

Annex
to the President's order No Y-102/19
dated 30.12.2019

The Charity Policy of Sistema PJSFC

Executive in charge of enforcement:

Vice President for Government Relations, Sistema PJSFC

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1. ABOUT THE DOCUMENT

1.1. General information

Type of document:	Policy		
Summary:	Describes the charitable activities of Sistema PJSC.		
Minimum frequency of revision:	1 year	Maximum frequency of revision:	3 years
Access restrictions:	None		

1.2. Purpose of the document

The Charity Policy (hereinafter, "the Policy") of Sistema PJSC (hereinafter also, "the Corporation") is the fundamental document determining the activities of the Corporation and Sistema Group companies in the area of charity and social investments.

1.3. Goals of the document

This document has the following goals:

- Improve management of Sistema's charitable activities taking into account international standards, best Russian and international practices in the area of corporate charity and social investment, in accordance with the development trends of the Corporation and society;
- Introduce general guidelines for corporate charity and social investments in Sistema Group;
- Effectively implement, regularly assess and publicly disclose the results of social investment, and ensure transparent and fair distribution of charitable aid taking into account the Corporation's strategic priorities and the actual needs of the beneficiaries;
- Maximise the social effect from charity and create a favourable environment for achieving the business goals of the Corporation and Sistema Group companies via social investments;
- Increase trust of stakeholders in the Corporation and promote its reputation as a socially responsible company and an active corporate citizen contributing to resolution of socially important problems.

In order to achieve these goals, the Corporation consistently pursues the following tasks:

- Determines general approaches and main directions of strategic development of charitable work and social investments;
- Institutionalises the charity management system at the Corporation;
- Interacts with charity stakeholders, including beneficiaries, participants and partners of the Corporation's charitable programmes and projects, in order to identify needs, get feedback and assess the results of social investments;
- Works to consolidate the efforts and resources of the Corporation and Sistema Group companies within strategic charitable programmes and joint projects to receive synergy from social investments;
- Popularises charity among target audiences using external and internal corporate communications.

1.4. Responsibility and application

The following employees are to be familiar with and to use this document:

Table 1. Application

Unit/ position/ role	Corporation	Sistema Charitable Foundation	Companies of Sistema Group ¹
President	X	X	
Vice Presidents/ Managing Partners/ Heads of Departments or other executives of the Corporation	X		
CEOs of Sistema Group companies			X
Heads of units within Sistema Group companies in charge of charity/CSR			X
Employees in charge of charitable activities	X	X	X

1.5. Definition of terms and abbreviations

Table 2. List of Abbreviations

Abbreviation	Definition
Corporation	Sistema Public Joint Stock Financial Corporation, including all of its units, branches and representative offices
Sistema PJSFC	Corporation
SCF	Sistema Charitable Foundation
CSR	Corporate Social Responsibility
NPO	Non-Profit Organisation

Table 3. List of Terms

Term	Definition
Sistema Group	Includes the Corporation and companies controlled by the Corporation through equity, shares and other forms of participation and control
Sistema Group companies	Companies in which Sistema PJSFC has the right to determine their decisions and/or participate in their management, owing to a majority shareholding in their authorised capital, on the basis of an agreement with them, or otherwise. This definition shall be used only within the Corporation and with respect to the companies within the perimeter of the Corporation's interests/ownership.
Unit	An officially established group of employees within the organisational structure of the Corporation and/or a Sistema Group company performing certain functions and tasks as stipulated by the Terms of Reference of this unit.
GR Department	The unit of Sistema in charge of coordination of charitable activities of the Corporation, among other things.
Stakeholders	Individuals, organisations or communities that may influence the activities and/or feel the impact from activities of the Corporation and Sistema Group companies.
Sustainable development	A process ensuring interrelated investment, innovative, technological, social, intellectual, cultural, institutional and other growth on the basis of rational use

¹ To be approved by them in accordance with statutory and corporate procedures.

Term	Definition
	of resources, in accordance with the current and future goals and needs of society.
Corporate Social Responsibility	<p>The Corporation's responsibility for the impact its decisions and actions have on the economy, society and the environment through transparent and ethical behaviour that:</p> <ul style="list-style-type: none"> - encourages sustainable development; - takes into account expectations of the Corporation's stakeholders; - complies with applicable legislation and international standards; - is integrated in the activities of the Corporation and Sistema Group companies (incl. products, services and processes) and is applied in their relations with stakeholders within their scope of influence. <p>For the purpose of this Policy, the definition of CSR implies the Corporation's consistent, long-term and measurable contribution in the improvement of the quality of life in the regions of Sistema Group's operations, including through social investments, innovative developments and technologies, in regular contact with stakeholders, including beneficiaries.</p>
Beneficiaries	Individuals and legal entities that receive donations, grants or assistance of volunteers.
Local community	A group of people united by common interests, permanently residing in a geographic area (a region, city, town, etc.) impacted by the operations of the Corporation and/or Sistema Group companies.
Quality of life	A combination of social, economic, environmental, cultural and other criteria that reflect the level and degree of prosperity achieved by a person in various spheres of life as the main condition of sustainable social development of civil society and individuals.
Social Investment	A practical form of CSR implementation involving the investment of material and intangible resources in social facilities, initiatives and programmes aimed at improving the social and environmental aspects of society, with the goal of positive changes in the social and natural environment, higher quality of life of people and development of local communities through the satisfaction of their material, spiritual and/or social needs.
Charitable Activities	Voluntary activities of individuals and legal entities on altruistic (free of charge or on preferential terms) transfer to individuals or legal entities of property, including cash, altruistic work/services and other forms of support.
Charity Project	A set of actions related to the achievement of certain goals and objectives of charitable activities.
Charity Programme	A set of interconnected charity projects aimed at achieving the strategic goals of social investment.
Corporate Volunteering	Voluntary participation of employees in the implementation of charitable and other events of the Corporation, SCF and/or Sistema Group companies aimed at solving social/environmental issues and developing local communities through free-of-charge work and/or services.
Corporate Philanthropy	Voluntary funding for the creation of public goods beyond the legal responsibility of the Corporation.
Grant	A non-repayable subsidy in cash or in kind, provided on a competitive basis to individuals, non-profit organisations and scientific, educational and cultural institutions for socially significant purposes, followed by a report on the use of the funds received.
Donor	An organisation or an individual providing various resources to citizens and

Term	Definition
	organisations on a non-profit basis for the benefit of society as a whole.
Non-Profit Organisation	An organisation whose ultimate objective is not to make profit for its shareholders but to achieve social, charitable, cultural, educational, scientific and other goals related to public goods.
Public Non-Financial Reporting	Publicly available non-financial data and indicators for a reporting period that are disclosed in accordance with recognised standards of corporate reporting and reflect the Corporation's strategy, goals, management approaches, interaction with stakeholders, as well as performance in terms of social responsibility and sustainable development, corruption prevention, including economic, social and environmental aspects considered together.

2. GENERAL PROVISIONS

2.1. The Corporation's charitable activities are developing in line with the concept of “social investment”, which consists in implementing a long-term social policy that combines the strategic interests of the Corporation and its shareholders with the goals of sustainable social development.

2.2. The Corporation is active in the area of charity, considering it an important and integral component of corporate social responsibility.

2.3. The Corporation's charitable activities and social investments are aimed at sustainability through the creation of long-term prospects for the development of future generations, markets and regions where Sistema Group operates.

2.4. The Corporation does not separate social responsibility and charity from its core business and strives to achieve both high financial results and high social results, considering economic efficiency as a necessary condition for maintaining social investment at a level appropriate for the Corporation's scale.

2.5. The Corporation recognises the high importance of charitable and social initiatives for developing its corporate culture and increasing employee engagement and non-financial motivation, and the Corporation promotes corporate volunteering and encourages employees to participate in charitable and volunteer activities, creating the necessary conditions for such activities in Sistema Group.

2.6. Transparency, openness and accountability of charitable activities together with introduction of effective mechanisms for allocating funds and evaluating social investment create the prerequisites for the dissemination of advanced forms and best practices of philanthropic activities.

2.7. The formation of the business reputation and social significance of the Corporation's activities implies the implementation of systematic, large-scale and long-term charitable programmes and social investments as an important factor in increasing its value for shareholders and other interested parties.

2.8. Vice President for Government Relations of Sistema PJSC is responsible for the application of the Policy to the Corporation's charitable activities.

2.9. The principles of this Policy are mandatory for all officers and structural units of the Corporation, and are also recommended as the basis for organising charitable activities in Sistema Group companies that develop and implement their own charity policies in accordance with applicable legislation and corporate procedures.

3. KEY PRINCIPLES OF THE CHARITY POLICY

3.1. When making social investments, the Corporation assumes that charitable activities lay the foundation for the future well-being of society and sustainable development of Sistema Group companies and its stakeholders, and is guided by the following principles:

3.1.1. It focuses on the long term, i.e. systematic investments in socially significant programmes creating a long-term social effect take priority over one-time and short-term charitable projects and investments.

3.1.2. It maintains a reasonable balance between charitable programmes and social aid to those in need.

3.1.3. It cares about real changes with the optimum level of costs, evaluates the effectiveness of its social investments based on the priority of created benefits over volume of investments.

3.1.4. It implements such charity projects that do not replace existing forms of state support but create a synergistic effect and added value for stakeholders through intersectoral partnerships and innovations in the social sphere.

3.1.5. It engages in an open dialogue and interacts with parties interested in charity on an equal footing, recording joint goals, objectives and ways to achieve them in relevant social partnership agreements.

3.1.6. It respects human rights, promotes inclusivity and does not discriminate against beneficiaries.

3.1.7. It analyses social issues and selects the areas of investment that are most relevant to the Corporation's business and strategy, taking into account the current public agenda, the opinions of stakeholders and the real needs of beneficiaries.

3.1.8. It is aimed at the implementation of large-scale projects at the federal level in Russia and the replication of best philanthropic practices in the regions of Sistema Group's operations that have strategic importance for the Corporation.

3.1.9. It ensures a comprehensive collective discussion of the charity strategy by its corporate governance bodies;

3.1.10. It regularly reports the results of its charitable activities to stakeholders and the general public, and shares its experience in the professional community and through the media.

3.2. The Corporation engages in the following main forms of charity:

- a) implementation of Sistema's own projects and support for socially significant projects of its partners;
- b) donations for specific causes in cash or otherwise;
- c) grant financing (mostly through competition);
- d) corporate volunteering.

3.3. The Corporation may also engage in the following additional forms of charity:

- a) organisation of fundraising among employees for charity causes, including help for the Corporation's (current and former) employees or their families in case of emergencies;
- b) arranging mechanisms for the co-financing of social initiatives of employees.

3.4. Charity projects involving the Corporation's staff constitute an HR policy tool for honouring and encouraging best volunteering initiatives and personal social contributions of employees of Sistema Group.

4. KEY AREAS OF CHARITY

4.1. When determining social investment priorities, the Corporation identifies key areas of charity that are most consistent with its business interests and related to investments in human capital, engineer training, the creation and promotion of new educational technology, cultural development, and the improvement of living standards.

4.2. The Corporation's charity efforts primarily take the form of comprehensive framework programmes and projects in the following areas:

4.2.1. **Technology and education:** search for and implementation of technical solutions to social challenges; support for engineering schools in a bid to grow a new generation of hi-tech and digitalisation specialists; development of creativity and innovation in technologies; and promotion of general technological literacy nationwide.

4.2.2. **Culture and education:** building an accessible museum environment; implementation of digital, inclusive, and novel educational technology at cultural institutions; popularisation of Russian culture across the nation and abroad; promotion of general socio-cultural development of society; and preservation of cultural and historical heritage for future generations.

4.2.3. **Social needs and volunteering:** support for the social integration of the most vulnerable demographics, including the protection of children's rights and promotion of healthcare; comprehensive tech-driven social and medical infrastructure projects for senior citizens; support for social non-profits and involvement in volunteer initiatives in geographies where the Corporation is represented; promotion of volunteerism and personal charity among employees, partners, and clients of Sistema Group.

4.3. Charity is a tool for creating a favourable environment for the Corporation's development, positive social change, and the achievement of social goals. With these goals in mind, the Corporation pursues the following projects:

4.3.1. Participation in charity projects and programmes that actually contribute to the achievement of social goals directly or indirectly related to the Corporation's business interests;

4.3.2. Participation in charity projects and programmes conducive to the growth of the Corporation's goodwill;

4.3.3. Participation in innovative, educational, research, and training projects and programmes that translate into the growth of human capital, the evolution of talent, and the strengthening of the Corporation's reputation as an attractive employer.

4.4. When investing in large-scale hi-tech projects in a variety of industries and aspects of social needs, the Corporation prioritises the development of:

- a) highly educated professional staff capable of generating and implementing innovative ideas and products;
- b) communities where the Group's companies are backbone enterprises and/or where the Corporation pursues strategically relevant business projects;
- c) "flexible" social skills and expertise of employees.

4.5. The choice of specific philanthropy projects, as well as KPIs applying to them, is determined by the Corporation's charity strategy.

5. CHARITY MANAGEMENT AT THE CORPORATION

5.1. The Corporation's charity strategy and social development priorities are determined by the Board of Directors of Sistema PJSC.

- 5.2. The Corporation's current social and charity activities are coordinated by the GR Department in concert with Sistema Charitable Foundation (hereinafter, "SCF").
- 5.3. The GR Department has the following main functions as regards charity:
- 5.3.1. Developing, updating, implementing, and monitoring the observance of the Corporation's policy in the spheres of charity and social investments;
 - 5.3.2. Providing charity-related consultations, expertise, and information to SCF and companies of the Group.
 - 5.3.3. Efforts for the practical implementation of corporate charity and social projects.
 - 5.3.4. Organising the handling of charity requests from legal entities and individuals;
 - 5.3.5. Disclosing charity information in the Corporation's public non-financial reports.
- 5.4. SCF is a nonprofit that acts as an operator of Sistema Group's social investments:²
- 5.4.1. It develops, updates, and implements the Corporation's charity strategy;
 - 5.4.2. It manages the portfolio of strategic charity programmes in a centralised manner;
 - 5.4.3. It plans and carries out specific charity projects consistent with its programme;
 - 5.4.4. It organises volunteer projects and corporate-wide projects catering to social needs.
- 5.5. SCF provides annual charity strategy reports to the Board of Directors of Sistema PJSC, which are pre-viewed by Sistema's Investor Relations and Dividend Policy Committee and, upon pre-approval by Sistema's Board, are finally approved by the Board of SCF, its highest governance body.
- 5.6. In order to review and assess key charity programmes and projects with a view to forming a consolidated position and streamlining efforts aimed at the implementation of this Policy's goals and objectives, the President of Sistema PJSC may, from time to time, convene the Expert Council for Corporate Social Responsibility (a collective advisory board charged with preparing recommendations on how to upgrade charity efforts and enhance the effectiveness of the Corporation's social investments).

6. APPROVAL AND FINANCING OF CHARITABLE ACTIVITIES

- 6.1. The Corporation finances charitable activities from its own funds and through its corporate charitable foundation, which is in charge of:
- 6.1.1. accumulation, planning and distribution of the consolidated charity budget which is formed through voluntary cash and property donations made by the founders and donors of the charitable foundation;
 - 6.1.2. organising grant contests and monitoring the use of cash by the grant recipients;
 - 6.1.3. engaging external social partners and donors in co-financing of charity programmes and projects;
 - 6.1.4. keeping management accounts on the spending of charity funds and making public reports on the results of social investments in key areas;
 - 6.1.5. organising activities to assess the efficiency of social investments and the social impact of the Corporation's charity programmes and projects with participation of independent experts.
- 6.2. The budget of SCF is spent in accordance with the annual financial plan (an expense estimate which factors in financing of projects and operational activities) approved by SCF's Board.
- 6.3. Financing of unscheduled charity projects is performed by SCF in accordance with the Regulation on expenses approved by SCF's Board.
- 6.4. The Corporation allocates funds from its net profit to SCF and also provides funding for specific projects approved by the Board Chairman or the President of Sistema PJSC.

² The activities of the corporate charitable foundation are governed by this Policy as well as the Charter and other internal regulations of SCF, including specific policies pertaining to particular programmes, projects, grant contests, social partnership agreements, etc.

6.5. The initiators of charity projects submit their own or third-party applications for provision of charitable donations or joint implementation of a charity project to the Government Relations Department, which should check such application for compliance with this Policy, assess potential risks and form an expert opinion on the feasibility of providing financing or other types of charitable support, take part in the process of approval of all charity contracts, agreements and payments of the Corporation, and accumulate information about all scheduled and actual charity expenses as part of preparation of public non-financial reporting.

6.6. The target amount of charity financing depends on the financial results and priorities of the current financial and investment policy of the Corporation, and the actual allocated amount is recommended by the Management Board and approved by the Board of Directors as a share of the Corporation's adjusted OIBDA in accordance with the consolidated financial statements of Sistema PJSC under IFRS for the full previous year. The specific amount of allocations to SCF and independent charity programmes is calculated in accordance with the corporate procedures established in each of the companies of Sistema Group.

6.7. Decisions on financing of charitable activities and allocation of funds to charity projects are taken by the corporate governance bodies of the companies of the Group in accordance with the existing procedures.

7. REGULATIONS AND RESTRICTIONS ON CHARITABLE ACTIVITIES

7.1. The Corporation performs its charitable activities in compliance with Russian laws, the Anticorruption Policy and Code of Ethics of Sistema PJSC, and with international standards of corporate conduct and responsible business practices.

7.2. It is forbidden to conduct charitable activities:

- a) in favour of commercial organisations;
- b) in favour of political parties, organisations and associations; government and municipal officials and their affiliated persons;
- c) in the form of concealed reward for a service, action, omission, connivance, patronage, granting of rights, taking a specific decision on a transaction (agreement, licence, permission etc) or as an attempt to influence the recipient with some other illegal or unethical purpose;
- d) with the purpose of obtaining commercial advantages in the specific projects of the Corporation and/or companies of Sistema Group;
- e) in the form of organisation or support of activities intended for a restricted number of participants (for example, by special invitations) or participation in private events with the exception of activities organised for the companies of Sistema Group;
- f) in the form of cash payments or donation of assets to beneficiaries without entering into donation agreements or charitable gift agreements.

7.3. Each charitable activity should comply with the following requirements:

- a) assessment of the good standing of beneficiaries and evaluation of corruption risks;
- b) the beneficiary's bank account should not belong to a third party;
- c) all transaction and payments should be documented.

8. DISCLOSURE OF INFORMATION ON CHARITABLE ACTIVITIES

8.1. The Corporation uses existing internal and external communication channels to implement a range of activities aimed at ensuring regular public access to information on the results of charitable activities for all interested parties by one or several of the methods below:

- a) publication of press releases, news items and other information materials in the media;

- b) disclosure of information on charitable activities on the external website and internal web portal of the Corporation and on SCF's website;
- c) publications in the corporate magazine, official pages of the Corporation and SCF in social media;
- d) inclusion of information on charitable activities in the Annual Report and Sustainability Report of Sistema PJSFC;
- e) publication of the Annual Report of SCF;
- f) organising public events (conferences, round tables etc) related to charitable activities.

9. RESPONSIBILITY FOR FAILURE TO PERFORM (IMPROPER PERFORMANCE OF) THIS POLICY

9.1. The employees of the Corporation in charge of implementation of charitable activities shall be held accountable for failure to comply with the provisions of this Policy.

9.2. Vice President for Government Relations shall be responsible for ensuring due implementation of the Policy at the Corporation.

9.3. Persons found to be in breach of this Policy shall be held responsible on the basis of and within the procedures set out in the labour law of the Russian Federation, the Charter of the Company, and the employment contracts.

10. REGULATORY REFERENCES

10.1. External regulatory documents and directives

Table 4. External regulatory documents and directives

No	Name of document
1.	Federal Law No 135-FZ dated 11 August 1995 "On charitable activities and volunteering" (as amended on 18 December 2018)
2.	Federal Law No 7-FZ dated 12 January 1996 "On commercial organisations" (as amended on 29 July 2018)
3.	Concept for facilitation of charitable activities in the Russian Federation until 2025/Directive of the Government of the Russian Federation dated 15 November 2019 No 2705-p
4.	Concept for development of volunteering in the Russian Federation until 2025/Directive of the Government of the Russian Federation dated 27 December 2018 No 2950-p

10.2. Internal regulatory documents and directives

Table 5. Internal regulatory documents and directives

No	Name of document
1.	Code of Ethics of Sistema PJSFC
2.	Terms of Reference of the Government Relations Department of Sistema PJSFC
3.	Charter of Sistema Charitable Foundation, version No 3 dated 18 April 2018
4.	Policy "On Corporate Social Responsibility of Sistema PJSFC"

11. CONTROL OVER THE VERSIONS OF THE DOCUMENT

Version No	Date of version	Job title of person in charge of document	Name of person in charge of document	Summary of amendments
1	9 Sep 2009	Head of Corporate Social Responsibility Directorate	A. Matveyev	Document first created
2	2 Sep 2015	Head of Corporate Communications Function	E. Chuikov	Document amendment: <ul style="list-style-type: none"> ▪ Adjustment of the charity management structure in accordance with changes and amendments in the Charter of SCF dd 24 July 2014 ▪ Adjustment of responsibilities and area of application of the Policy in view of changes in the management structure of subsidiaries. ▪ Amendment of the Policy to add anticorruption provisions.
3.	17 Dec 2019	Vice President for Government Relations	A. Pilipenko	Document amendment: <ul style="list-style-type: none"> ▪ Alignment with the relevant requirements of Russian laws. ▪ Adjustment of terminology, basic principles and priorities of social investments. ▪ Adjustment of responsibilities and area of application of the Policy in view of changes in the management structure of subsidiaries. ▪ Adding detailed procedures for financing and approving charity projects.