

*Notice: This document is a translation of the Internal Control and Risk Management Policy, and is prepared exclusively for informational purposes. The official version of the Internal Control and Risk Management Policy is supposed to be the one approved by resolution of the Board of Directors of PJSC Magnit in Russian. The Russian version of the Internal Control and Risk Management Policy can be found on the Company's official website at <https://www.magnit.com/ru/>.*

APPROVED

By resolution of the Board of Directors  
of PJSC Magnit dated 12 December 2019  
(Minutes of the Board of Directors  
w/o No. dated 13 December 2019)

**INTERNAL CONTROL AND RISK MANAGEMENT POLICY  
OF PUBLIC JOINT STOCK COMPANY MAGNIT**

Krasnodar  
2019

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## **1. GENERAL PROVISIONS.**

### **Article 1. Purpose of the Internal Control and Risk Management Policy.**

The Internal Control and Risk Management Policy of Public Joint Stock Company Magnit (the “Policy”) sets out the aims, objectives and principles of the internal control and risk management system of Public Joint Stock Company Magnit and its subsidiaries (the “Company”) and specifies the structure of the framework of the internal control and risk management bodies.

### **Article 2. Basis for the Policy.**

The Policy was drafted in accordance with Russian laws, the Corporate Governance Code recommended by the letter of the Bank of Russia No. 06-52/2463 dated 10 April 2014, the Company’s Articles of Association, other by-laws and regulations of the Company, as well as recommendations of international professional organizations with regard to risk management and internal control, including those specified in the “Enterprise Risk Management. Integrated Framework” Concept and the “Internal control. Integrated Framework” Concept of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), GOST R (Russian National Standard) ISO 73 – 2009 “Risk management. Terms and definitions”, GOST R (Russian National Standard) ISO 31000 – 2010 “Risk management. Principles and guideline”, GOST R (Russian National Standard) ISO 31010 – 2011 “Risk management. Risk Assessment Methods”.

### **Article 3. Aim of the Policy.**

The Policy’s aim is to establish a framework for developing an internal control and risk management system and thus ensure its effectiveness as well as alignment with the Company’s priorities and lines of business.

### **Article 4. Objectives of the Policy.**

The objectives of the Policy include:

- specifying the aims, objectives, principles and elements of the internal control and risk management process;
- specifying the structure for the framework of the internal control and risk management bodies and allocating the responsibilities and powers thereof;
- specifying the procedure for interaction between the governing bodies, business units and responsible employees operating within the internal control and risk management system.

### **Article 5. The Policy approval and amendment procedure.**

The Policy and its amendments shall be approved by the resolution of the Board of Directors.

### **Article 6. Overseeing the implementation of the Policy.**

The Company’s Management Board and the Chief Executive Officer shall oversee the implementation of the Policy.

### **Article 7. The scope of the Policy.**

The Policy shall apply to all of the Magnit Group companies.

## 2. TERMS AND ABBREVIATIONS

### Article 8. Terms and abbreviations.

The terms and abbreviations used in this Policy shall be defined as follows:

“**Company**” means Public Joint Stock Company Magnit.

“**Magnit Group companies**” means the Company’s subsidiaries and affiliates.

“**Internal control and risk management system**” means a set of organisational processes, methods, procedures, corporate culture principles and actions performed by the Company in order to maintain an optimal balance between the growth of the Company’s value, profitability, and risk exposure, and ensure the Company’s financial sustainability, effective business activities, security of assets, compliance with laws, the Company’s Articles of Association and by-laws, timely and accurate accounting, as well as provide reasonable assurance that the Company will achieve its targets, give accurate, fair and clear representation of the Company's current affairs and prospects, and ensure the integrity and transparency of its accounts and reports and the reasonable and acceptable level of risks assumed by the Company.

“**Framework of internal control and risk management bodies**” means a group of governing bodies, business units and responsible employees operating within the internal control and risk management system as set out in the Company's constituent documents and by-laws.

“**Elements of the internal control and risk management process**” means the following components of the Company’s internal control and risk management process: internal (control) environment of the Company, target setting, identification of potential events, risk assessment, risk response, control procedures, information and communications, and monitoring.

“**The Company’s executive bodies**” means the Management Board and the Chief Executive Officer of the Company.

“**Business process**” means a set of interrelated and structured actions aimed at achieving a particular goal.

“**Internal audit**” means systematic independent assessment of sufficiency, reliability and effectiveness of the internal control and risk management system and corporate governance.

“**Internal control**” means a process run by the internal control and risk management bodies (the Board of Directors, executive bodies, business units and responsible employees of the Company) aimed at providing reasonable assurance that the Company performs in line with the following targets:

- operational excellence and efficiency;
- reliable financial reporting;
- compliance with applicable laws and regulations, the Company’s constituent documents and by-laws.

“**Event**” means an incident or occurrence, whether internal or external, influencing the achievement of the Company’s targets.

“**Influence**” means the result or effect of an event; influence may be positive or negative depending on the Company's respective target.

“**Probability**” means a possibility of the event occurring. Probability may be high, medium or low and is measured in per cents, with indication of the event’s frequency of occurrence.

“**Uncertainty**” means inability to know in advance the probability or influence of future events.

“**Risk**” means the possibility of an event that has negative influence on the achievement of the Company’s targets.

“**Inherent risk**” means a risk to which the Company is exposed in absence of any actions by the Company’s Board of Directors or executive bodies to change its probability or influence on the achievement of the Company’s targets.

“**Acceptable risk**” means a tolerable level of deviation against a particular target of the Company.

“**Risk appetite**” means a level of risk considered acceptable by the Company in the process of achieving its targets.

“**Residual risk**” means a risk remaining after the internal control and risk management bodies (the Board of Directors, executive bodies, business units and responsible employees of the Company) have acted to change its probability or influence.

“**The Company's risk management**” means ongoing work by the internal control and risk management bodies that starts with strategy development, covers all of the Company’s operations, and is aimed at:

- identifying the events which may influence the Company’s operations;
- managing risks related to these events;
- ensuring that the risks do not exceed the Company’s risk appetite;
- providing reasonable assurance that the Company will achieve its targets.

“**The Company management process**” means a set of actions taken by the Company’s Board of Directors and executive bodies to manage the Company’s operations; the Company's risk management being part of the Company management process that is integrated into it.

“**Monitoring of the Company's risk management**” means verifying the existence and effectiveness of the risk management process elements for a certain time period.

“**Risk owner**” means an officer of the Company whose duties consist in managing the risk in accordance with the risk management decision-making process that exists in the Company. A risk owner is responsible for risk management and risk monitoring.

### **3. ORGANISATION AND FUNCTIONING OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM.**

#### **Article 9. Aims of the internal control and risk management system.**

Organisation and functioning of the Company’s internal control and risk management system are set up so as to provide reasonable assurance that the Company achieves its targets and give accurate, fair and clear representation of the Company's current affairs and prospects, as well as to ensure the integrity and transparency of its accounts and reports and the reasonable and acceptable level of risks assumed by the Company.

The goals of the internal control and risk management system include:

- strategic goals ensuring the accomplishment of the Company’s mission, efficient management of its operations;
- operational goals related to the efficient and effective use of the Company’s resources;
- goals ensuring the accuracy of the Company’s accounts and reports;
- goals related to the compliance with applicable laws, the Company’s Articles of Association, by-laws and regulations, including economic and information security requirements.

#### **Article 10. Objectives of the internal control and risk management system.**

The objectives of the internal control and risk management system include:

- securing reasonable assurance that the Company will achieve its targets;
- identifying and managing risks;
- ensuring safety and integrity of the Company's assets;

- ensuring efficiency and effectiveness of the Company’s financial and business operations and assets and liabilities management, including safety and integrity of the Company's assets;
- ensuring complete and reliable accounting (financial) statements, statistical and management reports and other reporting in the Company;
- ensuring compliance with laws and regulations applicable to the Company’s operations, as well as with the Company's by-laws, including in the course of business activities of the Company;
- ensuring efficiency, reliability and integrity of business processes, as well as their sustainability through establishing control mechanisms;
- standardising and regulating key internal control and risk management procedures;
- developing risk management and risk mitigation measures.

**Article 11. Principles of the internal control and risk management system.**

The internal control and risk management system shall be based on the following principles:

- comprehensive and continuous operation. The internal control and risk management system shall function on a constant basis and cover all areas of the Company’s business activities across all governance levels;
- integration into the organisational processes. The internal control and risk management system shall be integrated into all of the Company’s organisational processes, including the development of its policies. The system shall be an integral part of corporate culture and corporate governance system, fully aligned with the Company’s business processes;
- uniform methodology. The internal control and risk management system shall ensure uniform methodology and consistency of the Company’s risk management activities, including through the development of Company-wide approaches and standards;
- distinction of decision-making levels. risk management decisions shall be made at various governance levels subject to the significance of the risk and area of the Company’s business activities;
- responsibility. Within their remit, all the actors in the internal control and risk management system shall be responsible for compliance with risk management approaches and standards, as well as for proper execution of control procedures in their respective areas of activity;
- clear distribution of responsibilities and powers. Responsibilities and powers in the area of internal control and risk management shall be distributed among the internal control and risk management bodies and not assigned to a single body in order to eliminate or mitigate the risk of mistakes and/or fraud;
- risk-focused approach. The internal control and risk management system shall carry out analysis and monitoring of risks related to each area of the Company’s business activities based on the risk/return ratio, putting maximum effort into refining the risk management approaches and standards based on the risk criticality and the acceptable level of risk the Company can assume in a particular area of its business activities. Control procedures shall be established for business lines based on their significance in terms of the Company’s operational efficiency;
- balance; Control procedures and risk management functions shall be backed by sufficient resources and powers, and the costs of the implementation of control procedures shall adequately match the estimated potential risk;
- continuous development and adaptation. The internal control and risk management system shall be regularly updated in order to adapt the control and risk management measures to changes in external and internal factors;

- reasonable assurance. The implementation of risk management measures shall be deemed effective if it reduces the risk to an acceptable level. An effective control procedure shall achieve the aims of control, which shall be reflected in its development, implementation and assessment.

**Article 12. Limitations of the internal control and risk management system.**

While the internal control and risk management system is aimed at providing reasonable assurance that the Company will achieve its targets, the Company acknowledges that there exist the following limitations that influence the effectiveness of the internal control and risk management system:

- subjective judgements – misjudgements made by the Company’s employees when carrying out procedures or audits and making decisions or assessments due to the limited accuracy of their personal judgement;
- human errors – mistakes that may be made by the Company’s employees out of negligence, fatigue, absent-mindedness, etc.;
- influence of external factors – external factors that may have significant influence on the Company’s operations, such as major changes in the country’s political situation or legislation;
- collusion – non-performance of control procedures due to collusion by the Company’s employees among each other or with third parties.

**4. ELEMENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT PROCESS**

**Article 13. Elements and structure of the internal control and risk management process.**

The Company shall exercise a consistent approach to the organisation of internal control and risk management in order to ensure mitigation of risks and their monitoring, as well as establishment of effective control procedures that reflect changes in the external and internal environment.

The internal control and risk management system shall combine the internal control and risk management bodies and the elements of the internal control and risk management process integrated into the Company management system:

- internal (control) environment;
- target setting;
- identification of events;
- risk assessment;
- risk response;
- control instruments;
- information and communications;
- monitoring.

**Article 14. Internal (control) environment.**

The internal environment means the sentiment in the Company, employee attitudes and reaction to risks and control procedures.

The internal environment of the Company’s internal control and risk management process shall include the following key elements:

- ethical values, competences and approaches based on which the Company’s executive bodies assign to employees powers and responsibilities related to internal control and risk management;

- principles and standards of the Company’s operations underlying the employees’ understanding of the internal control and risk management procedures at the Company;
- the Company’s corporate governance culture that shapes proper attitudes of its employees towards the organisation and implementation of the internal control and risk management system;

The procedures for the organisation and implementation of the internal control and risk management system shall be stipulated in the Company’s by-laws and regulations.

The key elements of the Company’s control environment shall be set out in the documents on:

- the Company’s strategy, targets and values;
- ethic values and rules of conduct for the Company’s employees (the Code of Business Ethics);
- organisational structure of the Company, including the positions and roles of its business units, decision-making levels, and the staff list;
- job instructions defining powers and responsibility of employees;
- regulations on business units defining functions of the Company’s business units and powers and responsibilities of the heads thereof;
- HR policy, which sets out approaches to recruitment, training and development of the Company’s personnel, criteria for their performance assessment, and the remuneration system.

The Company’s by-laws and regulations on the organisation of the internal control and risk management system shall be updated on a regular basis subject to the results of periodic assessments and continuous monitoring of the system and changes in the Company’s structure and business processes.

The internal (control) environment of the Company shall underlie other elements of the internal control and risk management process and determine its patterns and structure.

**Article 15. Target setting.**

Risk management shall be based on the system of the Company’s precise, clear and measurable targets and values formed as part of its strategy. They form the basis for the targets in different areas of its business activities, reporting and accounting, and compliance. The Company faces various risks arising from external and internal factors and causing potential deviations from the Company’s targets. Setting the Company’s targets facilitates the identification of potential events, risk assessment and risk response.

The Company’s internal control and risk management process shall provide reasonable assurance that its targets are accurately selected and set and that they correspond to and further the Company’s mission and values while being in line with its risk appetite.

**Article 16. Identification of events.**

The Company’s executive bodies shall identify internal and external events that influence the achievement of the Company’s targets. These events shall be assessed as risks and opportunities based on whether they have positive or potential negative influence on the Company’s strategy implementation and target achievement.

The events having negative influence shall be recognised as risks that require assessment and response by the Company. The events having positive influence shall be recognised as opportunities and taken into account when determining the Company’s strategy and targets.



The Company's executive bodies shall identify events as positive or negative based on various internal and external factors that may produce risks and opportunities in terms of the different areas of the Company's business activities.

**Article 17. Risk assessment.**

The Company's risk assessment involves risk identification and analysis that underlie risk management decisions, which include risk prevention and mitigation, establishment of adequate control environment and internal control procedures, efficient employee communication and notification mechanisms, and assessment of the results of internal control and risk management.

Through risk assessment, the Company learns the degree to which potential events may influence the achievement of the Company's targets. The Company shall assess the events based on their probability and influence on the Company's targets using a combination of quantitative and qualitative methods. The Company shall assess both inherent and residual risk.

In terms of accounting, including the Company's accounting (financial) statements, risk assessment shall aim to reveal the risks that may influence the accuracy of such statements. To this end, the Company shall assess the probability of errors in accounting and reporting data.

Assessing the risk of abuses shall be one of the risk assessment priorities. Abuses may occur in relation to acquisition and use of assets, accounting, including the Company's accounting (financial) statements, and corrupt activity, including commercial bribery. Assessing the risk of abuses shall involve identifying the elements of business processes that create opportunities for abuses, including those exploiting the gaps in the control environment or control procedures of the Company.

**Article 18. Risk response.**

Based on risk assessment results, the Company's executive bodies shall decide on risk management measures. Risk response includes avoidance, mitigation, distribution and acceptance of risks. When making risk response decisions, the Company's executive bodies shall assess the influence of such response on the probability of risks and their influence on Company's targets, as well as the benefit-cost ratio, in order to select a risk response measure that ensures a residual risk within the acceptable risk appetite level.

**Article 19. Control instruments.**

The Company's control instruments shall include regulations and control procedures which enable the Company's executive bodies to respond to risks and are applicable across all of the Company's governance levels and business units.

Control procedures shall consist of measures mitigating the risks that influence the achievement of the Company's targets. Control procedures mean regulated continuous or periodic activities carried out in order to identify deviations from the established parameters of the Company's business processes.

Control procedures shall be aligned with and based on the principles and standards of the Company's control environment.

The following control procedures shall be used in the Company:

- assessment of consistency between assets (documents) and analysis of interconnectedness of business activities;
- sanctioning (authorisation) of transactions and operations ensuring their legitimacy. This control procedure is carried out by means of granting employees the right to perform specific actions

within their remit that include obtaining consent to various operations and approving documents or transactions;

- reconciliation, comparative analysis, assessment of the Company’s performance;
- distribution of powers and rotation of responsibilities – assigning powers to draft documents, sanction (authorise) transactions and operations and record them in accounting statements to different people for set time periods in order to mitigate the risks of errors and abuses;
- control procedures in relation of actual existence and state of assets, including physical security, access restriction and inventory;
- supervision for assessing the achievement of targets and indicators – assessment of transactions and operations compliance, records, accuracy of budgets (cost estimates and plans), and of meeting the deadlines for preparing accounting (financial) statements;
- procedures related to computer processing of data and the Company’s information systems, subdivided into general digital control procedures and control procedures for specific functional elements of an information system (modules or applications). General digital control procedures comprise rules and procedures for accessing information systems, data and directories, rules for the implementation and support of information systems, data recovery procedures and other procedures ensuring seamless operation of the Company’s information systems. Procedures for control over specific functional elements of an information system include logic and arithmetic checks carried out when processing the data on the Company’s business activities.

In order to combat abuses, the Company shall practice sanctioning (authorisation) of transactions and operations, distribution of powers and rotation of responsibilities, and control over actual existence and state of assets.

The Company shall use preliminary control procedures in order to prevent errors and deviations from the established rules of operation, including physical existence and sanctioning (authorisation) of transactions and operations. Follow-up control procedures (primarily reconciliation and supervision) shall be used in order to identify errors and deviations from the established rules of operation.

The Company shall use automated control procedures run by the information system with no employee involvement (primarily access control). Semi-automated control procedures are run by the Company’s information system but require manual initiation or completion. Manual control procedures are run by the Company’s employees without the use of information systems.

## **Article 20. Information and communications.**

The main source of information that underlies internal control and risk management decisions is the Company’s information systems. The Company shall ensure high quality of data these information systems store and process, which provides for effective management decisions in the realm of risks and internal control.

All the essential data shall be identified, recorded and transferred in such manner and in such time as to enable the Company’s employees to perform their responsibilities. The Company’s information systems shall provide the framework of its internal control and risk management bodies system with information required for managing risks, carrying out control procedures, and making decisions in furtherance of the Company’s targets.

Communication means the distribution of information required for making management decisions in the realm of risks and internal control. The Company’s employees shall be adequately informed on the risks that fall within their remit, as well as their role and objectives within the internal control and risk management system.

The Company shall maintain efficient information exchange both vertically (top-down and bottom-up) and horizontally (among the Company’s business units). All of the Company’s

employees shall receive detailed instructions on risk management and control procedures. The employees of the Company shall be aware of their role in risk management and internal control and of the interconnection between their work and the work of other employees. Heads of business units and employees of the Company shall have the means to pass significant information to the Company's senior management. The Company shall maintain effective information exchange with third parties such as buyers, suppliers, regulatory authorities and shareholders.

#### **Article 21. Monitoring.**

Internal control in the Company shall be assessed in terms of the elements of the internal control and risk management system with the aim of evaluating their efficiency and effectiveness, as well as identifying the need for any adjustments. Internal control assessment shall be carried out at least once a year.

Internal control assessment shall be carried out by means of continuous monitoring of the Company's constant internal control process in the course of its day-to-day operations. This continuous monitoring shall be performed by Company's executive bodies in the form of regular analysis of the Company's performance, review of the results of its business operations and business processes, and assessment and update of the Company's by-laws and regulations.

Continuous and periodic monitoring of internal control helps make sure it provides reasonable assurance that the Company will achieve its targets.

Monitoring of risk management shall be carried out in the course of the Company's day-to-day operations by means of conducting periodic reviews. Ongoing monitoring of risk management shall be carried out as part of the Company's routine management.

The Company's employees shall notify their line managers and higher-ranking managers of any gaps identified in the Company's risk management, and the most significant issues shall be communicated to the Company's executive bodies and the Board of Directors.

The Company's risk management mechanism shall provide for regular self-assessment of the internal control and risk management system. Effective ongoing monitoring reduces the need for additional reviews. Ongoing monitoring shall be conducted in real time, quickly adapt to changing conditions, and form an integral part of the Company's day-to-day operations. A combination of ongoing monitoring and periodic reviews shall ensure the effectiveness of the Company's internal control and risk management system.

The Company's Internal Audit Department shall focus on the key risks and ways of responding to them, as well as on developing and ensuring the effectiveness of control procedures. The Company's Internal Audit Department shall identify potential and actual gaps in the internal control and risk management system and recommend corrective actions to the Board of Directors and executive bodies of the Company with the aim of enhancing the internal control and risk management process.

The Board of Directors shall take the steps required to make sure that the internal control and risk management system existing in the Company meets principles and approaches approved by the Board of Directors and functions effectively. The Board of Directors shall review the matters of organisation, functioning and effectiveness of the internal control and risk management system at least once a year and, if necessary, provide recommendations on its improvement.

## **5. DISTRIBUTION OF RESPONSIBILITIES AND POWERS AMONG THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT BODIES**

### **Article 22. Structure of the internal control and risk management system.**

A group of internal control and risk management bodies shall be responsible for the achievement of the aims and objectives of the Company's internal control and risk management system and for the performance of the respective functions. The powers and responsibilities shall be distributed among the internal control and risk management bodies subject to their roles in the system's functioning and performance monitoring.

The framework of internal control and risk management bodies shall consist of the following levels:

- strategic level, which includes the Board of Directors of the Company and its Audit Committee. The strategic level shall approve the procedures for the formation and functioning of the internal control and risk management system and ensure its integration into all of the Company's organisational processes, including the development of its policies, strategic and business planning, and change management. The Company's Board of Directors and its Audit Committee determine the attitudes of the Company's employees towards the internal control and risk management system;

- operational level, which includes the executive bodies of the Company. This level shall ensure the functioning of the internal control and risk management system and continuous monitoring of its effectiveness;

- control level, which includes the Company's Audit Commission (if establishment of the Audit Commission is provided by the Articles of Association of the Company), the Internal Audit Department, heads of business units and employees of the Company responsible for the functioning of the internal control and risk management system. This level shall ensure the implementation of control procedures and risk management measures, as well as monitoring of effectiveness thereof. The Internal Audit Department of the Company shall carry out systematic independent assessment of accuracy, reliability and effectiveness of the internal control and risk management system and corporate governance.

Within their remit, all the actors in the internal control and risk management system shall be responsible for compliance with risk management approaches and standards, as well as for proper execution of control procedures in their respective areas of activity.

For the purpose of organisation of the internal control and risk management system, the role, objectives and interaction procedures for the Board of Directors, the executive bodies, the Audit Commission (if establishment of the Audit Commission is provided by the Articles of Association of the Company), the Internal Audit Department and other business units of the Company shall be set out in the Company's by-laws.

### **Article 23. The Board of Directors of the Company.**

The Board of Directors shall determine the principles and approaches of the internal control and risk management system of the Company.

The Board of Directors shall take necessary and sufficient measures to ensure effective operation of the Company's risk management and internal control system and its compliance with the principles and approaches determined by the Board of Directors.

The approval of the Internal Control and Risk Management Policy of the Company, or any amendments and supplements thereto, shall be reserved to the Company's Board of Directors. The Board of Directors of the Company shall have the right to oversee the implementation of the Policy

by the Company's executive bodies and review the results of the analysis and assessment of the internal control and risk management system's performance.

The Board of Directors shall assess the Company's exposure to both financial and non-financial risks (including operational, social, ethical, environmental and other non-financial risks) and define the Company's risk appetite.

In approving the Policy, the Board of Directors shall seek to strike the right balance between the Company's risk exposure and profitability, based on the requirements of the applicable law, by-laws and the Articles of Association of the Company. The Policy shall require that, for operations and transactions involving a higher risk of capital and investment losses, a reasonable level of risk exposure be set, and the risk exposure be aligned with the risk appetite limits accepted by the Company.

The Board of Directors shall initiate an analysis and assessment of the internal control and risk management system at least once a year, and if necessary provide recommendations for its improvement. Such analysis and assessment shall be based on data from regular reports of the Company's executive bodies, Audit Commission (if establishment of the Audit Commission is provided by the Articles of Association of the Company), Internal Audit Department and external auditors, the Board's observations, or any other sources.

The frequency of analysis and assessment of the internal control and risk management system shall be subject to the areas of the Company's business activities, the risk appetite and changes in the Company's operations. The outcome of the analysis and assessment exercise shall be discussed at the meetings of the Company's Board of Directors.

For the board to discharge its duties (including protection of shareholder interests and risk governance) efficiently, independent directors shall sit on the board.

The Board of Directors members, especially those elected for the first time, shall be able to gain a clear understanding of the Company's strategy, corporate governance, internal control and risk management system, executive delegations and other material matters related to the Company's performance as soon as possible.

The Board of Directors of the Company shall be responsible for determining the principles and approaches of the internal control and risk management system.

The Board of Directors shall take the steps required to make sure that the internal control and risk management system existing in the Company meets principles and approaches approved by the Board of Directors and functions effectively.

#### **Article 24. The Audit Committee of the Board of Directors.**

An internal audit shall be performed to provide a comprehensive assessment of reliability and effectiveness of the internal control and risk management system of the Company.

The Audit Committee of the Company's Board of Directors shall be established to support the Board's control over the Company's financial and business operations and inform it on reliability and effectiveness of the internal control and risk management system. The Audit Committee shall be made up of independent directors only.

In order to perform its exclusive functions, the Audit Committee shall:

- assess the effectiveness of the system and procedures for internal control over financial and business operations and the risk management system of the Company, as well as prepare recommendations on the improvement thereof;
- assess the system for managing risks arising in the course of the Company's financial and business operations and prepare recommendations on the improvement thereof;
- carry out analysis and assessment of the implementation of the Policy;

- oversee the Company’s activities ensuring compliance with the applicable laws, the Company's ethical standards, internal rules and regulations, and the stock exchange requirements;
- carry out analysis and assessment of the compliance with the Company’s Code of Business Ethics.

**Article 25. The Audit Commission of the Company.**

As part of the internal control and risk management activities, the Company’s Audit Commission (if establishment of the Audit Commission is provided by the Articles of Association of the Company) shall:

- timely inform the General Meeting of Shareholders, the Board of Directors and the Company’s executive bodies of the results of audits (reviews) by issuing relevant opinions or statements;
- assess the accuracy of data included in the Company’s annual report and annual accounting statements;
- call a meeting of the Board of Directors, the Management Board or an extraordinary General Meeting of Shareholders, if the breaches identified in the Company’s financial and business operations or a real threat to the Company’s interests require that the said bodies address the relevant matters falling within their remit;
- keep record of any breaches of laws and regulations, the Company's Articles of Associations, by-laws, rules and guidelines by the Company’s employees and officers;
- audit the Company’s financial and business operations based on the Company's year-end results or at any other time as requested by the persons stipulated in the Federal Law on Joint Stock Companies, the Company’s Articles of Association and the Regulations on the Audit Commission;

**Article 26. Executive bodies of the Company.**

The Management Board and the Chief Executive Officer of the Company shall provide for the establishment and effective functioning of the internal control and risk management system and be responsible for the implementation of the Board of Directors' resolutions on the organisation of the system.

The Company’s executive bodies shall regularly report to the Board of Directors (Audit Committee) on the development and management of an effective internal control and risk management system, and therefore be responsible for its performance.

The Company’s executive bodies shall distribute the powers and responsibilities related to specific internal control and risk management procedures among the heads of the Company’s business units supervised or managed by them. Within their remit, the heads of the Company’s business units shall be responsible for designing, recording, implementing, monitoring and developing the internal control and risk management system in the respective areas of the Company’s operations.

**Article 27. Internal Audit Department of the Company.**

Internal audit (the Internal Audit Department) shall assist the Board of Directors and executive bodies in enhancing the Company’s management efficiency and improving its business operations through a systematic and consistent approach to the analysis and assessment of the internal control and risk management system as tools to provide reasonable assurance that the Company will achieve its goals.

The Internal Audit Department shall perform two directions of activity – conduct of internal audit in the Company and organisation of risk management processes coordination.

The internal audit direction of the department shall achieve the following goals:  
assist the Company's executive bodies and employees in developing and monitoring the implementation of procedures and measures to improve the internal control and risk management system;

coordinate the engagement of the Company's external auditor and other persons providing consulting services in risk management and internal control;

develop and submit to the Company's Board of Directors and executive bodies reports including the information on significant risks, gaps, results and effectiveness of the measures taken to eliminate the gaps, results of the internal audit action plan, results of the assessment of the current state, reliability and effectiveness of the internal control and risk management system.

The risk management direction of the department shall perform the following functions:

coordinate the internal control and risk management processes;

develop, update and implement internal control and risk management guidelines;

arrange consulting of the Company's employees on risk management;

analyse the Company's risk portfolio and prepare recommendations on risk response strategy and redistribution of resources for managing the respective risks;

carry out ongoing control over the internal control and risk management processes in the Company's business units and in subsidiaries in accordance with the established procedure;

keep the Board of Directors and executive bodies of the Company informed on the organisation of the internal control and risk management processes and other matters stipulated herein.

#### **Article 28. Heads of business units and employees of the Company.**

Heads of business units and employees of the Company shall possess the knowledge, skills, information and powers required for the effective functioning of the internal control and risk management system.

Heads of business units and employees of the Company shall be responsible, within their remit, for the performance of control procedures and risk management measures, as well as for monitoring the effectiveness thereof.