

CONTROL AND AUDIT

FINANCIAL CONTROL

Bodies responsible for financial control at PJSC M.video

Audit Commission	Internal Audit Division	Internal Control and Risk Management Department
Subordination and reporting		
<ul style="list-style-type: none"> • Reports only to the General Meeting of Shareholders 	<ul style="list-style-type: none"> • Functional subordination to the Board of Directors • Reports to the sole executive bodies 	<ul style="list-style-type: none"> • Functional subordination to the sole executive bodies
Tasks and functions		
<ul style="list-style-type: none"> • Scheduled documentary audits of the Company's financial and business activities for the year, as well as unscheduled documentary audits • Requirement to convene the Board of Directors and/or an Extraordinary General Meeting of Shareholders in cases provided for in Art. 55(8) of the Federal Law on Joint-Stock Companies • Convocation of an Extraordinary General Meeting of Shareholders • Monitoring the correction of deficiencies and violations identified as a result of audits and the implementation of the recommendations of the Audit Commission • Making decisions on conducting unscheduled audits at the initiative of the Company's executive bodies 	<ul style="list-style-type: none"> • Assisting the executive bodies and employees in the development and monitoring of procedures and measures for the development of risk management, internal control and corporate governance • Coordination of activities with the external auditor and consultants in the field of risk management, internal control and corporate governance • Conducting an internal audit of subsidiary companies • Preparation and submission to the Board of Directors and executive bodies of reports on the results of the activities of the Internal Audit Division • Verification of compliance on the part of the Company's employees with the provisions of laws and the Company's internal policies regarding insider information and the fight against corruption, compliance with the requirements of the Code of Ethics 	<ul style="list-style-type: none"> • Organisation and coordination of work to build a risk management system • Identification and assessment of risks, approaches to risk response • Ensuring the effective operation of the risk management system • Methodological support for the internal control and risk management system

AUDIT COMMISSION

The Audit Commission periodically monitors the Company's financial and business operations, and the activities of its executive bodies and officials through documentary and factual audits of the following points:

- the legality, economic merits and efficiency (expediency) of business and financial operations performed by the Company during the audit period;
- the completeness and veracity of the information on business and financial operations reflected in the Company's management documents;
- the legality, economic merits and effectiveness of actions taken by Company executives and heads of structural divisions in terms of compliance with the laws of the Russian Federation, as well as the Company's Charter, approved plans, programmes and other bylaws.

The number of members of the Audit Commission and the procedure for its activities are determined by the Regulation on the Audit Commission approved by the General Meeting of Shareholders. Members of the Audit Commission may not simultaneously be members of the Board of Directors or occupy other positions in the Company's executive bodies.

MEMBERS OF THE AUDIT COMMISSION

AS OF 31 DECEMBER 2018

Evgeny BezlikChairman of the Audit
Commission*Biographical information*

Born in 1975.

Education: Tashkent Military Technical
College**2011–2018:** Head
of the Internal Investigations
Department of LLC M.video
Management.**Since 2013:** Chairman of the Audit
Commission of PJSC M.video.*Positions held in other organisations***Since 2018:**

- Head of the Internal Investigations
Department of LLC MVM
(formerly LLC M.video Management);
- Auditor at LLC MARKETPLACE.

Andrey**Gorokhov***Biographical information*

Born in 1980.

Education: Ivanovo State University
of Chemistry and Technology**2007–2015:** Head
of Financial and Investment Analysis,
LLC PromSvyazKapital.**2015–2017:** Head of the Financial
and Investment Analysis Division
of PJSC Promsvyazbank.**2017–2018:** member of the Board
of Directors of PJSC SAFMAR Financial
Investments.**Since 2017:** member of the Audit
Commission of PJSC M.video.*Positions held in other organisations***Since 2017:**

- Deputy CEO for Management
Accounting, Reporting and New
Projects at LLC KliT;
- member of the Board of Directors
of JSC Russian Coal;
- member of the Board of Directors
of PJSC Mospromstroy.

Since 2018:

- Auditor at JSC Doverie National
Pension Fund;
- Auditor at JSC SAFMAR National
Pension Fund;
- Auditor at PJSC SAFMAR Financial
Investments;
- member of the Audit Commission
of JSC Europlan Leasing Company;
- member of the Board of Directors
of CJSC IP Slavneftekhim.

Alexey**Rozhkovsky***Biographical information*

Born in 1984.

Education: Novosibirsk State University
of Economics and Management,
Diploma in International Financial
Reporting (DiplFR ACCA), Master
of Business Administration,
Management College of South Africa,
PhD in Economics**2012–2015:** Head of the Analytical
Department of PJSC MDM BANK.**2016–2017:** Head of the Department
for Work with Non-bank Financial
Organisations of JSC SAFMAR Group.**Since 2017:** member of the Audit
Commission of PJSC M.video*Positions held in other organisations***Since 2017:** Director of the Finance
Department and Deputy Finance
Director of PJSC SAFMAR Financial
Investments**Since 2018:**

- member of the Audit Commission
of JSC VSK;
- member of the Audit Commission
of JSC Europlan Leasing Company.

The current members of the Audit Commission were elected at an Extraordinary General Meeting of Shareholders of PJSC M.video on 7 August 2017 (minutes No. 23 of 10 August 2017) and at the Annual General Meeting of Shareholders on 29 June 2018 (minutes No. 26 of 2 July 2018).

As of 31 December 2018, the members of the Audit Commission did not have any equity holdings or own any ordinary shares of the Company, nor did they conclude any transactions involving the acquisition or disposal of the Company's shares in 2018.

The Company is unaware of any claims filed against members of the Audit Commission in 2018.

INTERNAL AUDIT DIVISION

Larisa Rudenko

Head of the Internal Audit
Division

Biographical information

Born in 1984.

Education: Russian State Social
University

Since 2013: Head of the Internal Audit
Division of PJSC M.video.

Positions held in other organisations

Since 2013: Head of the Internal
Audit Department of LLC MVM
(formerly LLC M.video Management).

The head of the Internal Audit Division reports to the Board of Directors and is appointed and dismissed by the sole executive body based on a decision of the Board of Directors. The Audit Committee of the Board of Directors regularly reviews reports of the internal auditor and evaluates his or her performance.

The activities of the Internal Audit Division are governed by the Regulation on Internal Audit of the Open Joint-Stock Company M.video, approved by the Company's Board of Directors (minutes No. 94/2014 of 15 December 2014).

INTERNAL CONTROL AND RISK MANAGEMENT

Boris Ogarkov

Head of the Internal Control
and Risk Management Department

Biographical information

Born in 1987.

Education: Moscow State Institute
of International Relations (MGIMO),
Bachelor of Commerce, Master's
in International Finance

2013–2014: Director of the Department
of Operational and Financial Control
of LLC NK Itera.

2014: Director of Project Management
of CJSC Re-kon.

2014–2015: Head of the Department
of Financial Control, Contracting
Systems and Working Capital
Management in the Department
of Economics and Finance
of CJSC Independent Oil and Gas
Company.

2015: Head of the Department
of Financial Control of the Economy
and Finance Unit of JSC Independent Oil
and Gas Company.

2016: Deputy Finance Director
of LLC Siberskaya internet-kompaniya.

Since 2016: Head of the Internal Control
and Risk Management Department
of PJSC M.video.

2016–2017: Head of the Internal Control
and Risk Management Department
of LLC M.video Management.

Positions held in other organisations

Since 2017: Head of the Internal Control
and Tender Procedures Department
of LLC MVM (formerly LLC M.video
Management).

The objectives of internal control within the Company are as follows:

- the timely identification and analysis of risks involved in the Company's activities;
- ensuring the veracity of financial and management information and reporting;
- implementation of the Company's financial and business plans;
- safeguarding assets and ensuring the efficient use of resources;
- assistance in building the optimal organisational structure for the Company;
- compliance with the requirements of the current regulatory legal acts of the Russian Federation and the Company's internal procedures.

In 2018, the Board of Directors highly rated the performance of the Company's internal control and risk management system. This system makes it possible to protect the interests of shareholders and the Company's assets, thereby strengthening investor confidence in the Company and its executive bodies.

The Company's risk management and internal control system provides for an objective, fair and clear picture of the Company's current state and prospects, the integrity and transparency of the Company's reporting, and the reasonableness and acceptability of the risks taken by the Company. Information about the Company's risk management system is available in the 'Risk Management' section of this report.

For the risk management and internal control system to function effectively, the Company has established an Internal Control and Risk Management Department.

EXTERNAL AUDITOR

PJSC M.video engages an external auditor who carries out an audit of the Company's financial and business operations. The external auditor is approved by the General Meeting of Shareholders.

The objectivity of the choice of the external auditor is ensured through a tender procedure.

In accordance with the Company's Charter, the issue of determining the amount of payment for the external auditor's services falls within the remit of the Board of Directors.

Following an evaluation of the commercial proposals made by the companies that took part in the tender procedure at a meeting of the Company's tender committee on 16 May 2018, it was decided to recommend

JSC Deloitte & Touche CIS as PJSC M.video's auditor. Based on the results of a request for quotations and the recommendation of the Audit Committee (minutes No. 62/2018 of 22 May 2018), the Board of Directors decided, on 22 May 2018, to recommend that the General Meeting of Shareholders approve JSC Deloitte & Touche CIS as the Company's auditor. Based on the results of the Annual General Meeting of Shareholders of PJSC M.video, a decision was taken to approve JSC Deloitte & Touche CIS as the Company's auditor for 2018.

The cost of the auditing services provided by JSC Deloitte & Touche CIS as the Company's auditor amounted to RUB 25.4 million. JSC Deloitte & Touche CIS did not provide the Company with any non-audit-related services in 2018. There are no deferred or overdue payments for services provided by the auditor.

USE OF INSIDER INFORMATION

PJSC M.video has a Regulation on Insider Information (hereinafter, the 'Regulation') that governs the use of insider information, i.e., information about the Group's operations (as well as its securities and transactions involving its securities) that is not publicly available and disclosure of which could affect the market value of PJSC M.video's securities.

The Regulation is aimed at ensuring:

- protection of the rights and legitimate interests of the Company's shareholders and other persons

when concluding transactions with the Company's securities;

- monitoring the activities of insiders;
- preventing manipulation of the price of the Company's securities.

The Corporate Secretary maintains a list of insiders and a list of insider information and also monitors the execution of transactions involving the Company's securities by insiders.

MANAGING CONFLICTS OF INTEREST

The Group strives to manage possible conflicts of interest as effectively as possible both in the corporate governance system and at the level of every employee in the performance of their duties.

In order to prevent situations in which an employee's personal interests could affect the proper performance

of their duties, the Group adopted a Regulation on Conflicts of Interest, which defines conflicts of interest, lists the most common situations in which a conflict of interest might arise and establishes specific regulations on conflicts of interest for the employees of individual divisions.

CODE OF CONDUCT

In 2017, the Group adopted a Code of Business Ethics and Recommended Behaviour (hereinafter, the 'Code of Conduct' or the 'Code') at the level of the key operating company, LLC MVM (formerly LLC M.video Management), which specifies the fundamental principles and standards of business and personal ethics within PJSC M.Video.

The following are among the key principles established and governed by the Code:

- antitrust compliance (the Group has also adopted an antitrust policy);
- a safe working environment;
- the prohibition of any form of discrimination, harassment, pressure or intimidation;

- integrity, honesty and fairness in interpersonal relationships;
- veracity and completeness of documentation and reporting;
- a conscientious approach to the Group's assets;
- impermissibility of transactions involving the Company's securities based on insider information;
- protection of commercial secrets, proprietary information and personal data;
- management of conflicts of interest, including in relations with counterparties, when making personal purchases within the M.Video network;
- opportunities for professional and personal growth and development;
- restrictions on the possibility of receiving gifts from counterparties;
- the need to identify and counter suspicious transactions;
- separation of political and professional activities.

The Code of Conduct applies to all Group employees, including directors, permanent and temporary employees, consultants, representatives and partners.

Ethics Committee

LLC MVM (formerly LLC M.video Management) has a standing Ethics Committee, whose activities are aimed at maintaining the Company's business reputation,

ensuring that its activities in general and those of its employees comply with high standards of business ethics and behaviour, as well as avoiding and resolving conflicts of interest.

The remit of the Ethics Committee includes:

- consideration of cases related to violations of the regulations contained within the Code of Business Ethics, other ethical principles and norms that specify the Company's values and corporate culture;
- consideration of situations involving a potential or actual conflict of interest;
- consideration of ethical issues arising from and/or related to workers and/or the personal relationships between workers that have an impact on work processes or day-to-day interaction;
- consent to appointments (transfers) of employees to positions as provided for by the Code of Conduct and other bylaws;
- the determination of rules of business behaviour and the Company's corporate culture;
- the formation of proposals for amendments and additions to the Code of Conduct, as well as to other Company documents.

The Ethics Committee is chaired by the Chief Executive Officer of LLC MVM (formerly LLC M.video Management), Enrique Fernandez.

PRINCIPLES FOR THE DETERMINATION AND AMOUNT OF REMUNERATION OF MANAGEMENT AND CONTROL BODIES

The compensation package offered by the Company includes a salary, medical insurance programmes, additional benefits and a bonus system.

According to the Regulation on Remuneration and Compensation Paid to Members of the Board of Directors of PJSC M.video (hereinafter referred to as the 'Regulation on Remuneration'), the total amount of remuneration and compensation paid to members of the Board of Directors and to members of the Audit Commission is approved by the General Meeting of Shareholders.

The remuneration for the Corporate Secretary and the Internal Audit Division is determined by the Board of Directors.

For participation in the work of the Board of Directors and/or committees of the Board of Directors, members of the Board of Directors are paid the following types of remuneration.

Basic remuneration is paid for:

- participation in in-person meetings of the Board of Directors;
- participation in strategic budget sessions;
- participation of a member of the Board of Directors at the request of the Chairman of the Board of Directors, chairmen of the committees of the Board of Directors or the CEO in meetings of thematic working groups, meetings or discussions related to the activities of the Company and its subsidiaries that are held at the Company's office or elsewhere.

Compensation for performing additional duties is paid for:

- performing the duties of a member of a Board of Directors committee;
- performing the duties of the Chairman of a Board of Directors committee;
- performing the duties of the Chairman of the Board of Directors.

Members of the Board of Directors who are residents of the Russian Federation are paid remuneration in Russian roubles. Members of the Board of Directors who are not residents of the Russian Federation are paid remuneration in a foreign currency at the exchange rate of the Bank of Russia on the date of payment.

In accordance with the Regulation on Remuneration, each member of the Board of Directors may be reimbursed for the following expenses:

- actually incurred and documented transportation costs associated with the travel of a member of the Board of Directors to the venue of a meeting of the Board of Directors and/or a Board of Directors committee and back, other transportation costs incurred in connection with travel associated with the Board of Directors;
- living expenses of a member of the Board of Directors during meetings of the Board of Directors and/or meetings of Board of Directors committees;
- expenses for meals for a member of the Board of Directors during meetings of the Board of Directors and/or meetings of Board of Directors committees;
- miscellaneous expenses (payment for communications, fuel, meals and entertainment expenses, etc.).

The maximum amount of compensation for expenses for members of the Board of Directors is approved by the General Meeting of Shareholders upon a proposal of the Board of Directors.

Based on a decision of the Annual General Meeting of Shareholders of 29 June 2018, the following amount of remuneration was determined to be paid to members of the Board of Directors for the period from July 2018 through June 2019:

- remuneration for members of the Board of Directors in a total amount not to exceed RUB 52 million;
- reimbursement of expenses incurred by members of the Board of Directors as part of their functions as members of the Board of Directors in a total amount not to exceed RUB 10 million.

The total amount of remuneration paid to members of the Board of Directors for their participation in the Board of Directors in 2018 (for the entire year) amounted to RUB 28.2 million. The total amount of reimbursement of expenses related to the performance of the functions of members of the Board of Directors compensated by the Company in 2018 (for the entire year) amounted to RUB 676 thousand.

Wages paid to executive members of the Management Board who have an employment relationship with the Group are paid in accordance with employment contracts. Regarding the members of the Management Board, the authorised executive bodies did not make any decisions regarding the amount of remuneration payable or the amount of expenses subject to compensation. There are no other agreements regarding the amount of remuneration payable or the amount of expenses subject to compensation.

