareholders.</p>
1.2.3.	The company may not allow any compromise of the dividend rights of its existing shareholders.	1. The company took no actions that would compromise the dividend rights of existing shareholders.	OBSERVED	<p>The Corporation has issued only one type of ordinary shares. Holders of global depositary receipts are entitled to dividends on a par with holders of ordinary shares.</p> <p>In the reporting period, the Corporation took no actions that would compromise the dividend rights of the holders of ordinary shares and/or global depositary receipts.</p>
1.2.4.	Companies should strive to avoid situations where shareholders receive from the company any types of profit (income) other than dividends or disposal value.	1. In order to rule out situations where shareholders receive any type of profit (income) from the company other than dividends or liquidating distributions, the company's internal regulations envisage control mechanisms that ensure timely identification of and approval procedures to be applied to transactions involving any persons affiliated with material shareholders (persons entitled to dispose of votes attaching to voting shares) in cases where law does not formally recognise such transactions as related party transactions.	OBSERVED	The Corporation has the Ethics Code approved by the Board of Directors, which stipulates that officers responsible for transactions shall timely report any conflicts of interest related to a transaction to the Board of Directors.
1.3.	The corporate governance system and practices should ensure an equal footing for all shareholders that own shares of the same category (type), including minority and foreign shareholders, and equal treatment of them by the company.			
1.3.1.	Companies should create conditions for fair treatment of each shareholder by the governance bodies and the controlling persons of the company, including prevention of abuse of power by major shareholders in respect of minority shareholders.	1. In the reporting period, the procedures for managing major shareholders' potential conflicts of interest were efficient, and the board of directors paid sufficient attention to conflicts between shareholders, if any.	OBSERVED	<p>The Corporation has taken every step necessary to prevent any shareholders' actions that are intended to harm other shareholders or the Corporation as well as any other abuse of shareholder rights.</p> <p>There were no recorded conflicts between the Corporation's shareholders in the reporting period.</p>
1.3.2.	Companies should not take any actions that cause or may cause any artificial redistribution of controlling rights.	1. Either there are no quasi-treasury shares, or such shares are not admitted for voting throughout the reporting period.	OBSERVED	In the reporting period, quasi-treasures shares did not participate in voting at the General Meeting of shareholders.
1.4.	Shareholders should be provided with reliable and efficient ways to register rights to the shares, and the ability to dispose of their shares freely and easily.			
1.4.	Shareholders should be provided with reliable and efficient ways to register rights to the shares, and the ability to dispose of their shares freely and easily.	1. The quality and reliability of services provided by the company's registrar to keep the shareholder register meet the needs of the company and its shareholders.	OBSERVED	The Registrar of the Corporation is one of the largest special registrars in Russia, which has proven and reliable technologies that provide the most efficient way to ensure registration and exercise of shareholder rights. The Corporation cooperates with the registrar to update information about shareholders contained in the shareholder register.

Nº	CORPORATE GOVERNANCE PRINCIPLE	CRITERIA FOR ASSESSMENT	COMPLIANCE	NOTES
II. Board of Directors				
2.1	The board of directors is in charge of strategic management of the company, determines the main principles and approaches to organising the company's risk control and internal control systems, controls the work of its executive bodies and performs other key functions.			
2.1.1.	The board of directors should bear responsibility for decisions relating to the appointment and dismissal of executives and appointment and dissolution of executive bodies on relevant grounds, including their poor or inappropriate performance. The board of directors should also ensure that the company's executive bodies act in compliance with the approved development strategy and adhere to a course of action consistent with the company's line of activity.	<ol style="list-style-type: none"> The powers of the board of directors to appoint and dismiss members of executive bodies and determine the terms of their employment agreements are set out in the charter. The board of directors reviewed a report (reports) of the CEO and members of a collective executive body on the implementation of the company's strategy. 	OBSERVED	<p>The Charter of Sistema PJSFC stipulates that the authority of the Board of Directors includes appointment and dismissal of the President of the Corporation, election and dismissal of members of the Management Board, and approval of the terms of employment agreements signed with the President and members of the Management Board.</p> <p>Sistema's Nomination, Remuneration and Corporate Governance Committee approves CEOs of subsidiaries and nominees to their boards of directors.</p> <p>The Board of Directors monitors implementation of the Corporation's strategy and business plans by its executive bodies on a regular basis.</p>
2.1.2.	The board of directors should set the key long-term priorities for the company's business, assess and approve key performance indicators and key business goals of the company, evaluate and approve strategies and business plans for the core businesses of the Company.	1. In the reporting period, the board of directors reviewed matters relating to the implementation status and updates of the strategy, approval of the company's financial plan (budget) and criteria and indicators (including interim ones) of implementation of the company's strategy and business plans.	OBSERVED	<p>The Board of Directors controls and supports the formulation and execution of the Corporation's strategy at each stage, evaluates its progress and feasibility, and adjusts it as necessary.</p> <p>The strategy and business plans of the Corporation approved by the Board of Directors contain clear criteria, most of which are quantity indices, and use interim control metrics.</p> <p>The Board of Directors approves the budget of the Corporation on an annual basis.</p> <p>At least once a year, the Board of Directors reviews the Corporation's strategy and assesses its implementation status and need for updating.</p>
2.1.3.	The board of directors should determine the principles of and approaches to organising the risk management and internal control systems at the company.	<ol style="list-style-type: none"> The board of directors determined the principles of and approaches to organising the risk management and internal control systems at the company. The board of directors assessed the risk management and internal control systems of the company in the reporting period. 	OBSERVED	<p>The Charter of Sistema PJSFC includes approval of risk management principles in the remit of the Board of Directors. The Corporation also adopted the Risk Code.</p> <p>The Board of Directors reviews a risk management report and a report on the work of the internal control system at the Corporation at least once a year and issues its opinion.</p>
2.1.4.	The board of directors should determine the company's policy with regard to remuneration and (or) reimbursement of expenses to Board members, executive bodies and other key executives of the company.	<ol style="list-style-type: none"> The company developed and introduced a policy (policies), approved by the board of directors, on remuneration and compensation of expenses of members of the board of directors, executive bodies of the company and other senior executives. The board of directors reviewed items pertaining to this policy (policies) in the reporting period. 	OBSERVED	<p>The General Meeting of shareholders of the Corporation approved the Policy on remuneration and compensations payable to members of the Corporation's Board of Directors.</p> <p>The Board of Directors of the Corporation approved the HR policy and policies on remuneration payable to the employees of Sistema PJSFC.</p> <p>The Board of Directors also approved the rules for reimbursement of expenses to the top executives of the Corporation.</p> <p>The Board of Directors reviews items related to remuneration and compensations at least once a year.</p>

Nº	CORPORATE GOVERNANCE PRINCIPLE	CRITERIA FOR ASSESSMENT	COMPLIANCE	NOTES
2.1.5.	The board of directors should play a key role in preventing, identifying and settling internal conflicts between the company's governance bodies, shareholders and employees.	<ol style="list-style-type: none"> The board of directors plays a key role in preventing, identifying and settling internal conflicts. The company has created a system for identifying transactions related to conflicts of interest and measures aimed at resolving such conflicts. 	OBSERVED	<p>The Board of Directors takes all the measures necessary to prevent and settle internal conflicts.</p> <p>The Corporation regularly collects information about related and affiliated persons of the members of its Board of Directors and executive bodies. In accordance with the Code of Ethics, ethics assessment is performed during which senior managers responsible for the transactions submit ethics and conflict of interest declarations. The Internal Audit Service analyses the information received about the signs of the management responsible for the transactions having conflicts of interest.</p> <p>Resolutions on related party transactions are made by persons that are not involved in the relevant conflict of interest.</p> <p>Employees' compliance with the regulations for resolution of conflicts of interests is secured with disciplinary measures.</p>
2.1.6.	The board of directors should play a key role in securing transparency of the company, timely and full disclosure of the company's information, unhindered access of shareholders to the company's documents.	<ol style="list-style-type: none"> The board of directors adopted a regulation on the information policy. The company has designated persons responsible for implementation of the information policy. 	OBSERVED	<p>The Board of Directors approved the Regulation on Information Policy.</p> <p>The responsibility to control compliance with the Regulation on Information Policy lies with the Corporate Secretary reporting to the Board of Directors of the Corporation.</p>
2.1.7.	The board of directors should control the corporate governance practices at the company and play a key role in material corporate events of the company.	<ol style="list-style-type: none"> In the reporting period, the board of directors reviewed an item on corporate governance practices at the company. 	OBSERVED	<p>Based on the results of annual appraisal of the Corporation's corporate governance practices, the Nomination, Remuneration and Corporate Governance Committee of the Board of Directors formulates proposals aimed at improving corporate governance practices for review and approval by the Board of Directors.</p> <p>The Board of Directors reviews items on corporate governance practices at least once a year.</p>
2.2.	The board of directors should be accountable to the company's shareholders.			
2.2.1.	Information about the work of the board of directors shall be disclosed and provided to shareholders.	<ol style="list-style-type: none"> The company's annual report for the reporting period includes information about directors' attendance of the meetings of the board and board committees. The annual report includes information about the key results of appraisal of the board's work conducted in the reporting period. 	OBSERVED	<p>The Annual Report and the Corporation's website (www.sistema.ru/ www.sistema.com) disclose information about the number of meetings of the Board of Directors and its Committees held in the past year, specifying the forms of meetings and Board members' attendance.</p> <p>The main results of the Board's performance assessment and that of its executive bodies are disclosed in the Annual Report of the Corporation.</p>
2.2.2.	Chairman of the board of directors should be available for communication with the company's shareholders.	<ol style="list-style-type: none"> The company has a transparent procedure that gives shareholders a possibility to put questions to the board chairman and to communicate their stance on such matters. 	OBSERVED	<p>Shareholders can put questions to the Chairman of the Board of Directors regarding issues within the remit of the Board of Directors, and inform him about their opinions (positions) on such matters via the Corporate Secretary.</p>
2.3.	The board of directors should be an efficient and professional governance body of the company, capable of passing objective independent judgements and taking decisions aligned with the interests of the company and its shareholders.			
2.3.1.	It is recommended to elect to the board of directors persons that have an impeccable business and personal reputation and possess the knowledge, skills and experience necessary for making decisions on the matters falling within the remit of the Board of Directors and required for efficient discharge of its functions.	<ol style="list-style-type: none"> The procedure for assessing the board's efficiency adopted by the company includes assessment of the professional skills of the board members. In the reporting period, the board of directors (or its nomination committee) assessed candidates to the board in terms of their possessing relevant experience, knowledge, business reputation, absence of a conflict of interest, etc. 	OBSERVED	<p>The annual assessment of the Board of Directors includes assessment of the Board's competences.</p> <p>The Board's Nomination, Remuneration and Corporate Governance Committee assesses all candidates nominated to the Board of Directors regarding their independence and potential contribution to the work of the Board of Directors.</p> <p>Sufficient professional experience, business reputation and absence of a conflict of interest are important criteria during the assessment of candidates to the Board of Directors.</p>

Nº	CORPORATE GOVERNANCE PRINCIPLE	CRITERIA FOR ASSESSMENT	COMPLIANCE	NOTES
2.3.2.	Members of the board of directors should be elected in a transparent procedure enabling shareholders to receive information about the candidates that is sufficient to form an opinion of their personal and professional qualities.	1. In all instances in the reporting period when the agenda included items on election of board members, the company provided the shareholders with biographies of all candidates to the board, results of such candidates' assessment by the board (or its nomination committee), information on whether such candidates meet the independence criteria, in accordance with recommendations 102-107 of the Code, and the candidates' written consent to be elected to the board of directors.	OBSERVED	The biographies of candidates to the Board of Directors, recommendations of the Board's Nomination, Remuneration and Corporate Governance Committee with regard to voting on such candidates, as well as information about their meeting the independence criteria and whether each nominee has agreed in writing to be elected to the Board are included in materials for General Meetings of shareholders whose agendas include an item on election of the Board of Directors. The status of newly elected members of the Board of Directors and their independence are confirmed at the first meeting of the Board after election.
2.3.3.	The composition of the board of directors should be well balanced, in terms of qualification, experience, expertise and business qualities, and board members should enjoy the confidence of shareholders.	1. As part of the assessment of the board's work in the reporting period, the board of directors analysed its needs in terms of professional and business skills and experience.	OBSERVED	The annual assessment of the Board of Directors includes assessment of the Board's competences and how they match the Corporation's needs.
2.3.4.	The number of members on the company's board of directors should make it possible to organise the work of the board of directors in the most efficient manner, allowing for formation of board committees and giving the opportunity to material minority shareholders of the company to elect candidates they vote for to the board of directors.	1. As part of the assessment of the board of directors conducted in the reporting period, the board of directors considered whether the number of the board members met the company's needs and shareholders' interests.	OBSERVED	The annual assessment of the Board of Directors includes assessment of the number of the Board members.
2.4. The board of directors should have a sufficient number of independent directors.				
2.4.1.	It is recommended to acknowledge as independent directors the persons that have sufficient expertise, competence, experience, and independence for formulation of their own positions; that are capable of making objective and conscientious judgements; and that are independent from the company's governance bodies, particular groups of shareholders, or other interested parties. It should be noted that a candidate is not normally considered to be independent if he/she is affiliated with the company, its material shareholder, material counterparty or competitor or with the state.	1. In the reporting period, all independent board members met all the independence criteria set out in recommendations 102-107 of the Code or were recognised as independent by resolution of the board of directors.	OBSERVED	The criteria of independence of members of the Corporation's Board of Directors are aligned with the criteria recommended by the Corporate Governance Code and the Listing Rules of Moscow Stock Exchange. All Board members that the Corporation considered independent in the reporting year met the specified criteria or were recognised as independent by a resolution of the Board of Directors.
2.4.2.	It is recommended to assess compliance of candidates to the board of directors with the independence criteria and to analyse compliance of independent directors on the board with the independence criteria on a regular basis. In such assessment, contents should prevail over form.	1. In the reporting period, the board of directors (or its nomination committee) formed an opinion about the independence of each candidate to the board and presented it to shareholders. 2. In the reporting period, the board of directors (or its nomination committee) reviewed the independence of incumbent board members specified as independent in the company's annual report at least once. 3. The company has procedures in place that provide for actions a board member has to take if he/she stops being an independent director, including timely notifying the board.	OBSERVED	The Nomination, Remuneration and Corporate Governance Committee of the Board of Directors (hereinafter, "the Committee") issues an opinion on the independence of candidates to the Board of Directors. At the first meeting of the Board of Directors following the General Meeting of shareholders where such new Board of Directors was elected, the Board of Directors confirms the status of independent members of the Board of Directors. The Committee analyses compliance of the independent directors on the Board with the independence criteria on a regular basis. When elected to the Board, Board members undertake in writing to notify the Corporation of any circumstances that may affect their ability to have independent judgement on items reviewed by the Board of Directors.
2.4.3.	It is recommended that independent directors constitute at least one third of elected board of directors.	1. Independent directors constitute at least one third of the board of directors.	OBSERVED	In the reporting year, one half of the Board's members (6 out of 12) were independent.

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2.4.4.	Independent directors should play a key role in preventing internal conflicts in the company and in the performance of significant corporate actions by the company.	1. Independent directors (not having a conflict of interest) give preliminary assessment to material corporate actions related to a potential conflict of interest, the results of which are submitted to the board.	OBSERVED	Independent directors perform a preliminary assessment of potential actions and resolutions of the Corporation that may lead to a conflict as they prepare for meetings of the Board or Board Committees. Notably, the Audit, Finance and Risk Committee pre-approves all related party transactions. Opinions of Board members are incorporated in the meeting materials.
2.5.	Chairman of the board of directors should facilitate the most efficient discharge of functions that fall within the remit of the board of directors.			
2.5.1.	It is recommended to elect an independent director as chair, or to select a senior independent director among the elected independent directors who would coordinate the work of independent directors and interact with the chairman of the board of directors.	1. The board chairman is an independent director or a senior independent director is elected among independent directors. 2. The role, rights and duties of the board chairman (and, if applicable, of the senior independent director) are duly set out in the company's internal regulations.	OBSERVED	The role of the Board Chairman is set out in the Terms of Reference of the Board of Directors of Sistema PJSFC that was approved by the General Meeting of shareholders. The Terms of Reference also define the role of the Deputy Chair of the Board, who, together with the Corporate Secretary, ensures interaction between independent directors and the Board Chairman. Each independent director can communicate his or her position on any agenda item to the Board Chairman. In view of the above, the Corporation as a whole and the Board of Directors in particular have yet to reach a consensus on whether the Board needs to formally establish the position of a senior independent director. At the same time, independent director A. Belova was Deputy Chair of the Board in the reporting year. In this capacity, she, inter alia, coordinates the activities of independent members of the Board of Directors and interacts with the Board Chairman, acting as a senior independent director.
2.5.2.	The board chairman should ensure a constructive atmosphere of the meetings, free discussions of the matters on the meeting agenda, and control over execution of resolutions passed by the board of directors.	1. Performance of the board chairman is assessed during assessment of the performance of the board as a whole in the reporting period.	OBSERVED	The annual assessment of the Board of Directors includes assessment of the efficiency of interaction between Board members and the Board Chairman.
2.5.3.	The board chairman should take necessary measures to provide board members with information required for making decisions on the agenda items in a timely manner.	1. The duty of the board chairman to procure timely provision of materials on agenda items for board members is stipulated by the company's internal regulations.	OBSERVED	In accordance with the Regulation of the Board of Directors, the Board Chairman takes necessary measures to provide Board members with information required for making decisions on the agenda items in a timely manner.
2.6.	Members of the board of directors should act in good faith and reasonably, in the best interests of the company and its shareholders proceeding from sufficient amount of information, with due care and diligence.			
2.6.1.	Reasonable and bona fide actions of the board members imply that decisions are made with due consideration of all available information, without conflicts of interest, with equal treatment of the company's shareholders, within usual entrepreneurial risks.	1. The company's internal regulations stipulate that a board member shall notify the board of directors if he/she is in the situation of a conflict of interest in respect of any item on the agenda of a board or committee meeting before the start of discussion of the respective agenda item. 2. The company's internal regulations stipulate that a board member shall not vote on any agenda item where he/she has a conflict of interest. 3. The company has a procedure in place that allows the board of directors to receive professional advice on matters within its remit at the expense of the company.	OBSERVED	The Terms of Reference of the Board of Directors and the Ethics Code of the Corporation stipulate that Board members shall timely notify the Corporation if a conflict of interest arises and shall not make decisions on any matter where they have a conflict of interest. The Board of Directors is entitled to engage external independent experts for examination of draft resolutions at the Corporation's expense.
2.6.2.	The rights and obligations of board members should be clearly formulated and recorded in the internal regulations of the company.	1. The company has an internal document in place that clearly defines the rights and obligations of board members.	OBSERVED	Rights and obligations of Board members are recorded in the Charter of Sistema PJSFC, the Terms of Reference of the Board of Directors of Sistema PJSFC, and the Regulation on the Board of Directors.

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2.6.3.	Board members should have enough time to perform their duties.	<ol style="list-style-type: none"> Individual attendance of board and committee meetings and the time spent preparing for the meetings is taken into account during the board's assessment procedure in the reporting period. In accordance with the company's internal regulations, board members are obligated to notify the board of their intention to join governance bodies of other entities (except for the company's subsidiaries and affiliates) and of the fact of such appointment. 	OBSERVED	<p>The annual assessment of the Board of Directors includes assessment of the organisation and attendance of the Board meetings.</p> <p>When elected to the Board, Board members fill in questionnaires envisaged by the Terms of Reference of the Board of Directors, where they must specify companies where they are members of governance bodies or where they intend to be elected. The Board members must notify the Corporate Secretary of any changes in the above information in writing.</p>
2.6.4.	All members of the board of directors should have equal possibilities to access the company's documents and information. Newly elected members of the board of directors should be provided with sufficient information about the company and the work of the board of directors as soon as possible.	<ol style="list-style-type: none"> The company's internal documents stipulate the right of board members to get access to documents and make inquiries related to the company and organisations controlled by the company, and the obligation of the company's executive bodies to provide them with such information and documents. The company has a formal induction programme for newly elected board members. 	OBSERVED	<p>Sistema's Board members are able to promptly receive answers to their queries and any information they may require from the executive management directly or via the Corporate Secretary. The employees' obligation to provide such information is recorded in the internal regulations of the Corporation.</p> <p>The Corporate Secretary familiarises newly elected Board members with the activities of the Board in accordance with the Terms of Reference of the Board of Directors.</p>
2.7.	Meetings of the board of directors, their preparation, and participation of board members in them should provide for efficient work of the board of directors.			
2.7.1.	It is recommended to hold meetings of the board of directors as necessary, taking into account the scale of business and the company's objectives in a certain period of time.	<ol style="list-style-type: none"> The board of directors held at least six meetings in the reporting year. 	OBSERVED	<p>Meetings of the Board of Directors are held at least six times a year in accordance with the approved work plan of the Board of Directors.</p> <p>12 meetings of the Board of Directors were held in 2020.</p>
2.7.2.	It is recommended to develop and include in the company's internal regulations the procedure for preparing and conducting meetings of the board of directors that would give the board members the possibility to prepare for the meeting.	<ol style="list-style-type: none"> The company adopted an internal document that regulates the procedure for preparing and holding board meetings, which, among other things, stipulates that the notice of a meeting shall, as a rule, be sent at least 5 days before the meeting. 	OBSERVED	<p>The Terms of Reference of the Board of Directors and the Regulation on the Board of Directors establish the procedures and timelines for preparing and holding Board meetings.</p> <p>Board members have permanent access to the work plan of the Board of Directors. All information for Board meetings is available in Russian and English on the portal of the Board of Directors (to which all Board members are connected) at least 10 days before the Board meeting.</p>
2.7.3.	The form of board meetings should be determined with consideration of the importance of agenda items. The most important items should be discussed at meetings in praesentia.	<ol style="list-style-type: none"> The company's charter or internal regulations stipulate that the most important items (according to the list set out in recommendation 168 of the Code) shall be reviewed at meetings in praesentia. 	OBSERVED	<p>All scheduled meetings of the Board of Directors are held in praesentia. Meetings in absentia are held when some urgent issues arise.</p> <p>The Regulation of the Board of Directors stipulates that the most important items shall be reviewed at meetings in praesentia.</p>
2.7.4.	It is recommended that decisions on the most essential aspects of the company's business are made by a qualified majority or a simple majority of votes of all the elected Board members.	<ol style="list-style-type: none"> The company's charter stipulates that resolutions on the most important items, which are set out in recommendation 170 of the Code, shall be adopted at board meetings by a qualified majority of at least three fourths of votes or by a simple majority of all the elected Board members. 	PARTIALLY OBSERVED	<p>According to the Charter of Sistema PJSC, decisions on items relating to increase of authorised capital, placement of certain types of securities, approval of material and related party transactions are made in compliance with special voting rules.</p> <p>Resolutions on other agenda items are passed by simple majority of votes.</p> <p>In the reporting period, independent directors accounted for half of Sistema's Board and regularly attended the Board meetings (see information on meeting attendance herein). Considering how the work is organised, it is difficult to justify the necessity of introducing any special voting rules for specific agenda items, and the Corporation does not intend to establish them in the near future.</p>

Nº	CORPORATE GOVERNANCE PRINCIPLE	CRITERIA FOR ASSESSMENT	COMPLIANCE	NOTES
2.8.	The board of directors should form committees for preview of the most important matters pertaining to the company's business.			
2.8.1.	For provisional review of matters pertaining to the company's financial activities, it is recommended to form an audit committee consisting of independent directors.	<ol style="list-style-type: none"> The board of directors set up an audit committee consisting only of independent directors. The company's internal regulations determine the objectives of the audit committee, including objectives set out in recommendation 172 of the Code. At least one member of the audit committee, who is an independent director, has experience and expertise in preparation, analysis, evaluation and audit of statutory (financial) accounts. The audit committee met at least once per quarter in the reporting period. 	PARTIALLY OBSERVED	<p>The Corporation has formed the Audit, Finance and Risk Committee of the Board of Directors (hereinafter, "the Committee") and approved the Terms of Reference of the Committee. The objectives of the Committee as recorded in the Terms of Reference are aligned with the recommendations of the Corporate Governance Code.</p> <p>Independent directors constitute the majority of the Committee members (4 out of 5). The Committee is chaired by an independent director, R. Munnings, who has a vast experience and expertise in preparation, analysis, evaluation and audit of statutory (financial) accounts.</p> <p>Sistema tries to include independent directors in all Committees to ensure that they participate in discussing the priority focus areas of the Corporation. An independent director of the Corporation sits on three Board Committees on average, which is a fairly high amount of work. Based on personal circumstances of independent Board members (first of all, their having sufficient time to perform the duties of Committee members in good faith) and the need to ensure a high quality of discussion taking into account various points of view, it was impossible for the Corporation to have more/ only independent directors as Committee members and at the same time preserve the quality of discussion.</p>
2.8.2.	For provisional review of issues relating to development of efficient and transparent practices in the sphere of remuneration, it is recommended to form a remuneration committee consisting of independent directors and chaired by an independent director who is not the chairman of the board of directors.	<ol style="list-style-type: none"> The board of directors set up a remuneration committee consisting only of independent directors. The remuneration committee is chaired by an independent director who is not board chairman. The company's internal regulations determine the objectives of the remuneration committee, including objectives set out in recommendation 180 of the Code. 	PARTIALLY OBSERVED	<p>The Corporation has formed the Nomination, Remuneration and Corporate Governance Committee of the Board of Directors (hereinafter, "the Committee") and approved the Terms of Reference of the Committee. The objectives of the Committee as recorded in the Terms of Reference are aligned with the recommendations of the Corporate Governance Code.</p> <p>Independent directors constitute the majority of the Committee members (4 out of 6). The Committee is chaired by an independent director, R. Kocharyan, who is not the Board Chairman.</p> <p>Sistema tries to include independent directors in all Committees to ensure that they participate in discussing the priority focus areas of the Corporation. An independent director of the Corporation sits on three Board Committees on average, which is a fairly high amount of work. Based on personal circumstances of independent Board members (first of all, their having sufficient time to perform the duties of Committee members in good faith) and the need to ensure a high quality of discussion taking into account various points of view, it was impossible for the Corporation to have more/ only independent directors as Committee members and at the same time preserve the quality of discussion.</p>
2.8.3.	It is recommended to form a nomination (HR) committee to preview issues relating to HR (continuity) planning, professional composition and efficiency of the board of directors. Most of the members of such committee should be independent directors.	<ol style="list-style-type: none"> The board of directors set up a nomination committee (or its objectives set out in recommendation 186 of the Code are pursued by another committee) consisting mostly of independent directors. The company's internal regulations determine the objectives of the nomination committee (or another committee that carries out its functions), including objectives set out in recommendation 186 of the Code. 	OBSERVED	<p>The Corporation has formed the Nomination, Remuneration and Corporate Governance Committee of the Board of Directors (hereinafter, "the Committee") and approved the Terms of Reference of the Committee. The objectives of the Committee as recorded in the Terms of Reference are aligned with the recommendations of the Corporate Governance Code.</p> <p>Independent directors constitute the majority of the Committee members (4 out of 6).</p>
2.8.4.	Depending on the scale of business and the level of risks the company is exposed to, it is recommended to form other committees of the board of directors (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, EH&S committee, etc.)	<ol style="list-style-type: none"> In the reporting period, the company's board of directors reviewed an item on whether the composition of the board committees is aligned with the objectives of the board and the company's goals. Additional committees either were set up or were found not needed. 	OBSERVED	<p>The Corporation's Board annually, at the first meeting after its election, forms Board Committees in accordance with the Corporation's goals and objectives.</p>

Nº	CORPORATE GOVERNANCE PRINCIPLE	CRITERIA FOR ASSESSMENT	COMPLIANCE	NOTES
2.8.5.	It is recommended to determine the composition of committees so as to allow for a thorough discussion of the items under preliminary consideration, taking into account various opinions.	<ol style="list-style-type: none"> Board committees are chaired by independent directors. The company's internal regulations (policies) include provisions that stipulate that persons who are not members of the audit committee, the nomination committee and the remuneration committee may attend committee meetings only if invited by the chair of the respective committee. 	PARTIALLY OBSERVED	<p>Each Committee of the Board of Directors consists of at least 4 Board members.</p> <p>The Audit, Finance and Risk Committee, the Nomination, Remuneration and Corporate Governance Committee and the Investor Relations and Dividend Policy Committee are chaired by independent directors. Two of the Board Committees, for which there are no regulatory requirements as to their composition (the Strategy Committee and the Ethics and Control Committee), are chaired by non-executive directors.</p> <p>Sistema tries to include independent directors in all Committees to ensure that they participate in discussing the priority focus areas of the Corporation. An independent director of the Corporation sits on three Board Committees on average, which is a fairly high amount of work. Based on personal circumstances of independent Board members (first of all, their having sufficient time to perform the duties of Committee members and chairs in good faith) and the need to ensure a high quality of discussion taking into account various points of view, it was impossible for the Corporation elect only independent directors to chair all Board Committees.</p> <p>The maximum number of Committees for Board members sit on has not been restricted, since the actual number of Committees to which a particular Board member is elected depends on specific circumstances and is determined for each director based on his/her capabilities. Notably, in the reporting year, Deputy Chair of the Board A. Belova was elected to all Board Committees. The Corporation believes that such personalised approach enables it to organise work of the Committees more efficiently.</p> <p>Persons who are not members of the Audit, Finance and Risk Committee or the Nomination, Remuneration and Corporate Governance Committee may attend meetings of such Committees only upon invitation from their respective chairs.</p>
2.8.6.	Committee chairs should inform the board of directors and its chair about the work of their committees on a regular basis.	<ol style="list-style-type: none"> In the reporting period, committee chairs regularly reported to the board about the work of their committees. 	OBSERVED	<p>Chairs of the Committees inform the Chairman of the Corporation's Board of Directors about the work of their Committees on a regular basis.</p> <p>The Committees present regular reports on their work to the Board of Directors.</p>
2.9.	The board of directors should ensure performance review of the board of directors, its committees and members of the board of directors.			
2.9.1.	Performance review of the board of directors should be aimed at determining the efficiency of the board of directors, its committees and members of the board of directors, adequacy of their performance for the needs of the company's development, intensification of the board's work or identifying areas for improvement.	<ol style="list-style-type: none"> Self-appraisal or external assessment of the board of directors conducted in the reporting period included assessment of the committees, individual board members and the board as a whole. The results of the self-appraisal or external assessment conducted in the reporting period were reviewed at a board meeting in praesentia. 	OBSERVED	<p>Performance review of the Board of Directors is provided for in the Terms of Reference of the Board of Directors of Sistema PJSC.</p> <p>The Corporation's assessment procedure for the Board of Directors is based on extensive experience and includes appraisal of the Board's performance, including organisation of its work, and the performance of its Committees.</p> <p>The criteria used to assess the performance of the Board of Directors provide for assessment of the professional and personal qualities of members of the Board of Directors, their independence, teamwork and personal contribution, as well as other factors that have an impact on the performance of the Board of Directors.</p> <p>The assessment results are reviewed at the in-person meeting of the Board of Directors preceding the Annual General Meeting of shareholders.</p> <p>On the basis of these results, the Nomination, Remuneration and Corporate Governance Committee of the Board of Directors formulates suggestions for improvement of the performance of the Board of Directors and its Committees.</p>

Nº	CORPORATE GOVERNANCE PRINCIPLE	CRITERIA FOR ASSESSMENT	COMPLIANCE	NOTES
2.9.2.	Performance review of the board of directors, its committees and members should be conducted on a regular basis at least once a year. It is recommended to engage a third party (consultant) to perform an independent assessment of the board's performance on a regular basis, not less than once every three years.	1. The company engaged a third party (consultant) to conduct independent assessment of the work of the board of directors at least once in the last three reporting periods.	OBSERVED	Performance review of the Board of Directors and its Committees is performed annually. A consortium of E&Y and Nestor Advisors Ltd. was engaged to perform assessment of the Board in 2020-2021.

III. Corporate Secretary of the company

3.1. The corporate secretary should provide efficient day-to-day interactions with the shareholders, coordination of the company's activities aimed at protecting the shareholders' rights and interests, facilitation of the work of the board of directors.

3.1.1.	The corporate secretary should have the expertise, experience and qualification sufficient for execution of his/her professional duties, an impeccable reputation, and enjoy the confidence of shareholders.	1. The company adopted and disclosed an internal document, terms of reference of the corporate secretary. 2. The company's website and annual report include the corporate secretary's biography in as much detail as is given for the biographies of the board members and executive management of the company.	OBSERVED	The Board of Directors approved the Terms of Reference of the Corporate Secretary of the Corporation. The Terms of Reference specify the requirements to the person who may hold the position of the Corporate Secretary, in line with the guidelines of the Corporate Governance Code. The text of the Terms of Reference is available on the corporate website. Information about the Corporate Secretary is disclosed in the Annual Report.
3.1.2.	The corporate secretary should have sufficient independence from the company's executive bodies and the authority and resources required to fulfil his/her professional duties.	1. The board of directors approves appointment, dismissal and additional remuneration of the corporate secretary.	OBSERVED	The Corporate Secretary reports directly to the Board of Directors, and is appointed or dismissed by the Board of Directors. The Corporation's Board of Directors approved the Terms of Reference of the Corporate Secretary of the Corporation setting the requirements to the candidacies to the position of Corporate Secretary, the appointment and dismissal procedures, reporting lines, procedure for the Corporate Secretary's interactions with the governance bodies and the subdivisions, his/her functions, rights and obligations, the terms and procedure of remuneration and the liabilities of the Corporate Secretary.

IV. Remuneration of the Board of Directors' members, executive bodies and key management of the Company.

4.1. The level of remuneration paid by the company should be sufficient for engaging, motivating and retaining employees possessing the competencies and qualifications required by the company. The remuneration of the board members, executive bodies and key management shall be paid in accordance with the remuneration policy adopted by the company.

4.1.1.	It is recommended that the level of remuneration paid by the company to the board members, executive bodies and other key management, should provide sufficient motivation for their efficient work enabling the company to engage and retain competent and highly qualified specialists. At the same time, the company should avoid paying excessive remuneration or having an unjustifiably big gap between the remuneration levels of the persons specified above and other employees.	1. The company adopted an internal document(s), a policy (policies) on remuneration of members of the board, executive bodies and other key senior executives, which clearly defines approaches to their remuneration.	OBSERVED	The approaches to remuneration of the Board members are defined in the Policy on Remuneration and Compensations for Members of the Board of Directors of the Corporation (approved by the General Meeting of shareholders). The document is available on the Corporation's website. Remuneration of key executives is regulated by the Corporation's internal documents that stipulate principles and approaches to remuneration of all the employees. The level of remuneration paid to the Board members, executive bodies and other key management of the Corporation corresponds to the remuneration levels at peer companies.
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Nº	CORPORATE GOVERNANCE PRINCIPLE	CRITERIA FOR ASSESSMENT	COMPLIANCE	NOTES
4.1.2.	The company's remuneration policy should be developed by the remuneration committee and approved by the company's board of directors. The board of directors with the support of the remuneration committee should ensure oversight over the implementation of the remuneration policy by the company and, if necessary, to revise and amend this policy.	1. In the reporting period, the remuneration committee reviewed the remuneration policy (policies) and the practice of its (their) implementation and, if necessary, provided recommendations for the board of directors.	OBSERVED	<p>The Corporation's remuneration policy is developed by the Nomination, Remuneration and Corporate Governance Committee of the Board of Directors and approved by the Board of Directors.</p> <p>The Board of Directors has approved the internal regulations on remuneration and long-term incentives of the members of executive bodies and other key management.</p> <p>The Nomination, Remuneration and Corporate Governance Committee reviews the results of implementation of the Corporation's remuneration policy at least once a year and makes recommendations for the Board of Directors, if necessary.</p>
4.1.3.	The company's remuneration policy should contain transparent mechanisms for determining the amount of remuneration payable to the board members, executive bodies and other key management of the company, as well as regulate all types of payments, benefits and compensation granted to the specified persons.	1. The company's remuneration policy envisages transparent mechanisms for determining the amount of remuneration payable to the board members, executive bodies and other key management of the company, as well as regulates all types of payments, benefits and compensation granted to the specified persons.	OBSERVED	<p>The Corporation's internal regulations provide detailed guidelines on the procedure for determining the amount of remuneration and for making the respective payments of all remuneration components, as well as any other compensation.</p> <p>Decisions on the amount of remuneration payable to specific employees are taken without the participation of the respective employee and are not discussed with him or her.</p>
4.1.4.	It is recommended that the company should develop a policy for expenses compensation, specifying the list of costs to be reimbursed and the level of services to which the board members, executive bodies and other key management of the company may be entitled. Such policy may be an integral part of the company's remuneration policy.	1. The remuneration policy (policies) or other internal documents of the company stipulate the rules for compensating the board members, executive bodies and other key management of the company for their expenses.	OBSERVED	<p>According to the Corporation's internal regulations compensation is due only for the expenses incurred by the members of corporate governance bodies and other employees of the Corporation that are directly related to activities performed in the interests of the Corporation. There are strict regulations on the level of services to which the Board members, the President, the Management Board members and other key executives are entitled.</p>
4.2.	The remuneration system of board members should ensure that the financial interests of the directors are closely correlated with the long-term financial interests of the shareholders.			
4.2.1.	Fixed annual remuneration is a preferable form of cash remuneration payable to board members. It is inadvisable to pay remuneration for participation in isolated meetings of the board or its committees. It is not recommended applying any forms of short-term incentives and additional financial motivation to board members.	1. Fixed annual remuneration was the only form of monetary remuneration of board members for serving on the board of directors in the reporting period.	OBSERVED	<p>In accordance with the Policy on remuneration and compensations payable to members of the Board of Directors of the Corporation, the main form of remuneration of the Board members is fixed remuneration.</p> <p>The Corporation also pays additional remuneration to the Board members for achievement of the Corporation's investment goals in the form of the Corporation's shares. The amount of such additional remuneration is also fixed.</p>
4.2.2.	Long-term ownership of the company's shares is the best tool facilitating the proximity of the financial interests of board members and the long-term interests of shareholders. At the same time, it is not recommended that the right to sell shares be linked to the achievement of specific operating targets of the company, nor is the participation of board members in stock option schemes recommended.	1. If the company's internal document(s) – remuneration policy (policies) – envisage payment of the company's shares to board members, the company shall adopt and disclose clear rules for board members' ownership of its shares, aimed at encouraging long-term ownership of such shares.	PARTIALLY OBSERVED	<p>A portion of the remuneration of the Board members (additional remuneration) is paid in shares. Board members' long-term ownership of the shares is encouraged, and, in accordance with the existing practice, members of the Board of Directors retain their shares at least until their membership is terminated. The Corporation immediately discloses information on any transactions made by any Board members and involving Sistema's shares or any derivatives where Sistema shares are used as underlying assets, which also stimulates long-term ownership and contains the use of hedging.</p> <p>Having considered different scenarios for implementing this principle and taking into account laws of different jurisdictions where Board members reside, the Corporation currently does not see any legitimate grounds or methods to restrict the Board members' right to hold and dispose of the Corporation's shares held by them.</p>
4.2.3.	It is inadvisable to allow paying any additional remuneration or compensation to board members in the event of early termination of their contract due to a change of the controlling shareholder or other circumstances.	1. The company does not envisage payment of any additional remuneration or compensation to board members in the event of early termination of their contract due to a change of the controlling shareholder or other circumstances.	OBSERVED	<p>There are no provisions on the Board members' entitlement to any additional remuneration or compensation in the event of early termination of their contract due to a change of the controlling shareholder or other circumstances.</p>

Nº	CORPORATE GOVERNANCE PRINCIPLE	CRITERIA FOR ASSESSMENT	COMPLIANCE	NOTES
4.3.	The remuneration system of the executive bodies and key management of the company should ensure correlation of their remuneration and the results of the company, as well as their personal contribution to the achievement of this result.			
4.3.1.	Remuneration of the executive bodies and other key management of the company should be determined in such a way as to ensure a reasonable and justifiable ratio of the fixed and variable parts of the remuneration linked to the results of the company and personal (individual) contribution of the employee in the final result.	<ol style="list-style-type: none"> In the reporting period, the annual performance indicators approved by the board of directors were used for determining the amount of the variable part of remuneration of members of executive bodies and other key managers of the company. During the latest conducted assessment of the remuneration system of members of executive bodies and other key managers of the company, the board of directors (the remuneration committee) was satisfied that the company uses an efficacious ratio of the fixed and variable parts of remuneration. The company has a procedure in place that ensures that bonuses wrongly received by members of executive bodies and other key managers of the company are repaid to the company. 	OBSERVED	<p>The Corporation has an incentive system for the members of the executive bodies and other key managers, approved by the Board of Directors. The Board of Directors approves key performance indicators as an element of the incentive system.</p> <p>The Nomination, Remuneration and Corporate Governance Committee is involved in the development of key indicators used as the basis for the incentive system and analyses the ratio of the fixed and variable parts of remuneration.</p> <p>The results of implementation of the incentive programme are assessed at the year-end.</p> <p>The assessment of the Corporation's year-end performance as part of the incentive system takes into account the risks carried by the Corporation.</p> <p>In the event of discovering any instances of manipulation with accounting figures or any other types of wrongdoing committed by employees that jeopardise the interests of the shareholders, the respective employees shall be penalised and shall have to compensate the Corporation for its losses in compliance with the current laws.</p>
4.3.2.	It is recommended that the companies whose shares are traded on a stock exchange should implement a long-term incentive scheme for the executive bodies of the company and other key managers based on the shares of the company (stock options or other derivative financial instruments whose underlying asset is the company's shares).	<ol style="list-style-type: none"> The company adopted a long-term incentive programme for members of executive bodies and other key managers of the company using the company's shares (financial tools based on the company's shares). The long-term incentive programme for members of executive bodies and other key managers of the company stipulates that the right to sell the shares or other financial tools provided under such programme shall not arise until at least three years from the award. This right shall be triggered by the company's achievement of certain performance targets. 	OBSERVED	<p>At the beginning of 2020, the Board of Directors approved the main principles of an employee share incentive plan aimed at building a long-term relationship with the key managers and motivating them to achieve a shared goal: growing the capitalisation of the Corporation.</p> <p>The participants of the Share Incentive Plans are selected on the basis of their performance and personal contribution to the development of the Corporation and/or portfolio companies. The final list of participants is approved by the Board of Directors. Each participant shall be granted a substantial number of ordinary shares in Sistema PJSFC (more than 0.1% of the authorised capital).</p> <p>There are no further restrictions on the sale of shares.</p>
4.3.3.	Severance payments (golden parachutes) paid by the company in the event of early termination of the powers of executive bodies or key managers should not exceed the double amount of their fixed annual remuneration, provided that such early termination was prompted by the company and that the respective employee was not guilty of any wrongdoing.	<ol style="list-style-type: none"> Severance payments (golden parachutes) paid by the company in the event of early termination of the powers of executive bodies or key managers did not exceed the double amount of their fixed annual remuneration in the reporting period, provided that such early termination was prompted by the company and that the respective employee was not guilty of any wrongdoing. 	OBSERVED	<p>The amount of severance payment made by the Corporation in the event of an early dismissal of members of executive bodies or other key managers prompted by the Corporation does not exceed the mandatory amount set by law, which is less than the double amount of fixed annual remuneration.</p>

V. Risk management and internal control system

5.1.	The company should have an effective risk management and control system aimed at providing reasonable assurance in the achievement of the goals set for the company.			
5.1.1.	The company's board of directors should determine the principles of and approaches to organising the risk management and internal control systems at the company.	<ol style="list-style-type: none"> The powers of different governance bodies and divisions of the company in risk management and internal control are clearly determined by internal regulations/a respective policy of the company approved by the board of directors. 	OBSERVED	<p>The Board of Directors approved the Internal Audit Policy and the Internal Control Policy of the Corporation. The Corporation also adopted the Risk Management Code. All the regulations were developed in accordance with the COSO integrated concept on internal control.</p> <p>The risk management and internal control systems function at operational and organisational levels.</p> <p>The roles and objectives of various governance bodies of the Corporation in this process are set out in the above-mentioned documents.</p>

Nº	CORPORATE GOVERNANCE PRINCIPLE	CRITERIA FOR ASSESSMENT	COMPLIANCE	NOTES
5.1.2.	The company's executive bodies should ensure the establishment and maintenance of effective risk management and internal control systems at the company.	1. The company's executive bodies ensured distribution of functions and powers with regard to risk management and internal control between heads of divisions and departments that report to them.	OBSERVED	<p>A dedicated risk management subdivision was set up within the Finance Function.</p> <p>Heads of the Corporation's subdivisions, in line with their functional duties, are responsible for developing, documenting, implementing, monitoring and upgrading the risk management and internal control systems in their respective functional areas.</p>
5.1.3.	The risk management and internal control systems of the company should ensure objective, fair and clear understanding of the current status and prospects of the company, the integrity and transparency of the company's financial reporting, the reasonableness and acceptability of the risks assumed by the company.	<p>1. The company has adopted an anti-corruption policy.</p> <p>2. The company provides for a way to inform the board of directors or the board's audit committee about breaches of laws, internal procedures or the company's code of ethics.</p>	OBSERVED	<p>The internal control and risk management system enables the Corporation to timely respond to the newly emerged risks.</p> <p>The Board of Directors approved the Anticorruption Policy of the Corporation.</p> <p>The Corporation has a single whistleblowing hotline enabling any employee of the Corporation to report any offences committed by the Corporation and/or its officers. The purpose of the hotline is to counteract potential instances of abuse during implementation of various projects and business activities, including the procurement of products, works and services, and to prevent potential corrupt practices or fraud. The whistleblowers are protected from any types of pressure (including dismissal, persecution and any forms of discrimination). The key approaches to the operation of the Hotline are outlined in the Sistema's Hotline Whistleblowing Programme published on the Corporation's website.</p>
5.1.4.	It is recommended that the board of directors should take all necessary and sufficient measures to make sure that the existing risk management and internal control system of the company meets the respective principles and approaches approved by the board of directors and is functioning efficiently.	1. In the reporting period, the board of directors or the board's audit committee assessed the efficiency of the company's risk management and internal control system. Information about the key results of such assessment are included in the company's annual report.	OBSERVED	The Board of Directors reviews the matters of organisation, functioning and efficiency of the risk management and internal control system and, if necessary, gives recommendations for its improvement on a regular basis (at least once a year). Information on the results of the review held by the Board of Directors on the efficiency of the risk management and internal control system is provided to the shareholders as part of the Annual Report.
5.2.	To ensure a regular and independent assessment of the reliability and efficiency of its risk management and internal control systems and corporate governance practices the company should organise internal audits.			
5.2.1.	It is recommended that internal audits should be organised by means of establishing a dedicated subdivision (internal audit unit) or engaging an independent external auditor. In order to ensure the independence of the internal audit unit its functional and administrative reporting lines should be divided. It is advisable that the internal audit unit should functionally report to the board of directors and administratively – directly to the company's sole executive body.	1. For the purposes of internal audits, the company established a separate internal audit unit that functionally reports to the board of directors or the audit committee or engaged an independent external company with similar reporting principles.	OBSERVED	<p>The Corporation has set up the Internal Audit Service operating on the basis of the Terms of References of the Internal Audit Service.</p> <p>The Service functionally reports to the Board of Directors and administratively – to the Corporation's President.</p> <p>Head of the Service is appointed and dismissed by the President based on the resolution of the Board of Directors.</p>
5.2.2.	It is recommended that the internal audit function should perform an assessment of the efficiency of the internal control and risk management systems, corporate governance, and conform to the generally accepted standards in internal audit.	<p>1. In the reporting period, an internal audit was conducted that gave assessment to the efficiency of the internal control and risk management system.</p> <p>2. The company uses generally accepted approaches to internal control and risk management.</p>	OBSERVED	<p>The Corporation's internal audit procedures comply with the International Internal Audit Standards of the Institute of Internal Auditors.</p> <p>The Corporation's internal audits include assessment of the efficiency of the internal control and risk management system and assessment of the corporate governance.</p>

Nº	CORPORATE GOVERNANCE PRINCIPLE	CRITERIA FOR ASSESSMENT	COMPLIANCE	NOTES
VI. Disclosing information about the company, information policy of the company				
6.1. The company and its operations should be transparent for the shareholders, investors and other interested parties.				
6.1.1.	The company should develop and implement an information policy ensuring efficient interaction between the company, shareholders, investors and other interested parties.	<div><div>1. The company's board approved an information policy that was developed taking into account the Code's recommendations.</div><div>2. The board (or a board committee) reviewed the company's compliance with its information policy at least once in the reporting period.</div></div>	OBSERVED	<p>The Corporation has developed and implemented the Information Policy approved by the Board of Directors.</p> <p>The executive bodies of the Corporation and its Corporate Secretary are responsible for the implementation of the Information Policy. The Board of Directors oversees compliance with the Information Policy.</p> <p>Members of the executive bodies hold meetings with analysts on a regular basis to accompany the disclosure (publication) of the Corporation's financial statements or to comment on the key investment projects and development plans of the Corporation.</p>
6.1.2.	The company should disclose information on the corporate governance system and practices, including detailed information on compliance with the principles and recommendations of this Code.	<div><div>1. The company discloses information about its corporate governance system and general principles of corporate governance used by the company, including on its website.</div><div>2. The company discloses information about the members of its executive bodies and the board of directors, the independence of board members and their membership in board committees (as defined in the Code).</div><div>3. If there is an entity controlling the company, the company publishes a memorandum of the controlling entity disclosing its plans with regard to corporate governance at the company.</div></div>	OBSERVED	<p>The Corporation publishes information about its governance bodies and their composition, including the biographies of the members of governance bodies, on its website (www.sistema.ru/www.sistema.com).</p> <p>The Corporation has adopted the Corporate Governance Code (hereinafter, "the Code") setting out the key principles of corporate governance and the obligations assumed by the Board of Directors with respect to the Corporation.</p> <p>The Code has been published on the Corporation's website.</p> <p>The Corporation's controlling shareholder is the Board Chairman and his plans with regard to corporate governance at the Corporation are reflected in publicly disclosed documents approved by the Board of Directors and the General Meeting of shareholders of the Corporation.</p>
6.2. The company should timely disclose complete, relevant and reliable information about the company in order to enable its shareholders and investors to take informed decisions.				
6.2.1.	The company should disclose information regularly, consistently and promptly and ensure the accessibility, reliability, completeness and comparability of the disclosed data.	<div><div>1. The company's information policy determines approaches and criteria for identifying information that may have a material influence on the valuation of the company and the price of its securities and procedures providing for timely disclosure of such information.</div><div>2. If the company's securities are traded on foreign organised markets, disclosure of material information in Russia and on such markets is made simultaneously and equally during the reporting year.</div><div>3. If foreign shareholders hold a significant amount of the company's shares, disclosure of information in the reporting year was made both in Russian and in one of the most widely spoken foreign languages.</div></div>	OBSERVED	<p>The Corporation's information policy makes it possible to coordinate the work of all units and subdivisions of the Corporation dealing with information disclosures.</p> <p>The Corporation discloses information in the shortest possible time.</p> <p>The Corporation's material information is disclosed for Russian and foreign investors simultaneously and in equal volumes in the Russian and English languages.</p> <p>The Corporation promptly responds to any rumours and/or unreliable information about its activities.</p> <p>The Corporation uses its website (www.sistema.ru/www.sistema.com) and the Interfax news feed for disclosing information.</p> <p>The Corporation is aiming to make sure that the disclosed information is unambiguous, objective and neutral and does not avoid disclosing negative information.</p>

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6.2.2.	It is recommended that the company should avoid adopting a purely technical approach when disclosing information and should disclose all material information about its activities even if the disclosure of such information is not required by the law.	<div><div>1. In the reporting period, the company disclosed its annual and semi-annual financial reports prepared in accordance with the IFRS. The company's annual report for the reporting period includes its annual financial statement prepared in accordance with the IFRS, together with the auditors' opinion.</div><div>2. The company discloses full information about the structure of the company's capital in accordance with recommendation 290 of the Code in its annual report and on its website.</div></div>	OBSERVED	<div>The Corporation discloses all material information not only about itself but also about its controlled legal entities.</div> <div>The Corporation discloses the following additional information:<div><div>› strategy and objectives of the Corporation,</div><div>› financial operations and financial status of the Corporation,</div><div>› equity structure of the Corporation,</div><div>› social responsibility of the Corporation.</div></div></div>
6.2.3.	The annual report, being one of the most important tools of informational interaction with shareholders and other interested parties, should contain information making it possible to assess the company's annual results.	<div><div>1. The company's annual report includes information about the key aspects of the company's operations and its financial performance.</div><div>2. The company's annual report includes information about the environmental and social aspects of the company's operations.</div></div>	OBSERVED	<div>The Corporation discloses all material information in the Annual Report in accordance with the recommendations of the Corporate Governance Code.</div> <div>The Annual Report includes all material data from the annual statutory and financial reports, as well as information about the Corporation's CSR efforts.</div>
6.3.	The company should ensure that all shareholders have equal and unhindered access to information and documents upon their request.			
6.3.1.	The shareholders should be able to exercise their right to access documents and information without any unjustifiable difficulties.	<div><div>1. The company's information policy stipulates an easy procedure for providing shareholders with access to information, including information of the company's controlled legal entities, upon shareholders' request.</div></div>	OBSERVED	<div>When giving shareholders access to its documents and information, the Corporation is guided by applicable legislation and seeks to avoid creating unnecessary difficulties. The Corporation's information policy sets out the procedure for granting such access.</div> <div>The Corporation does not overstate the costs related to making and sending the copies of such documents.</div> <div>The matters of providing information about controlled legal entities are not regulated by the Information Policy, since the companies controlled by the Corporation conduct independent operations and Sistema PJSFC does not take any operational decisions with respect to such companies.</div>
6.3.2.	It is recommended that when providing information to the shareholders the company should ensure a reasonable balance of interests of specific shareholders and the company itself, which is interested in maintaining confidentiality of crucial commercial information that may have a significant impact on its competitiveness.	<div><div>1. In the reporting period, the company did not refuse to accommodate shareholders' requests for information or such refusals were justified.</div><div>2. In instances stipulated by the company's information policy, shareholders are notified about the confidential nature of information and assume the obligation to maintain its confidentiality.</div></div>	OBSERVED	<div>A shareholder may be granted access to confidential information about the Corporation only provided that the shareholder is aware of the confidential nature of such information and assumes the obligation to maintain its confidentiality in accordance with applicable laws.</div>



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VII. Material corporate actions				
7.1. Actions that have or may have a significant impact on the structure of the shareholders' equity or the financial position of the company and accordingly the position of its shareholders (material corporate actions) should be taken on fair terms providing for the protection of the rights and interests of the shareholders and other interested parties.				
7.1.1.	Material corporate actions include the company's reorganisation, acquisition of 30 or more % of the company's voting shares (takeover), material transactions, increase or decrease of the company's authorised capital, listing of delisting of the company's shares, and other actions that may result in a significant change of shareholder rights or have a detrimental effect on their interests. It is recommended that the company's charter should determine the list (criteria) of transactions or other actions constituting material corporate actions and vest the board of directors of the company with the exclusive powers to take decisions on such matters.	<div>1. The company's charter sets out a list of transactions and other actions that constitute material corporate actions and criteria for identifying them. Decisions with regard to material corporate actions are within the remit of the board of directors. If law expressly stipulates that such corporate actions shall be within the remit of the general meeting of shareholders, the board of directors gives shareholders appropriate recommendations.</div> <div>2. The company's charter stipulates that at least the following actions constitute material corporate actions: the company's reorganisation, acquisition of 30 or more % of the company's voting shares (takeover), material transactions, increase or decrease of the company's authorised capital, listing of delisting of the company's shares.</div>	OBSERVED	In accordance with the legislation, decisions on listing and delisting of shares, as well as decisions on reorganisation and approval of major transactions in accordance with applicable laws are within the remit of the General Meeting of shareholders. In accordance with the Charter of Sistema PJSC, decision-making on all other actions specified in the Corporate Governance Code falls within the remit of the Board of Directors, even though the Charter does not have a formal list of material corporate actions.
7.1.2.	The board of directors should play a key role in taking decisions or developing recommendations on material corporate actions on the basis of the opinions of independent directors of the company.	<div>1. The company has a procedure in place that allows independent directors to state their position on material corporate actions before their approval.</div>	OBSERVED	<div>Prior to being considered by the Board of Directors, related party transactions are provisionally reviewed by the Audit, Finance and Risk Committee (hereinafter, "the Committee"), which consists mostly of independent directors. The Committee's opinion is discussed when the transactions are reviewed at a Board meeting.</div> <div>Decisions on approval of related-party transactions are taken by Board members who are not related parties.</div>
7.1.3.	It is recommended that in the course of taking material corporate actions influencing the rights and lawful interests of the shareholders, equal terms should be provided to all the company shareholders, and when the mechanisms provided by the law are insufficient, additional measures should be taken to protect the rights and lawful interests of the company's shareholders. At the same time, the company should be guided not only by formal requirements of the law, but also by the principles of corporate governance set out in the Code.	<div>1. The company's charter, taking into account the specifics of its business, sets lower minimum criteria for recognising transactions as material corporate actions than those envisaged by applicable laws.</div> <div>2. In the reporting period, all material corporate actions passed the approval procedure before they were carried out.</div>	OBSERVED	<div>The Board of Directors reviews all material matters of the Corporation in accordance with procedures envisaged by the Corporation's internal documents. The thresholds for submission of certain transactions for review of the Board of Directors set in the Corporation's Charter are lower than those stipulated by the law.</div> <div>In the reporting year, all actions that are recognised as material corporate actions in accordance with the Corporate Governance Code were approved by the Board of Directors before they were carried out.</div>
7.2. The company should establish such procedures for taking material corporate actions that would enable the shareholders to timely receive information on such actions, and provide them with the opportunity to influence such actions and guarantee an adequate level of protection of the shareholders' rights.				
7.2.1.	Disclosures of information on material corporate actions should contain explanations of the reasons, terms and consequences of such actions.	<div>1. In the reporting period, the company timely and thoroughly disclosed information about its material corporate actions, including the reasons for and the timeframe of such actions.</div>	OBSERVED	Being a public company, the Corporation discloses the maximum possible amount of information on any corporate actions, including those that may influence the dividend and/or any other rights of the shareholders.

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7.2.2.	It is recommended that the rules and procedures related to the company's taking material corporate actions should be set out in the internal regulations of the company.	<div><div>1. The company's internal documents stipulate a procedure for engaging an independent appraiser for determining the value of assets to be disposed or acquired in a major transaction or in a related party transaction.</div><div>2. The company's internal documents stipulate a procedure for engaging an independent appraiser for determining the price of acquiring and buying back the company's shares.</div><div>3. The company's internal documents set out an extensive list of reasons for recognising board members and other persons as stipulated by law as related parties in the company's transactions.</div></div>	OBSERVED	<div>To the extent that the rules and procedures related to the Corporation's taking material corporate actions are not provided for by applicable laws, such rules and procedures are set forth in the internal regulations of the Corporation.</div> <div>When reviewing material transactions at Board meetings, an independent appraiser or an investment consultant is engaged to determine the price of such transactions.</div> <div>Only Board members that do not have any conflict of interest and are not related parties vote on approval of related party transactions.</div>



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