



**SISTEMA**  
**PUBLIC JOINT STOCK FINANCIAL CORPORATION**

Annual General Meeting of Shareholders of Sistema PJSFC, 24 June 2017,  
13/1 Mokhovaya St., Moscow

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**Explanatory note related to materials of the Annual General Meeting of Shareholders of Sistema PJSFC on agenda items 7.1, 7.2, 7.3. and 7.4.**

**Approval of the new versions of the Charter of Sistema PJSFC and internal documents of Sistema PJSFC regulating the work of the Company's governing bodies**

The issue of amendments and additions to the Company's Charter and approval of internal documents regulating the work of the Company's governing bodies falls within the remit of the General Meeting of Shareholders of the Company (subclauses 1 and 19 of clause 1 of article 48 of the the Federal Law *On Joint-Stock Companies*; subclauses 1 and 31 of clause 27.1 of Sistema's Charter).

Approval of the new versions of the Charter of Sistema PJSFC, the Terms of Reference of the General Meeting of Shareholders of Sistema PJSFC, the Terms of Reference of the Board of Directors of Sistema PJSFC and the Terms of Reference of the Management Board of Sistema PJSFC is due to:

1. material changes to the Federal Law *On Joint-Stock Companies* regarding, in particular, the procedure for obtaining consent for related party transactions;
2. entry into effect of the EU Market Abuse Regulation<sup>1</sup>.

Draft new versions of the Charter of Sistema PJSFC, the Terms of Reference of the General Meeting of Shareholders of Sistema PJSFC, the Terms of Reference of the Board of Directors of Sistema PJSFC and the Terms of Reference of the Management Board of Sistema PJSFC were reviewed by the Board of Directors on 20 May 2017 (Minutes No. 06-17 dd 22 May 2017) and were recommended for approval by the the Annual General Meeting of shareholders of the Company.

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

1. The Federal Law *On Joint-Stock Companies* replaced the procedure for preliminary approval by the Board of Directors and approval by the General Meeting of Shareholders of major transactions and related party transactions with the procedure for obtaining consent for such transactions. The Federal Law *On Joint-Stock Companies* and by-laws also defined updated threshold values after which a transaction can be qualified as a related party transaction (cl. 27.1, 32.2 of the Company's Charter, cl. 8.18, 10.9 and 10.17 of the Terms of Reference of the General Meeting of Shareholders). It is proposed to bring the provisions of the Charter and internal documents of the Company governing major transactions and related party transactions in compliance with the law and by-laws.
2. It is proposed to supplement the powers of the President of the Company in the Charter with:
  - a right to submit for consideration by the Board of Directors of the Company an item on obtaining consent for the conclusion of related party transactions (cl. 36.5 of the Charter);

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<sup>1</sup> Since Sistema's global depository receipts are listed on the London Stock Exchange, the Company must comply with the requirements of the European Union's securities market laws.

- a right to send on behalf of the Company a Notice of the signs of possible related party transactions. It is proposed to add to the Charter of the Company the possibility of sending Notices by e-mail (cl. 36.5 of the Charter).
3. It is proposed to add to the Terms of Reference of the Board of Directors and the Terms of Reference of the Management Board obligations for members of the Board of Directors and members of the Management Board to send on their behalf to the Company Notices of the signs of possible related party transactions, as well as Notices of changes in such information (subclause 9 of cl. 2.3.2 of the Terms of Reference of the Board of Directors; cl. 3.3 of the Terms of Reference of the Management Board).
  4. In accordance with the EU Market Abuse Regulation, it is proposed to amend the Terms of Reference of the Board of Directors and the Terms of Reference of the Management Board as follows:
    - amend the list of information provided by members of the Board of Directors and members of the Management Board;
    - reduce the period for notices of changes in the information provided in the Questionnaire for a person holding a senior position (subclause 8 of cl. 2.3.2 of and Annex 4 to Terms of Reference of the Board of Directors; cl. 3.3 of the Terms of Reference of the Management Board);
    - establish a two-day period for notices on the intention to make a transaction with the Company's securities, as well as on the fact of the transaction (subclause 11 of cl. 2.3.2 of Terms of Reference of the Board of Directors; cl. 3.3 of the Terms of Reference of the Management Board);
    - establish the duration of the moratorium on transactions with securities of the Corporation: 30 days before the release of the annual and quarterly reports.