



# Corporate Governance

## Corporate Governance Framework

MegaFon has a robust and transparent corporate governance framework which is fully compliant with all applicable regulations. We go beyond merely ensuring that we meet regulators' mandatory requirements and are committed to consistently improving our existing corporate governance in line with international best practice.

Compliance is the foundation of MegaFon's corporate governance system. MegaFon complies with all regulations relating to joint-stock companies, including the provisions of Russia's Federal Law On Joint-Stock Companies, Corporate Governance Code recommendations, and the Moscow Exchange requirements. As a public company listed on the London Stock Exchange (LSE), MegaFon also complies with the Disclosure and Transparency Rules of the UK Financial Conduct Authority for "standard" companies, and the LSE Listing Rules. The Company's operations are also governed by MegaFon's Charter and other internal documents.



listed in the Corporate Documents section of the corporate website at [http://corp.megafon.com/investors/corporate\\_governance/governing\\_policies/](http://corp.megafon.com/investors/corporate_governance/governing_policies/).

In 2016, a number of MegaFon's internal documents were amended to ensure compliance with the Moscow Exchange requirements to keep the Company's shares on the First Level quotation list. To this end, on 26 July 2016, the Company's Board of Directors approved:

- a new version of the Regulations on the Audit Committee of the Company's Board of Directors;
- a new version of the Regulations on Internal Audit;
- a new version of the Regulations on the Remuneration and Nominations Committee of the Company's Board of Directors; and
- amendments to the Regulations on the Corporate Secretary of the Company.

### MEGAFON'S CORPORATE GOVERNANCE PRINCIPLES



Enabling shareholders to fully exercise their rights relating to their shareholdings in the Company.



Strategic governance and effective supervision of the Company's executive bodies by the Board of Directors, which in turn is accountable to the General Meeting of Shareholders.



Appropriate management of MegaFon's day-to-day operations by the Company's executive bodies and their accountability to the Company's Board of Directors and shareholders.



Timely disclosure of complete and accurate information about the Company, including its financial position, performance, ownership and governance structure.



Effective control of the Company's financial and business operations.



Ensuring the protection of the interests and statutory rights of shareholders and other investors, creditors and other stakeholders, and commitment to high standards of social responsibility in the Company's activities.



## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

MegaFon's operations are governed by the requirements of the Corporate Governance Code approved by the Board of Directors of the Bank of Russia on 21 March 2014. The Corporate Governance Code Compliance Report is presented in an Appendix to this Annual Report.

## RELATED-PARTY TRANSACTIONS

Related-party transactions are regulated by Article 11 of Federal Law No. 208-FZ *On Joint-Stock Companies*. Under these provisions, transactions in which shareholders, Members of the Board of Directors, or members of executive bodies are interested parties must be approved by either the Board of Directors or the General Meeting of Shareholders. The interested Member(s) of the Board of Directors or other executive bodies or the interested shareholder(s) does (do) not vote on the relevant resolution.

MegaFon pays close attention to identifying and controlling transactions in which shareholders, Members of the Board of Directors, or members of executive bodies are interested parties, as required by applicable laws. MegaFon has implemented procedures for determining and monitoring such transactions through its SAP ERP system. In 2016, all MegaFon counterparties were regularly checked for possible relationships with the main shareholders and members of the Company's executive bodies.

All related-party transactions are subject to preliminary review by specific committees of MegaFon's Board of Directors, based on the subject matter. In 2016, the Audit Committee carried out preliminary reviews, recommending for the Board's approval a total of 22 related-party transactions (which the Board of Directors subsequently approved). The Finance and Strategy Committee carried out preliminary reviews, recommending for the Board's approval 16 such transactions (which the Board of Directors also subsequently approved).

The list of related-party transactions effected by MegaFon in 2016 is presented in an Appendix to this Annual Report.

## MAJOR TRANSACTIONS

In 2016, MegaFon signed Addendums to Non-Revolving Credit Facility Agreements between PJSC MegaFon (the Borrower) and PJSC Sberbank (the Lender/Bank). These transactions are classified as major transactions as defined by Article 78 of Federal Law No. 208-FZ *On Joint-Stock Companies*.



Information on the transactions was disclosed in the form of a Corporate Action Notice on the execution of a major transaction by the issuer, dated 1 July 2016 ([http://corp.megafon.ru/investoram/disclosure/material\\_facts/](http://corp.megafon.ru/investoram/disclosure/material_facts/)), and in the issuer's quarterly report for Q3 2016 disclosed on 14 November 2016 ([http://corp.megafon.ru/investoram/disclosure/quarterly\\_reports/](http://corp.megafon.ru/investoram/disclosure/quarterly_reports/)).

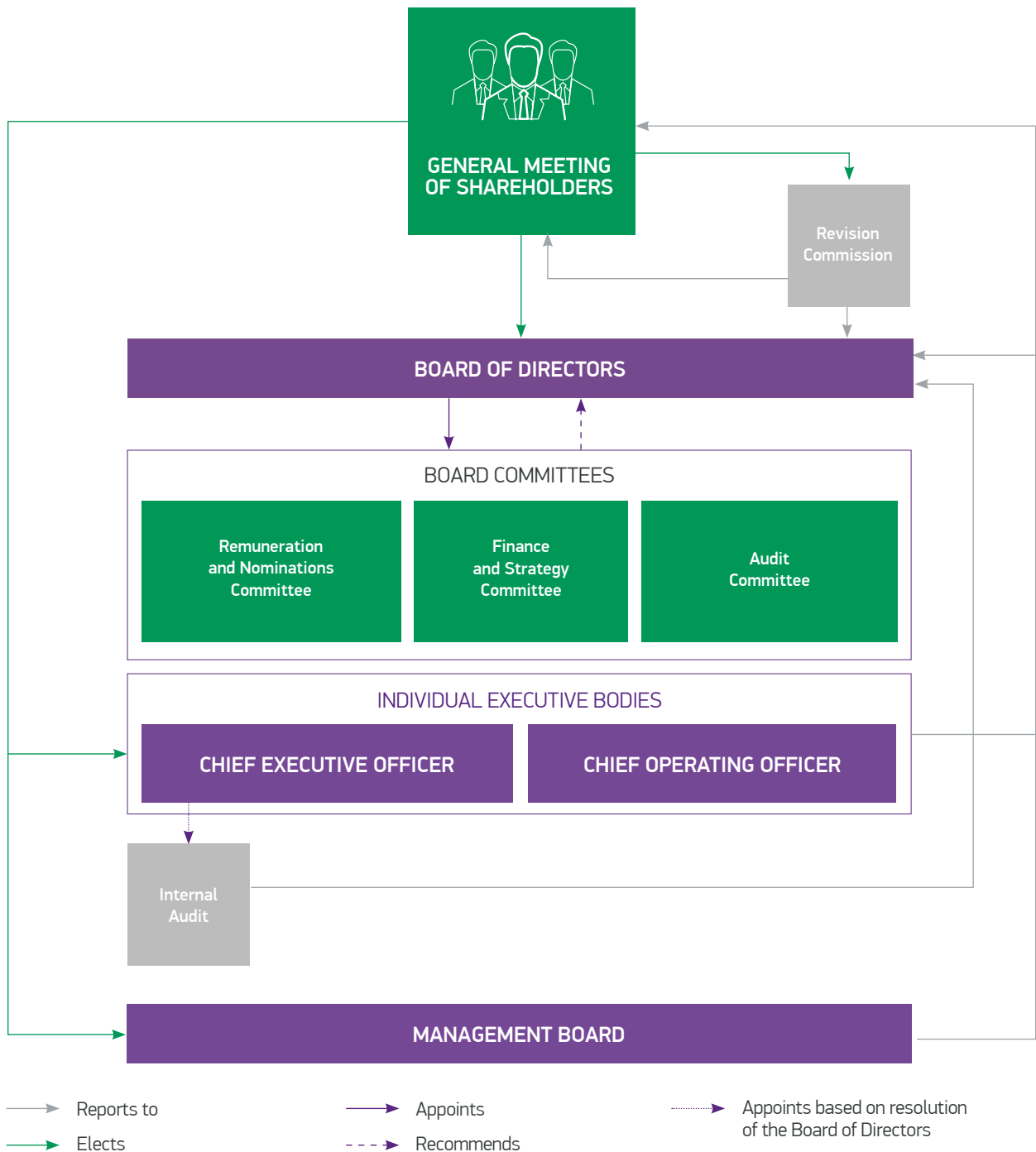
## CORPORATE GOVERNANCE AND CONTROL STRUCTURE

MegaFon's principal corporate governance bodies are the General Meeting of Shareholders, the Board of Directors, the Management Board (collective executive body), and the Chief Executive Officer and the Chief Operating Officer (individual executive bodies). In 2016, changes were made to the name and responsibilities of one of the Board Committees: the Remuneration and HR Development Committee was renamed the Remuneration and Nominations Committee of the Company's Board of Directors, with corresponding changes to its responsibilities.



# Corporate Governance Framework (continued)

## CORPORATE GOVERNANCE AND CONTROL STRUCTURE





# Management Bodies

## GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is MegaFon's main governing body.

Its powers and responsibilities are governed by the internal document, Regulations on the General Meeting of Shareholders of Open Joint-Stock Company MegaFon (Version 2), which is available in the Regulations on Governing Bodies section of MegaFon's corporate website ([http://corp.megafon.ru/investoram/docs/polozeniya\\_ob\\_organah\\_upravleniya/](http://corp.megafon.ru/investoram/docs/polozeniya_ob_organah_upravleniya/)).

In 2016, the annual General Meeting of Shareholders was held on 30 June in the form of a face-to-face meeting of shareholders. The total number of votes held by persons entitled to take part in the annual General Meeting was 620,000,000,000 (the number of votes for cumulative voting was 4,340,000,000). The holders of shares and GDRs entitled to cast 92.2% of the total number of votes took part in the voting.

A number of important resolutions on matters relating to the Company's operations were passed at the 2016 annual General Meeting of Shareholders. These included approval of the 2015 Annual Report, approval of the Company's annual accounting (financial) statements for 2015, approval of profit distribution and dividend payment, and the election of the Board of Directors, the Chief Executive Officer, the Management Board and the Revision Commission, and the approval of the auditor.

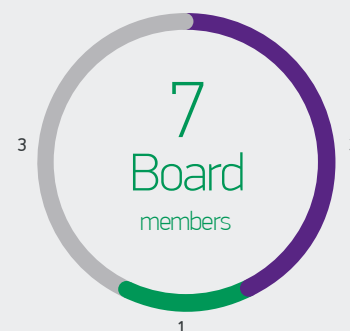
Detailed information on the annual General Meeting of Shareholders and items on its agenda is available in the Annual General Meetings of Shareholders section of MegaFon's corporate website ([https://corp.megafon.com/investors/shareholder\\_meetings/annual\\_general\\_shareholder\\_meeti/](https://corp.megafon.com/investors/shareholder_meetings/annual_general_shareholder_meeti/)).

### BOARD STRUCTURE



- Non-Executive Directors
- Independent Directors
- Chief Operating Officer

### LENGTH OF TENURE ON THE BOARD<sup>(1)</sup>



- Over 3 consecutive years
- 1 to 3 consecutive years
- Less than 1 year

In between annual General Meetings, MegaFon may also hold extraordinary General Meetings of Shareholders. In 2016, MegaFon held four extraordinary General Meetings of Shareholders: on 19 August, 16 September, 25 November, and 9 December. The extraordinary General Meetings of Shareholders passed resolutions on key matters relating to the Company's business, including early termination of the powers of the Company's Board of Directors and the election of a new Board of Directors, the reorganisation of MegaFon through spin-off of and merger with separate joint-stock companies, and approval of interrelated related-party transactions.

Detailed information on the extraordinary General Meetings of Shareholders and items on their agendas is available in the Extraordinary General Meetings of Shareholders section of MegaFon's corporate website ([http://corp.megafon.com/investors/shareholder\\_meetings/extraordinary\\_general\\_shareholde/#2017](http://corp.megafon.com/investors/shareholder_meetings/extraordinary_general_shareholde/#2017)).

## BOARD OF DIRECTORS

The Board of Directors exercises general control over the Company. The Board's main purpose is to enhance the efficiency and transparency of the Company's internal controls, and improve the framework for monitoring and ensuring the accountability of its management bodies, while protecting and promoting the rights of all shareholders.

The powers of the Board are set out in MegaFon's Charter and the Regulations on the Board of Directors, available in the Corporate Documents section of the corporate website ([http://corp.megafon.com/investors/corporate\\_governance/governing\\_policies/](http://corp.megafon.com/investors/corporate_governance/governing_policies/)).

<sup>(1)</sup> Board Member as at 31 December 2016.



## Management Bodies (continued)

### Composition of the Board of Directors

In 2016, there were several changes in the composition of MegaFon's Board of Directors, initiated by the Company's shareholders.

#### 1.

##### Composition of Board from 30 June 2015 to 30 June 2016.

Elected at the annual General Meeting of Shareholders on 30 June 2015.

With this composition, the Board of Directors held **eight meetings** in 2016.

#### 2.

##### Composition of Board from 30 June 2016 to 19 August 2016.

Elected at the annual General Meeting of Shareholders on 30 June 2016.

With this composition, the Board of Directors held **three meetings** in 2016.

#### 3.

##### Composition of Board from 19 August 2016 to 25 November 2016.

Elected at the extraordinary General Meeting of Shareholders on 19 August 2016.

With this composition, the Board of Directors held **six meetings** in 2016.

#### 4.

##### Composition of Board from 25 November 2016 to and including 31 December 2016.


Elected at the extraordinary General Meeting of Shareholders on 25 November 2016.


With this composition, the Board of Directors held **four meetings** in 2016.


Name of Director	1.	2.	3.	4.
Sergey V. Soldatenkov	Chairman until 27 April 2016	-	-	-
Vladimir Y. Streshinsky	Chairman from 27 April 2016	Chairman	Chairman	Chairman
Sergey A. Kulikov	Independent Director	Independent Director	-	-
Carl Peter Christian Luiga	Non-Executive Director	Non-Executive Director	Non-Executive Director	-
Lord Paul Myners	Independent Director	Independent Director	Independent Director	Independent Director
Jan Erik Rudberg	Independent Director	Independent Director	Independent Director	Independent Director
Ingrid Maria Stenmark	Non-Executive Director	Non-Executive Director	Non-Executive Director	Non-Executive Director
Nikolay B. Krylov	-	Independent Director	Independent Director	Independent Director
Ivan V. Tavrín	-	-	Non-Executive Director	Non-Executive Director
Robert Wilhelm Andersson	-	-	-	Non-Executive Director




### Short biographies of the Board Members

 Remuneration and Nominations Committee

 Finance and Strategy Committee

 Audit Committee

 Members of the Board as at 31 December 2016 are highlighted in dark grey

#### VLADIMIR Y. STRESHINSKY



Until 27 April 2016 – a Non-Executive Director;

from 27 April 2016 – Chairman of the Board;

Chairman of the Finance and Strategy Committee;

Member of the Remuneration and Nominations Committee;

He has been Member of the Board since June 2008.

Born in 1969.

Graduated from Moscow Institute of Physics and Technology in 1992.

Mr Streshinsky is a member of the Board of Directors of JSC Kommersant, METALLOINVEST MC LLC, USM Holdings Limited, Mail.Ru Group Limited, UTH Russia Limited, OJSC CITY, and USM MONACO LIMITED. He is also Chief Executive Officer of LLC USM Management (until December 2016 – LLC USM Advisors).

**Percentage share ownership in the Company: 0.012%.**

**Percentage of the Company's ordinary shares held: nil.**

#### LORD PAUL MYNERS



Independent Director;

Chairman of the Remuneration and Nominations Committee;

He has been Member of the Board of Directors since March 2013.

Born in 1948.

Graduated from the University of London.

He is a non-executive director of RIT Capital Partners PLC, Chairman of the Board of Directors and Partner at Cevian Capital LLP, and Chairman of the Board of Directors and Managing Partner at Autonomous Research LLP. He is also Chairman of the Board of Platform Acquisition Holdings Limited and of Nomad Holdings Limited, a member of the Global Advisory Board of CQS Capital, and Chairman of the London School of Economics and Political Science. He also acts as a non-executive director of Ecofin Water & Power Opportunities PLC and Chairman of Edelman UK. Lord Myners remains involved with the UK Government as a member of the House of Lords and a member of a Parliamentary Committee.

**Percentage share ownership in the Company: 0.000484%.**

**Percentage of the Company's ordinary shares held: nil.**

#### JAN ERIK RUDBERG



Independent Director;

Chairman of the Audit Committee;

Member of the Remuneration and Nominations Committee;

He has been Member of the Board of Directors since June 2010.

Born in 1945.

He is a graduate of the Gothenburg School of Business Administration.

Since 2003, he has been a Corporate Advisor to, and is now Chairman of the Board of Directors of Hogia AB. He is also Chairman of the Board of Directors of Kcell JSC and Belarusian Telecommunications Network (BeST) CJSC, and also serves on the boards of Turkcell Iletsim Hizmetleri A.S. and Next Generation Broadcasting AB.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**



## Management Bodies (continued)



Remuneration and  
Nominations Committee



Finance and  
Strategy Committee



Audit  
Committee



Members of the Board as  
at 31 December 2016 are  
highlighted in dark grey

### INGRID MARIA STENMARK



**Non-Executive Director;**

**Member of the  
Audit Committee;**

**She has been Member  
of the Board of Directors  
since June 2015.**

Born in 1966.

She holds an MSc in Law from  
Stockholm University.

She is Head of the CEO's Office  
for TeliaCompany AB's sole  
executive body. She is also a  
member of the Board of Directors  
of TeliaSonera Asia Holding  
B.V., TeliaSonera UTA Holding  
B.V., Turkcell Holding A.S., Kcell  
JSC, Sonera Holding B.V., Fintur  
Holdings B.V, Telia Netherland  
Holding AB, and Telia Resurs AB.

**Percentage share ownership  
in the Company: nil.**

**Percentage of the Company's  
ordinary shares held: nil.**

### ROBERT WILHELM ANDERSSON



**Non-Executive Director;**

**Member of the Finance  
and Strategy Committee;**

**He has been Member  
of the Board of Directors  
since November 2016.**

Born in 1960.

He is a graduate of Swedish  
School of Economics and  
Business Administration and  
holds an MBA from George  
Washington University.

He is Executive Vice President  
and Head of Region Europe of  
TeliaCompany, and serves on the  
Board of Enea AB.

**Percentage share ownership  
in the Company: nil.**

**Percentage of the Company's  
ordinary shares held: nil.**

### IVAN V. TAVRIN



**Non-Executive Director;**

**Member of the Finance  
and Strategy Committee;**

**He has been Member of  
the Board of Directors  
in August 2016.**

Born in 1976.

He graduated from Moscow  
State Institute of International  
Relations with a degree in law.

He was the Company's Chief  
Executive Officer from 20 April  
2012 to 30 June 2016. He is  
also a member of the Board  
of Directors and CEO of  
Media-One Holdings Limited,  
and a member of the Board of  
Directors of MO-TV Holdings  
Limited, LLC CTC Media, LLC Vyberi Radio  
company, USM Holdings Limited,  
METALLOINVEST MC LLC, and  
JSC Kommersant.

**Percentage share ownership  
in the Company: nil.**

**Percentage of the Company's  
ordinary shares held: nil.**



**NIKOLAY B. KRYLOV**



**Independent Director;**

**Member of the Audit Committee;**

**He has been Member of the Board of Directors since July 2016.**

Born in 1958.

He is a graduate of Yale Law School.

Currently, Mr Krylov is Moscow Office Partner at Winston & Strawn LLP. He is also a member of the Board of Directors of JSC Kommersant, USM Holdings Limited, METALLOINVEST MC LLC, and Sector Head at the Institute of State and Law of the Russian Academy of Sciences.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**

**SERGEY V. SOLDATENKOV**



**From May 2012 to June 2016, he was a Member of MegaFon's Board of Directors.**

**Until 27 April 2016, he was also Chairman of the Board of Directors.**

**Until 30 June 2016, he was a member of the Remuneration and HR Development Committee and Audit Committee.**

Born in 1963.

In 1986, he graduated from Leningrad Institute of Aviation Instrument Engineering with a degree in radio engineering.

He was the Company's Chief Executive Officer from April 2003 to April 2012. From 24 May 2012 to 30 June 2016, he was Member of the Company's Board of Directors. Until 27 April 2016, he was Chairman of the Company's Board of Directors. From 28 April 2016 until 30 June 2016, he was Acting Chief Executive Officer of MegaFon. From 30 June 2016, he is the Company's Chief Executive Officer.

**Percentage share ownership in the Company: 0.0412%.**

**Percentage of the Company's ordinary shares held: nil.**

**CARL PETER CHRISTIAN LUIGA**



**From March 2014 to 25 November 2016, he was:**

**Member of the Board of Directors;**

**a Non-Executive Director;**

**and a member of the Finance and Strategy Committee.**

Born in 1968.

He holds a B.A. in economics from Stockholm University.

From March 2009, he has been Senior Vice President, Head of Corporate Control, and Chief Financial Officer of TeliaCompany AB. He was Chairman of the Board of Directors of TeliaSonera Sverige AB, TeliaSonera Finance AB, Viveka Luiga Ekonomibyrå AB, Fintur Holding BV, TeliaSonera Asset Finance, TeliaSonera AsiaHolding BV, a member of the Board of Directors of Turkcell Holding AS, TeliaSonera Finland Oyj, and Managing Director of TeliaSonera UTA Holding BV.

**Percentage share ownership in the Company (as at 25 November 2016): nil.**

**Percentage of the Company's ordinary shares held (as at 25 November 2016): nil.**

**SERGEY A. KULIKOV**



**From March 2014 to 19 August 2016, he was:**

**Member of the Board of Directors;**

**Independent Director;**

**and a member of the Finance and Strategy Committee.**

Born in 1976.

In 1999, he graduated from the Military University of the Ministry of Defence of the Russian Federation, and in 2009, obtained a degree in state and municipal management from the Russian Presidential Academy of National Economy and Public Administration. In 2011, Mr Kulikov presented his thesis to and was awarded a Candidate of Economic Sciences degree at the Military Academy of the General Staff of the RF Armed Forces. Mr Kulikov is an associate professor at the Subdepartment of Business and Foreign Trade Activities at Bauman Moscow State Technical University.

He was Executive Director and a member of the Management Board of Rostec State Corporation, a member of the Board of Directors of Yota Holding Limited, and Chairman of the Board of Directors of OJSC RT-Global Resources. He was also a member of the Management Board of the Russian Engineering Union, Chairman of the Board of Directors of LLC RT-Inform, and a member of the Board of Directors of JSC United Instrument Manufacturing Corporation.

**Percentage share ownership in the Company (as at 19 August 2016): nil.**

**Percentage of the Company's ordinary shares held (as at 19 August 2016): nil.**





## Management Bodies (continued)

### Board Members' independence and the balance of interests

In 2016, the Company's Board of Directors designated Jan Erik Rudberg, Lord Paul Myners, and Nikolay B. Krylov as independent directors.

An independent director is a member of the Company's Board of Directors who meets the criteria stipulated by relevant Russian regulations and internal documents of Russian securities trading centres. In particular, an independent director should meet the following requirements:

- having no relationship with the Company;
- having no links with the Company's significant shareholder;
- having no relationship with the Company's competitors or significant counterparties;
- having no relationship with any government or municipal entity.

Upon election, all members of the Board of Directors go through a process to determine whether or not they meet the independence criteria set out in the Listing Rules of the Moscow Exchange. At the conclusion of this independence assessment process, the Company's Board of Directors considers whether they are candidates for designation as independent directors and designates as such any person who, in its judgement, can be considered independent.

### Report on the activities of the Board of Directors

In 2016, the Board of Directors had 22 meetings, of which five were face-to-face meetings, 16 were meetings held by absentee voting and one was a strategy session. The Board considered 145 agenda items at its meetings, including reviewing the impact of changes in Russian legislation on the Company's business, determining the value of assets (services) involved in related-party transactions and approving such transactions, and approving transactions with a cumulative value in excess of US\$ 50m.

### MEETING STATISTICS



Other agenda items discussed at the meetings included approval of the Regulations on the principal Committees of the Board of Directors, approval of MegaFon's Budget and Business Plan for 2017, approval of the new version of the Company's Share Trading Policy, new Regulations on Internal Audit, amendments to the Regulations on the Corporate Secretary of the Company, and the receipt of information on the transformation of the Company's legal function. The Board of Directors also received and discussed management reports reviewing the quarterly business performance of the Company and its rivals, and individual reports by Directors on the state of affairs of specific Company's branches and subsidiaries.

At its strategy session on 25 July 2016, the Board of Directors carried out an in-depth analysis of the key business areas for MegaFon and its business strategy, and also made recommendations to the Company's management.

No independent performance assessment of the Board of Directors was carried out in 2016. Based on the results of its internal performance assessment, the Board of Directors identified certain priority areas for improvement. In accordance with the decisions taken, the key areas for the Board's joint focus with the management include:

- The Company's strategic development: review of management's approach to strategic development and identification of new growth drivers.
- The Company's succession planning framework: individual performance assessment by the CEO for top management.
- A new approach to designing short-term/long-term incentive programmes for the Company's management.

### Remuneration

Our Board Members are remunerated for the performance of their duties. The amount of remuneration is approved by the General Meeting of Shareholders and depends on the actual hours worked in the reporting period.

The total amount paid to Board Members in 2016 was RUB 95m.

### BOARD COMMITTEES

MegaFon's three principal Board Committees provide oversight and strategic planning in the areas of concern to the Board of Directors:

- Audit Committee;
- Finance and Strategy Committee;
- Remuneration and Nominations Committee.

In 2016, the name of the Remuneration and HR Development Committee was changed to the Remuneration and Nominations Committee.

Committee members are selected upon the election of a new Board of Directors. In 2016, the composition of the Board Committees was approved by the Board of Directors at its meeting on 15 July 2016, following the annual General Meeting of Shareholders on 30 June 2016.



**BREAKDOWN OF REMUNERATION FOR 2016, RUB M**

Remuneration type	Chairman of the Board of Directors	Independent Directors	Non-Independent Directors
Remuneration for service on a management body	4	82	8
Salary	0	0	0
Benefits	0	0	0
Reimbursement of expenses	0	1	0
Bonuses	0	0	0
Long-term incentives	0	0	0
Pension plan contributions	0	0	0
<b>TOTAL REMUNERATION</b>	<b>4</b>	<b>83</b>	<b>8</b>

Upon re-election of the Board of Directors at the extraordinary General Meeting of Shareholders on 19 August 2016, the membership of the Board Committees was approved by the Board of Directors at its meeting on 5 September 2016. Upon re-election of the Board of Directors at the extraordinary General Meeting of Shareholders on 25 November 2016, the composition of the Board Committees was approved by the Board of Directors at its meeting on 28 November 2016.

Activities of the Board Committees are regulated by internal Terms of Reference available in the Other Internal Documents section of MegaFon's corporate website ([http://corp.megafon.com/investors/corporate\\_governance/governing\\_policies/](http://corp.megafon.com/investors/corporate_governance/governing_policies/)).

According to the Regulations on the Audit Committee and Regulations on the Remuneration and Nominations Committee of the Board of Directors, these Committees must be comprised of independent directors. If this is impossible to accomplish due to insufficient independent directors being available, then independent directors must comprise the majority of the Committee members, while the remaining Committee members can be members of the Board of Directors who are not the Company's individual executive body and/or members of the Company's Management Board.

**Audit Committee**

The Board's Audit Committee is responsible for all matters relating to internal and external audits of the Company's financial and business operations; in particular: making recommendations regarding the appointment of external auditors, resolving issues arising during audits, analysing the effectiveness of internal controls, and assessing risk management performance.

In 2016, six meetings of the Audit Committee were held.

As at 31 December 2016, the following Board Members were members of the Audit Committee:

- Jan Erik Rudberg (Chairman);
- Nikolay B. Krylov;
- Ingrid Maria Stenmark.

In 2016, the Audit Committee covered a wide range of issues, including operation of internal controls; tax exposures and results of tax audits; risk identification and operation of the Company's risk management systems; development of the internal control and risk management systems; review of internal audit reports; approval of the annual internal audit plan; consideration of related-party

transactions relating to business activities or operations and making recommendations on their approval to the Board of Directors; monitoring of development of the Company's governance, risk, and compliance (GRC) system; changes in the structure of the Company's group of companies as part of the de-offshorization effort.

**Finance and Strategy Committee**

The Finance and Strategy Committee exercises control over the Company's strategic development, business planning, budgeting and investment processes. The Committee's principal responsibilities include determining the Company's strategic direction, agreeing the Company's annual budgets, reviewing and approving proposed M&A transactions, and reviewing the terms of borrowings and other financing.

In 2016, eight meetings of the Finance and Strategy Committee were held.

As at 31 December 2016, the following Board Members were members of the Finance and Strategy Committee:

- Vladimir Y. Streshinsky (Chairman);
- Ivan V. Tavrin;
- Robert Wilhelm Andersson.

The key topics covered by the Committee in 2016 were: approval of the 2017 budget and business plan; review of the Company's related-party transactions; review of transactions with a cumulative value exceeding US\$ 50m; issue of the Company's exchange-traded bonds; review of the Company's M&A activities; and review of the Company's updated strategy.



## Management Bodies (continued)

### Remuneration and Nominations Committee

The Remuneration and Nominations Committee is responsible for the development and regular review of the Company's remuneration policy, including review and determination of base salaries, bonuses and other compensations, as well as setting target KPIs for top management, making recommendations to the Board of Directors regarding candidates for key management positions, and carrying out formalised annual performance assessment of the Board of Directors, its Members and Committees.

In 2016, seven meetings of the Remuneration and Nominations Committee were held.

As at the end of 2016, the following Board Members were members of the Remuneration and Nominations Committee:

- Lord Paul Myners (Chairman);
- Vladimir Y. Streshinsky;
- Jan Erik Rudberg.

During the year, the Committee considered and recommended for the Board's approval short- and long-term incentive programmes for the Company's management. The Committee also reviewed at its meetings the results of the Company's CEO and top management performance assessment; the new version of the Regulations on the Remuneration and Nominations Committee of the Company's Board of Directors; the terms and conditions for early termination of contracts (agreements) with members of the Management Board related to the performance of their functions as Members of the Company's Management Board; and the Remuneration and Nominations Committee action plan for 2017.

### DIRECTORS' ATTENDANCE AT BOARD MEETINGS AND COMMITTEE MEETINGS

Members of the Board of Directors in 2016	Attendance at the meetings of the Board of Directors	Attendance at the meetings of the Audit Committee	Attendance at the meetings of the Finance and Strategy Committee	Attendance at the meetings of the Remuneration and Nominations Committee
<b>Sergey V. Soldatenkov</b>	8/8 Board Member until 30 June 2016	2/2 Committee member until 30 June 2016	2/8 not a member of the Committee	4/4 Committee member until 30 June 2016
<b>Vladimir Y. Streshinsky</b>	21/21	not a member of the Committee	8/8	7/7
<b>Ivan V. Tavrín</b>	10/10 Board Member since 19 August 2016	not a member of the Committee	3/3	not a member of the Committee
<b>Nikolay B. Krylov</b>	13/13 Board Member since 30 June 2016	3/4 Committee member since 15 July 2016	1 not a member of the Committee since 28 November 2016	0/1 Committee member from 15 July 2016 to 19 September 2016
<b>Robert Wilhelm Andersson</b>	4/4 Board Member since 25 November 2016	not a member of the Committee	2/2 Committee member since 28 November 2016	1 not a member of the Committee
<b>Lord Paul Myners</b>	21/21	not a member of the Committee	3 not a member of the Committee	7/7
<b>Jan Erik Rudberg</b>	21/21	6/6	4 not a member of the Committee	2/2 Committee member since 19 September 2016
<b>Ingrid Maria Stenmark</b>	20/21	5/6	3 not a member of the Committee	2 not a member of the Committee
<b>Carl Peter Christian Luiga</b>	16/17 Board Member until 28 November 2016	not a member of the Committee	6/6 Committee member until 28 November 2016	2 not a member of the Committee
<b>Sergey A. Kulikov</b>	11/11 Board Member until 19 August 2016	not a member of the Committee	4/4 Committee member until 19 August 2016	not a member of the Committee



## MANAGEMENT BOARD

The Management Board is MegaFon's collective executive body managing the Company's day-to-day operations together with the individual executive bodies (Chief Executive Officer and Chief Operating Officer). It is responsible for all aspects of operational management, apart from those which fall within the remit of the General Meeting of Shareholders, the Board of Directors, or the CEO or COO, acting on their own.

### Composition of the Management Board

The size and composition of the Management Board are approved by the General Meeting of Shareholders based on recommendations from the CEO. The CEO is Chairman of the Management Board.

As at 31 December 2016, the composition of the Management Board was as follows:

- Sergey V. Soldatenkov (CEO and Chairman of the Management Board);
- Alexander V. Bashmakov;
- Valery L. Velichko;
- Gevork A. Vermishyan;
- Vlad Wolfson;
- Vladimir V. Karpushkin;
- Dmitry L. Kononov;
- Pavel V. Korchagin;
- Yan I. Kukhalsky;
- Andrey B. Levykin;
- Irina B. Likhova;
- Mikhail I. Molotkov;
- Alexey B. Semenov;
- Anna A. Serebryanikova;
- Alexander A. Sobolev;
- Alexey L. Tyutin;
- Andrey Yu. Shishkovsky.

Changes to the membership of the Management Board during 2016 were as follows:

- Vladimir V. Karpushkin, Yan I. Kukhalsky, Irina B. Likhova, Alexander A. Sobolev and Andrey Yu. Shishkovsky joined the Management Board;
- Ivan V. Tavrin, Anait G. Gasparian, Konstantin M. Likhodedov and Evgeny N. Chermashentsev stepped down from the Management Board due to their resignation from all of their positions with the Company.

### SERGEY V. SOLDATENKOV

#### Chief Executive Officer

**He has been Chairman of the Management Board since June 2016.**

Born in 1963.

In 1986, he graduated from Leningrad Institute of Aviation Instrument Engineering with a degree in radio engineering.

He was the Company's Chief Executive Officer from April 2003 to April 2012. From 24 May 2012 to 30 June 2016, he was Member of the Company's Board of Directors. Until 27 April 2016, he was Chairman of the Company's Board of Directors. From 28 April 2016 until 30 June 2016, he was Acting Chief Executive Officer of MegaFon. From 30 June 2016, he is the Company's Chief Executive Officer.

**Percentage share ownership in the Company: 0.0412%.**

**Percentage of the Company's ordinary shares held: nil.**

### ALEXANDER V. BASHMAKOV

#### Chief Technological Officer

**He has been Member of the Management Board since June 2013.**

Born in 1984.

He holds a degree in economics with a major in marketing from Ural State Technical University.

From 2005 to 2008, he worked in strategic consulting for Accenture; and in the period 2008–2012, as analyst and then engagement manager at The Boston Consulting Group. He joined the Company in March 2012, and later in the same year was appointed Director for Strategy. In August 2015, he was appointed Chief Technological Officer.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**

### VALERY L. VELICHKO

#### Director of Ural Branch

**He has been Member of the Management Board since June 2011.**

Born in 1970.

He is a graduate of Dzerzhinsky Higher Institute of Border Defence, the Russian Ministry of Internal Affairs' Special Police School in Bryansk, and Urals Academy of Public Administration.

From 2006 to 2009, he was Director of Security at CJSC Urals GSM. He has been Director of the Company's Ural Branch since April 2011. Previously, he was First Deputy Director of the Branch.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**

### GEVORK A. VERMISHYAN

#### Chief Financial Officer

**He has been Member of the Management Board since November 2011.**

Born in 1978.

He graduated from the International Economic Relations Department at the Financial University under the Government of the Russian Federation.

From 2002 to 2007, he held several positions at OJSC LUKOIL, including Deputy Head of the Corporate Borrowing Department. From 2007 to July 2011, he was Director of Corporate Finance / Head of Corporate Debt at Sistema JSFC.

In 2011, he was appointed Deputy CEO for Financial and Economic Affairs, and in September 2012 Chief Financial Officer of MegaFon. He has been a member of the Board of Directors of CJSC TT Mobile and CJSC OSTELECOM since 2013, and of CJSC Aquafon-GSM since 2012.

**Percentage share ownership in the Company: 0.000968%.**

**Percentage of the Company's ordinary shares held: 0.000968%.**



## Management Bodies (continued)

### VLAD WOLFSON

#### Chief Commercial Officer

**He has been Member of the Management Board since June 2014.**

Born in 1977.

He graduated from Kyiv National University of Trade and Economics in Ukraine, and the University of Haifa in Israel.

Between 2008 and 2010, he was Head of Sales to small and mid-size business customers at OJSC VimpelCom. From 2010 to 2012, he served as Vice President of Sales and Marketing at Medsi Group JSC. He joined MegaFon in 2012 as Head of B2B, and in December 2013 he was appointed Director for Corporate Business Development. In November 2016, he was appointed the Company's Chief Commercial Officer, and in the same month became a member of the Supervisory Board of Euroset Holding N.V.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**

### VLADIMIR V. KARPUSHKIN

#### Director of Volga Branch

**He has been Member of the Management Board since June 2016.**

Born in 1976.

He graduated from S.P. Korolev Samara State Aerospace University in 2000 as an engineer majoring in automated data processing and management systems.

From July 2010 to June 2011, he was head of New Products and Services at the Commercial Department of the Company's Volga Branch. From June 2011 to March 2012, he was Director of the Volga Branch of MegaFon Retail, and from March 2012 to February 2013, he was Chief Commercial Officer of MegaFon's Volga Branch. From February 2013 to January 2016, he was Director for Consumer Business at MegaFon's Volga Branch and since February 2016, he has been Director of MegaFon's Volga Branch.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**

### DMITRY L. KONONOV

#### Director for Investor Relations and M&A

**He has been Member of the Management Board since June 2014.**

Born in 1964.

He graduated from the University of Colorado, Denver, USA, with a degree in Financial Accounting.

From 1993 to 1999, he served as First Deputy General Director and then as Chief Financial Officer of CJSC Delta Telecom, the first cellular telephone company in the country. In 1999, he was appointed Chief Financial Officer of RTDC, a subsidiary of US West/MediaOne International (USA), which incorporated and actively invested in a number of providers of DAMPS/NMT/GSM services in various regions of Russia. In 2000, he became a consultant to the Board of Directors of First National Holding S.A. and Chief Financial Officer of OJSC Telecominvest, subsequently serving as a member of its Board of Directors (until 2008). He joined MegaFon in 2000 and was Chief Financial Officer from 2002 to 2004. In 2008, he was appointed Director for Mergers & Acquisitions, and in 2012, he became Director for Investor Relations and M&A.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**

### PAVEL V. KORCHAGIN

#### Director of North-West Branch

**He has been Member of the Management Board since November 2011.**

Born in 1960.

He graduated from Bauman Moscow State Technical University with a degree in automated systems.

From 1993 to 2002, he was a senior engineer and, later, Head of the Department for Informatics and Automation of Bank Operations at Sberbank in Volgograd. From 2002 to 2003, he was Technical Director and then General Director of CJSC Volgograd Mobile. He became Technical Director of CJSC Mobicom-Centre in 2003 and was appointed First Deputy General Director in April 2007. In July 2009, he became First Deputy Director of the Company's Central

Branch. From September 2011 to December 2014, he was Director of the Central Branch. In January 2015, he was appointed Director of the Volga Branch and in February 2016 became the Director of the Company's North-West Branch.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**

### YAN I. KUKHALSKY

#### Director for New Businesses and Partnerships

**He has been Member of the Management Board since June 2016.**

Born in 1980.

He graduated with honours from the Management Department of Saint Petersburg State University of Engineering and Economics.

From 1999 to 2007, he worked at the TV3 television channel, gradually moving up from Placement Department Manager to Commercial Director. From January 2007 to February 2012, he was Commercial Director of ProfMedia Business Solutions. From March to September 2012, he held the position of Vice President for Sales at ProfMedia TV. From October 2012 to October 2014, he was CEO of Disney Channel at LLC 7TV. Mr Kukhalsky joined the Company in 2014 as Adviser to the CEO. In 2015, he was appointed Director for New Businesses and Partnerships of MegaFon and General Director of JSC MegaLabs.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**



**ANDREY B. LEVYKIN**

**Director of Far East Branch**

**He has been Member of the Management Board since October 2013.**

Born in 1973.

He graduated from Samara State Technical University with a degree in mechanical engineering.

From December 2012 to September 2013, he was Director for Infrastructure at the Company's Volga Branch, having previously held various positions there, including First Deputy Director of the Branch, Commercial Director, and Deputy Commercial Director for Marketing. In September 2013, Mr Levykin was appointed Director of the Company's Far East Branch.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**

**IRINA B. LIKHOVA**

**Corporate Development and Human Resources Director**

**She has been Member of the Management Board since June 2016.**

Born in 1957.

She graduated from Leningrad State University. She worked in various research institutes for 10 years, focusing on mathematical simulation of production processes. Later she continued her studies at LETI-Lovanium International School of Management and obtained an MBA from the University of Louvain (Belgium).

She has extensive experience in HR policy management and talent development: prior to joining MegaFon in 2003, she spent nine years in relevant positions at Unilever. From 2003 to 2012, she was MegaFon's Human Resources Director. From July 2012 to April 2013, she was HR Director at Sollers, after which she worked on her own projects and provided HR management consulting services. Since May 2016, she has been Corporate Development and Human Resources Director at MegaFon.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**

**MIKHAIL I. MOLOTKOV**

**Director for Consumer Business**

**He has been Member of the Management Board since June 2015.**

Born in 1979.

He graduated from Nizhny Novgorod State Technical University.

From January 2010 to January 2013, he was Commercial Director of the Company's Central Branch; in February 2013, he became Director for Consumer Business at the Central Branch. In January 2015, he was appointed Director of MegaFon's Central Branch, and in December 2016, he was appointed the Company's Director for Consumer Business.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**

**ALEXEY B. SEMENOV**

**Director of Stolichny Branch**

**He has been Member of the Management Board since October 2012.**

Born in 1982.

He graduated from Samara State Academy of Economics.

From 2005 to 2009, he was Director of the Mary El Republic branch office of OJSC MSS-Povolzhie. From 2009 to 2012, he held the position of Executive Director of CJSC TT Mobile, a subsidiary of MegaFon in Tajikistan. In August 2012, he was appointed Director of MegaFon's North-West Branch. In September 2015, he was appointed Director of MegaFon's Stolichny Branch.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**

**ANNA A. SEREBRYANIKOVA**

**Chief Operating Officer**

**She has been Member of the Management Board since January 2009.**

Born in 1974.

She graduated with honours from Moscow State University Law School, and holds a Master of Law degree from Manchester University.

From 1998 to 2004, Ms Serebryanikova was a senior legal counsel and department head at the Non-Commercial Foundation for Enterprise Restructuring and Financial Institutions Development under the Ministry of Finance of the Russian Federation. Between 2004 and 2006, she was a lawyer at J.P. Galmond & Co. In 2006, she became International Legal Affairs Adviser to MegaFon's CEO. In 2008, she was appointed the Company's Director for Legal Affairs and held this position until 2012, when it was renamed Director for Legal Affairs and Government Relations. From 2008 to 2013, she also acted as Corporate Secretary, and from 2010 to 2011 as Deputy CEO for Corporate Development of CJSC Sinterra. In November 2016, she was appointed the Company's Chief Operating Officer.

From December 2012 to November 2015, she was a member of the Management Board of Euroset Holding N.V., and since November 2015, she has been a member of the Supervisory Board of Euroset Holding N.V. She has also served on the Board of Directors of JSC PETER-SERVICE since December 2016.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**



## Management Bodies (continued)

### ALEXANDER A. SOBOLEV

#### Director for Strategy

**He has been Member of the Management Board since June 2016.**

Born in 1987.

He graduated from Moscow State University, majoring in computational mathematics and cybernetics.

Prior to joining MegaFon, he provided strategic consulting services working for The Boston Consulting Group, a leading international consultancy, and Strategy Partners Group, a major Russian consultancy. He joined MegaFon in November 2012 as Head of Strategic Partnerships, Projects and Asset Management. In September 2015, he was appointed MegaFon's Director for Strategy.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**

### ALEXEY L. TYUTIN

#### Director of Caucasus Branch

**He has been Member of the Management Board since June 2009.**

Born in 1963.

He holds degrees in industrial and civil construction from Mikoyan Kuibyshev Institute of Engineering and Construction, and in economic and social planning from Samara State Academy of Economics.

He became Head of the Corporate Finance Department of OJSC MSS-Povolzhie in December 2001, and Deputy CEO for Commercial Affairs of OJSC MSS-Povolzhie in 2004. From July 2009 to December 2015, he was Director of MegaFon's Siberian Branch. In September 2015, he was appointed Director of the Company's Caucasus Branch. In December 2015, he was elected to the Board of Directors of CJSC OSTELECOM and CJSC AquaFon-GSM.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**

### ANDREY YU. SHISHKOVSKY

#### Director of Siberian Branch

**He has been Member of the Management Board since June 2016.**

Born in 1980.

In 2003, he graduated from the Finance Department of Ural State University of Economics. In 2008, he graduated from Ural State Law University.

In October 2015, he was appointed Director of MegaFon's Siberian Branch. In 2008, he was appointed CFO of CJSC TT Mobile, and in 2012 became its Executive Director. Since June 2015, he has been a member of the Board of Directors of CJSC TT Mobile. After two years of successfully leading this MegaFon subsidiary, in February 2015, he returned to the Ural Branch as CFO. Since October 2015, he has been Director of the Siberian Branch.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**

### IVAN V. TAVRIN

**Chairman of the Management Board from April 2012 to June 2016**

**He has been Member of the Board of Directors since August 2016.**

Born in 1976.

He graduated from Moscow State Institute of International Relations in 1998 with a degree in law.

He was the Company's Chief Executive Officer from 20 April 2012 to 30 June 2016. He is also a member of the Board of Directors and CEO of Media-One Holdings Limited, a member of the Board of Directors of MO-TV Holdings Limited, LLC 7TV Media Holding, LLC CTC Media, LLC Vyberi Radio holding, USM Holdings Limited, METALLOINVEST MC LLC, and JSC Kommersant.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**

### ANAIT G. GASPARIAN

**Member of the Management Board from October 2012 to June 2016.**

Born in 1981.

She holds a degree in economics from St. Petersburg State University.

From 2007 to 2008, she was at Renaissance Capital as part of its Investment Banking, Consumer & Retail Group. In 2009, she was Projects Lead on Operational Effectiveness at MC Euroset. From 2010 to 2012, she was Director for Corporate Development at UTH Russia. In April 2012, she was appointed MegaFon's Director for Corporate Development.

**Percentage share ownership in the Company (as at 30 June 2016): nil.**

**Percentage of the Company's ordinary shares held (as 30 June 2016): nil.**

### KONSTANTIN M. LIKHODEDOV

**Member of the Management Board from October 2012 to October 2016.**

Born in 1976.

He graduated from St. Petersburg State University of Economics and Finance. In 2007–2008, he was Deputy CEO of TV3 television channel, and in 2008 Deputy CEO of MTV Russia. In 2008–2009, he acted as Executive Director of Vyberi Radio Group. Between 2009 and 2011, he was CEO of LLC 7TV Sports Channel. From November 2011 to May 2012, he was CEO of Disney Channel. He joined MegaFon in June 2012 as Director of the Company's Stolichny Branch. From September 2015 to October 2016, he was Director for Consumer Business for MegaFon. During the same period, he also was CEO of LLC Scartel and a member of the Supervisory Board of Euroset Holding N.V.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**



**EVGENY N. CHERMASHENTSEV**

**Member of the Management Board from October 2012 to November 2016.**

Born in 1977.

He graduated from Saratov State University.

From 2006 to 2007, he was CEO and Development Director of LLC Regional Media Group. Between 2008 and 2012, as Director of Regional Development, he was responsible for media asset management at CJSC Media-1 Management. From 2009 to 2012, he was CEO of LLC Vyber Radio. He joined MegaFon in May 2012 as Adviser to the Chief Executive Officer. In August 2012, he became Director for Corporate Business Development, and in November 2013 Chief Technological Officer. On 1 July 2015, he was appointed Chief Operating Officer of MegaFon and was responsible for the day-to-day management of the Company.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**

**Chief Executive Officer and Chief Operating Officer**

The Chief Executive Officer and the Chief Operating Officer, along with the Management Board, manage the Company's day-to-day operations, except for matters reserved for the Company's General Meeting of Shareholders or the Board of Directors.

At the annual General Meeting of Shareholders on 30 June 2016, Sergey V. Soldatenkov was elected the Company's Chief Executive Officer, to serve until the date of the annual General Meeting of Shareholders in 2019. In accordance with legal requirements and the Company's Charter, on 26 July 2016, the Board of Directors approved the terms and conditions of a service contract with the CEO, including the amount of remuneration and compensation, in line with recommendations of the Remuneration and Nominations Committee.

**Remuneration of Members of the Management Board, the Chief Executive Officer and the Chief Operating Officer**

Members of MegaFon's executive management team are remunerated for their services to the Company. The Board of Directors determines the structure and amount of remuneration. In 2016, the aggregate payments to Members of the Management Board, including remuneration and reimbursement of expenses, totalled RUB 560m.

In 2012 and 2013, the Company's Board of Directors approved two long-term incentive programmes (LTI 2012 and LTI 2013) for certain key executive and senior level employees under which the parties selected to participate were awarded rights to phantom shares. In 2015, the Board of Directors of the Company approved an amendment to the terms of LTI 2012 and LTI 2013 to change the base price and the strike price for the awards outstanding as at 31 December 2014 and 2015 (for which settlement was due in April–May 2015 and April–May 2016) to RUB 555 per share and RUB 744 per share, respectively. Settlement was made in 2015 and 2016 on these terms.

In December 2016, MegaFon's Board of Directors approved the structure and design of the new long-term incentive plan (the "2017 Programme") for the Company's key executive and senior level employees for 2017. The key objectives of the 2017 Programme are the following: to align shareholder and management interests, stimulate the Company's top-management interest in the Company's share price growth, ensure focus on strategic long-term objectives of the Company and ensure competitive compensation packages for the Company's top-management.

The 2017 Programme has a three-year duration and will be executed through the vesting of a target number of MegaFon shares to the key executive and senior level employees at the end of the three-year period. The vesting of shares will be implemented based on the results of delivery on a target objective set at the start of the three-year period. The target objective is a cumulative cash flow (OIBDA-CAPEX) generated within the three-year period.

The Company intends to start executing the 2017 Programme in 2017.

**TOTAL REMUNERATION PAID TO MEMBERS OF THE MANAGEMENT BOARD IN 2016**

Remuneration type	Remuneration, RUB m
Salaries	290
Benefits	0
Reimbursement of expenses	2
Bonuses and long-term incentives	268
Pension plan contributions	0
<b>Total remuneration</b>	<b>560</b>

**Corporate Secretary**

MegaFon created the position of Corporate Secretary, with the responsibility of acting as the guarantor of the compliance by the Company's management, with all procedural requirements. The Corporate Secretary is elected by the Board of Directors and reports to it. The Corporate Secretary is responsible for effective communication with our shareholders, and organises the work of the Board of Directors and the Board Committees.

The full list of the Corporate Secretary's functions is set out in the Regulations on the Corporate Secretary, available in the Other Documents section of MegaFon's corporate website ([http://corp.megafon.com/investors/corporate\\_governance/governing\\_policies/](http://corp.megafon.com/investors/corporate_governance/governing_policies/)).



**ELENA L. BREEVA**

**Corporate Secretary**

**She has held this position since November 2013.**

**She was re-elected in 2014, 2015 and 2016.**

Born in 1979.

In 2003, she graduated from Kutafin Moscow State Law University. In 2010, she graduated from the Economics Department of the State University of Management.

She joined MegaFon in 2010. She also acts as the Company's Controller, responsible for insider information control and security.

**Percentage share ownership in the Company: nil.**

**Percentage of the Company's ordinary shares held: nil.**





## Management Bodies (continued)

### INTERNAL CONTROL SYSTEM

MegaFon has put special emphasis on internal control issues. The Board of Directors, the bodies responsible for internal and external audit and the Revision Commission are all important elements of the internal control system.

#### Revision Commission

The Revision Commission is elected annually by the General Meeting of Shareholders to control MegaFon's financial and business operations.



The operating procedures and the full list of functions of the Revision Commission are set out in the Regulations on the Revision Commission of OJSC MegaFon, available in the By-laws and other internal documents section of the corporate website ([http://corp.megafon.com/investors/corporate\\_governance/governing\\_policies/](http://corp.megafon.com/investors/corporate_governance/governing_policies/)).

As at 31 December 2016, the composition of the Revision Commission was as follows:

- Pavel Kaplun (Chairman), Managing Director, Head of the Investment and Analytical Department at LLC USM Management;
- Yuri Zheimo, Internal Audit Director at MegaFon;
- Sami Haavisto, Senior Business Controller at TeliaSonera Eurasia.

There were no changes to the composition of the Revision Commission during 2016.

#### Internal audit

The internal control function is led by the Internal Audit Director, reporting to the Company's Board of Directors.



Internal audit operations are based on the Regulations on Internal Audit at PJSC MegaFon, available in the By-laws and other internal documents section of MegaFon's corporate website ([http://corp.megafon.com/investors/corporate\\_governance/governing\\_policies/](http://corp.megafon.com/investors/corporate_governance/governing_policies/)), as well as the International Standards for the Professional Practice of Internal Auditing.

The Internal Audit team assesses the performance of the internal control, risk management, and corporate governance systems. The Internal Audit team also provides assurance to and advises on the Company's operational processes, including procurement, investment, construction, customer service, processes for external and internal reporting, and IT and information security systems, as well as participates in the development of various internal procedures.

### Internal control over financial reporting

The internal control system (ICS) in place at MegaFon is a set of organisational measures, policies, instructions and control procedures designed to ensure the preparation of reliable financial statements in compliance with applicable laws and regulations. The ICS effectiveness is maintained through the following actions:

- updating codes and standards relating to the internal control system and ensuring compliance therewith;
- regular monitoring of the quality of control procedures execution;
- regular surveys of key process owners on the effectiveness of internal controls;
- analysis of business processes and related risks to verify the effectiveness of internal controls embedded in these processes;
- annual testing of key control procedures on a sample basis.

In 2016, MegaFon continued to develop its ICS to incorporate the corporate and organisational changes aimed at improving the existing operational processes, including the establishment of the Shared Services Centre to co-locate accounting and other functions.

### EXTERNAL AUDIT

MegaFon engages independent external auditors to audit its annual financial statements and review quarterly financial statements. The Audit Committee of the Board of Directors assesses prospective auditors and makes recommendations regarding their appointment to the General Meeting of Shareholders, including recommendations regarding the auditors' fees. The selected independent auditors are then approved by the General Meeting of Shareholders.

The annual General Shareholders Meeting held on 30 June 2016 approved JSC KPMG, a firm with in-depth understanding of MegaFon's business, as the Company's external auditors.

The total fees paid to JSC KPMG for its audit services provided during 2016 amounted to RUB 56m, and RUB 34.6m were paid for non-audit services.

### INFORMATION DISCLOSURE

MegaFon ensures transparency of its operations in compliance with all applicable laws and regulations, and in line with best international disclosure practice.

For each fiscal year ending 31 December, we publish audited consolidated financial statements prepared in accordance with IFRS. We also provide unaudited consolidated financial statements under IFRS at the end of the first, second and third fiscal quarters.

The Company places announcements of its financial results, as well as notices of upcoming General Meetings of Shareholders and other important and price-sensitive information, on the LSE website via its Regulatory News Service (RNS), and in Russia via an authorised information agency, Interfax. Press releases are also published on the corporate website at <https://corp.megafon.com/investors/>.

Information disclosed under Russian and UK regulations is published via authorised agencies in Russia and the UK, and also on our corporate website at [https://corp.megafon.com/investors/news/capital\\_market\\_releases/](https://corp.megafon.com/investors/news/capital_market_releases/) and/or <https://corp.megafon.ru/investoram/disclosure/>.