

**MTS SUSTAINABLE
DEVELOPMENT
REPORT
2019**

MTS



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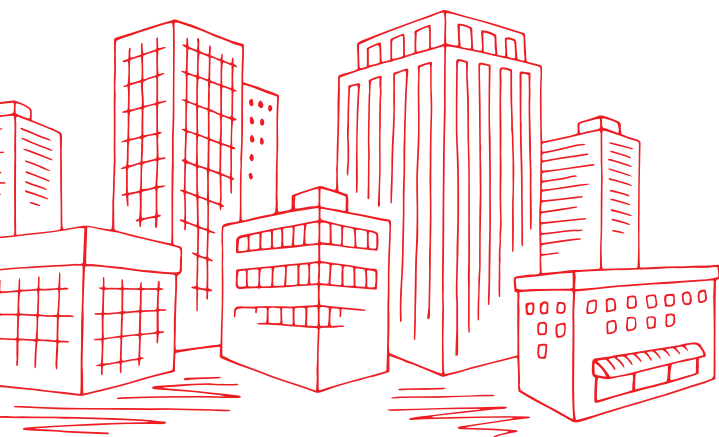
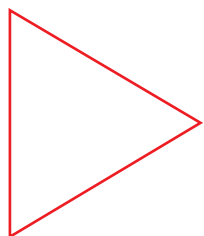
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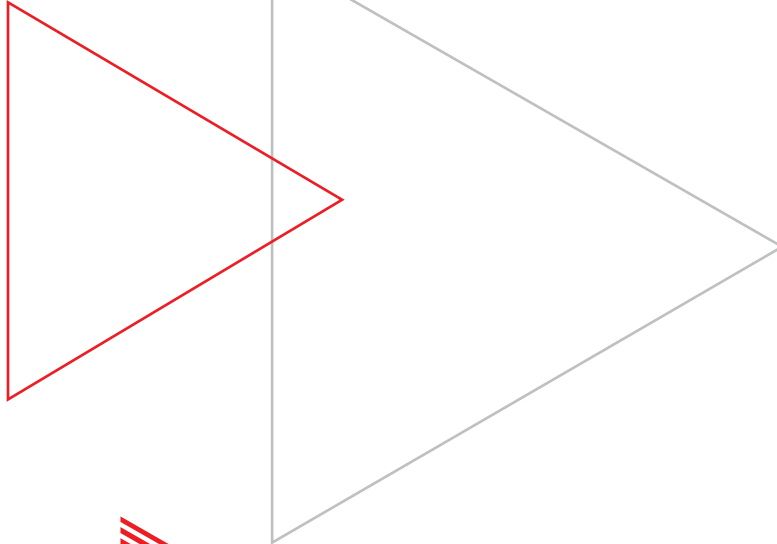
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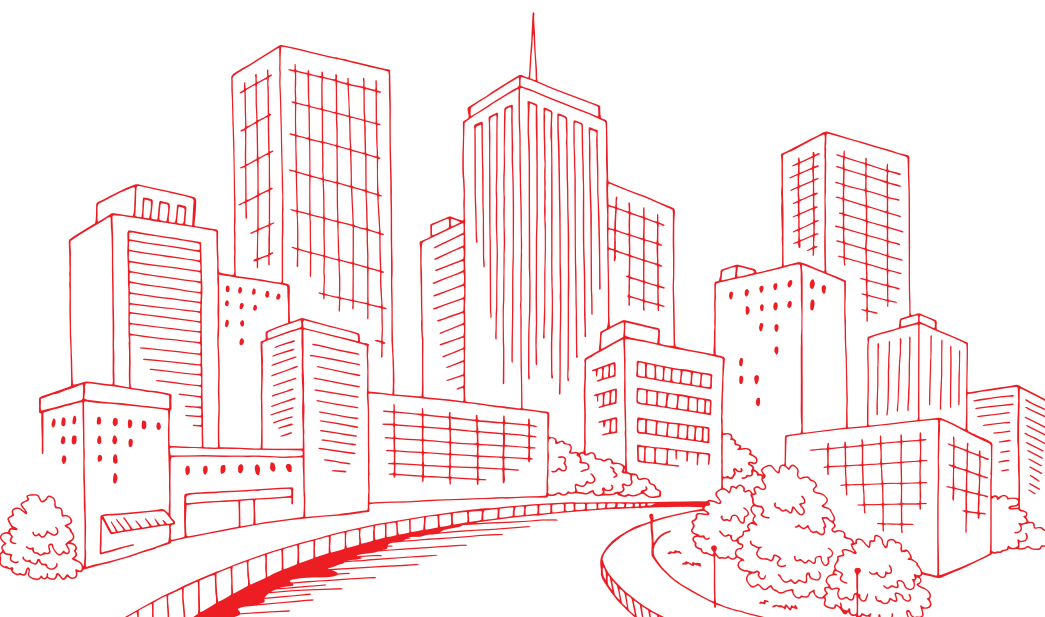
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GRI 102-1, 102-5

ABOUT THE REPORT

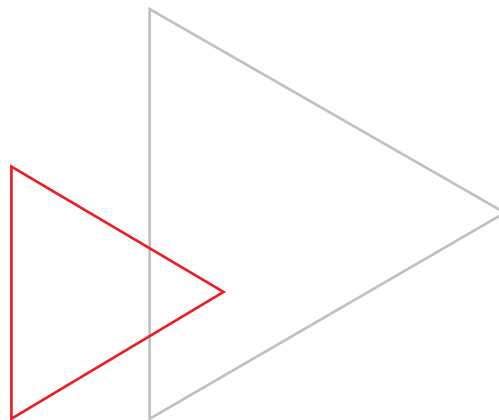
The 2019 MTS Sustainable Development Report (the "Report") has been prepared by MTS PJSC and provides consolidated data on the activities of MTS Group ("MTS Group", the "Group"), including its parent company Mobile TeleSystems Public Joint Stock Company ("MTS PJSC", the "Company") and its subsidiaries. The indicators in this Report are as of December 31, 2019, unless other periods or dates are expressly indicated.

The 2019 Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards (Core option) recommendations and reference performance indicators developed by the Russian Union of Industrialists and Entrepreneurs (RSPP). Financial figures are based on the audited financial statements prepared under International Financial Reporting Standards (IFRS). Material topics disclosed in this Report were selected by conducting regular surveys of key stakeholder groups. The Report compares the Group's current social and environmental initiatives with the UN Sustainable Development Goals (SDGs). The data disclosed in the 2019 Report have been verified by the internal control & audit function and approved by the functional units at a Corporate Social Responsibility Committee (CSR Committee) meeting. MTS PJSC sustainable development reports traditionally pass a public assurance procedure at a meeting of the RSPP Board on Non-Financial Reporting.



**Tatyana Chernysheva,**

Member of the Management Board,
Vice President for Human Resources,
Chairwoman of the CSR Committee, MTS PJSC



THE REPORT CONCEPT

Dear readers!

I am pleased to present this 2019 MTS Group Sustainable Development Report aligned with the GRI framework and describing our activities through the lens of the UN SDGs.

We strongly believe that stakeholder confidence is an important element of sustainable growth. Therefore, MTS is committed to having an ongoing open and honest dialogue with partners, customers, shareholders and employees on economic, social and environmental topics. The Report traditionally discloses our performance separately for each stakeholder group.

A large part of the Report is devoted to our sustainable development and CSR management system and its integration with the business. Additionally, the Report provides a wide coverage of MTS's corporate compliance efforts. The materials on the CSR Committee, which has expanded its activities by establishing a carbon management working group, are a notable addition to the Report.

We always pay particular attention to questions raised by our customers. The 2019 Report is the first to feature answers to requests submitted at the Investor Day and Supplier Day. Please email us at csr@mts.ru and we will be happy to answer any further questions you may have regarding this Report.

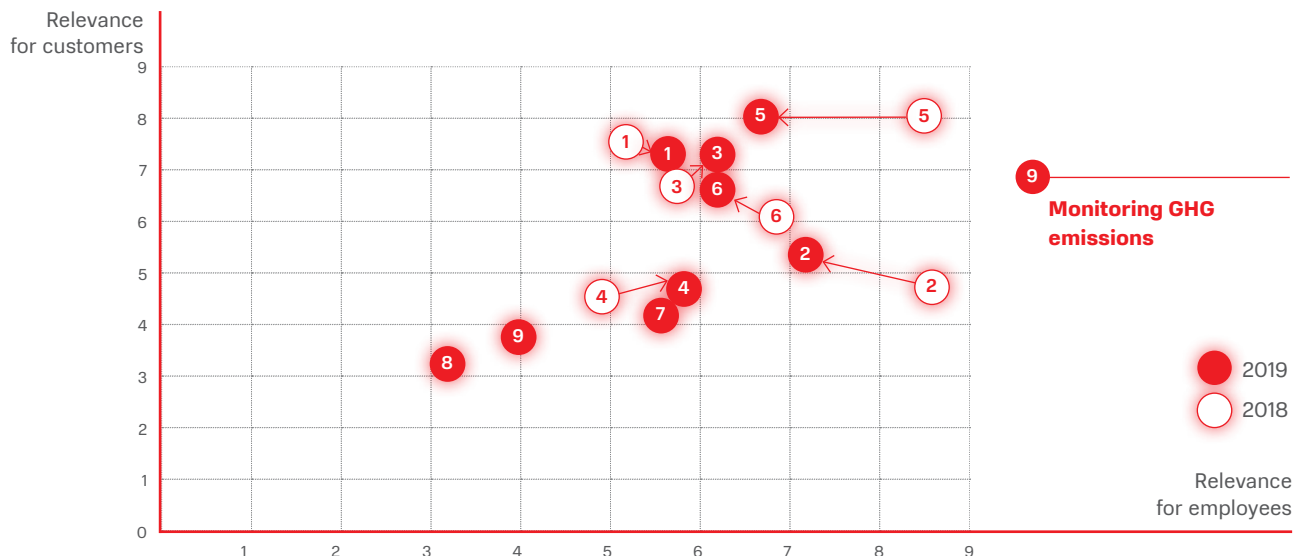
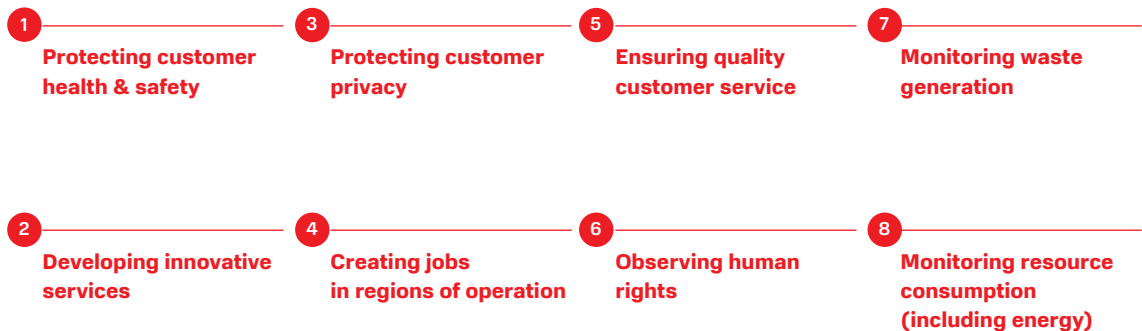
TOPIC MATERIALITY ASSESSMENT

When preparing a sustainable development report, MTS runs regular surveys of key stakeholder groups to identify the most relevant topics to be addressed in greater detail. In finally defining material topics for the report, MTS takes into account a comprehensive analysis of the Company's representatives service on public and state committees, management decisions, strategic priorities approved by the Board of Directors, and the issues raised during regular IR events. Thus, when drafting a sustainable development report concept, the working group has the fullest possible information on the preferences of all key stakeholder groups.

In addition, MTS has traditionally pinpointed the preferences of the two critical stakeholder groups – customers and employees – with its core business processes built around them. From January to February 2020, we conducted an online survey of our mobile subscribers (customers) and MTS employees. The survey covered 36 topics across three core dimensions – economic, environmental and social. The most relevant aspects for respondents in both groups are presented in the materiality matrix.

As a digital company, MTS has no significant environmental footprint. At the same time, given the relevance of global climate change for MTS and the expert community, we included environmental safety aspects within the boundary of the Report.

Based on the data obtained, the following topics were included in the 2019 MTS Group Sustainable Development Report in order of their priority for respondents:



GRI 102-14, 102-23, 103-1

OUR PRIORITIES

Every one of us needs to kindle the desire to develop and move forward, as it makes us happier. This very principle – taking at least one step every day to change our lives for the better: learning new things, showing more kindness, developing physically and emotionally – underlies the MTS brand concept that we refreshed in 2019. Today, we spend a significant part of our lives online, as digitalization is rapidly transforming the economy's traditional services – healthcare, education and upbringing, the provision of public services, as well as everyday household tasks. Information technology is becoming embedded into our lives, and it is essential for us to make sure our services, technologies and philanthropic programs work as a single tool to enable self-development. Every day, MTS improves with you and for you!

Our key highlight of 2019 was the adoption of our new business strategy – Customer Lifetime Value 2.0, aimed at building a digital ecosystem based on our extensive expertise in telecommunications and driven by investment in high-potential areas.

The MTS ecosystem is built around the individual, and our main objective is to meet most of their social needs within the scope of our product range.

To address this ambitious task, MTS continues to actively develop its mobile and fixed networks. The advanced technological capabilities we have developed and the vast geographic coverage of our network infrastructure have allowed the Company to take part in the national project to bring broadband connectivity to social infrastructure facilities across various regions of Russia. Around 5,000 social infrastructure facilities, including healthcare and educational institutions, government and local authorities,

Alexey Kornya,
President & CEO,
Chairman of the Management Board,
MTS PJSC



GRI 102-14

fire departments and local police stations in nine regions of Russia were able to maximize their performance by being connected to MTS's internet networks. The deployment of our 4G network was completed across all tunnels and stations of the Moscow Metro in 2019, and special NB-IoT networks were launched in almost all regions of the country to support IoT-enabled solutions, with several projects piloted on our 5G trial networks.

A special role in developing the environment in which we live is played by our digital and cloud service vertical, which combines not only cloud services but also the Internet of Things (IoT), industrial automation and system integration solutions.

For example, 2019 saw a number of Russian regions launch projects to digitize municipal waste removal, in order to provide a more comfortable urban environment and improve environmental safety. The Company's plans include launches of digital monitoring systems for housing and utilities, as I believe this area offers great potential for our own social and environmental initiatives.

MTS Group's portfolio of assets includes MTS Bank, which is a strong fit for our strategy of transforming MTS from a telecoms operator into a universal player with a wide range of digital products and services. We are continuing to develop our WASD.TV e-sports streaming platform, the SmartMed telemedicine service and a whole range of our new media and entertainment services.

I would like to particularly emphasize the importance of our corporate volunteer movement, Just Give Good!, which enjoys long-standing success across MTS's regions of operation, growing to a total of 7,500 employee volunteers in 2019.

>7,500

volunteers in Just Give Good!,
MTS's corporate volunteer movement

MTS's social programs are aimed at bridging the digital divide, improving financial literacy, driving the education and creative development of children, addressing key environmental challenges and preserving historical and cultural heritage.

Delivering successful progress on all these fronts would not have been possible without the wholehearted engagement and commitment of our people.

By becoming better every day, we do not just transform ourselves but also change the world around us, encouraging others to bring out the best in themselves too. It is very important for us to keep up this momentum as we build on and go beyond what we have achieved.

GRI 102-14, 103-2

OUR PRIORITIES

The COVID-19-induced global crisis has clearly demonstrated the vulnerability of businesses to the negative impacts of a pandemic on people's social lives and, consequently, the global economy. In these difficult times, ESG performance is becoming even more important for companies, as it provides a lens through which to assess the relevance of the current developments for future development.

The challenges faced by businesses today are so numerous and profound that corporations need to do more than they ever have before. MTS is well-positioned to do this, and I am in no doubt that we have a lot to offer to society. For example, when lockdown orders took effect, we immediately reviewed our pricing policy to protect vulnerable customer groups, by making sure that our subscribers can stay connected regardless of their actual financial situation.

Our corporate social responsibility is also reflected in our strategy's focus on maintaining the highest standards of personal data security and confidentiality, providing an enhanced employee benefits package, delivering on our commitments to manage our environmental footprint and save energy, as well as developing programs to support inclusivity. We are actively integrating this approach and new mindset into our corporate culture.

As a telecommunications and IT business, MTS continues to use all available engagement formats to communicate our corporate social responsibility (CSR) principles to all stakeholders. The technologies we now use are bridging the divides between countries and generations. We are integrated into a global mechanism that shapes our future, and it is more important than ever for us to act together.

In summer 2019, MTS employees participated in a global survey to measure engagement with the UN Sustainable Development Goals, which was conducted by Yale University in 174 countries of the world. The survey findings suggest that the issues surrounding climate change, quality education and health are currently top priorities

Regina von Flemming,
Member of the Board of Directors,
Independent Director, MTS PJSC

GRI 102-14

for the public. According to an employee survey run by MTS, in addition to health and quality education, economic matters such as economic growth, as well as responsible consumption and production are also given precedence.

In promoting responsible business conduct, MTS pays particular attention to engaging and educating its partners on sustainable development and CSR, organizing practical public conferences and offering a free educational program on Sustainable Business Development.

Our Inclusivity project holds a special place on the Company's CSR agenda. In addition to providing employment opportunities to people with disabilities, MTS offers services that improve the quality of life of this target audience.

These projects include a Russian sign language video guide to the Victory Museum on Moscow's Poklonnaya Hill and a series of shows performed in sign language by the MTS puppet theater and shown on the Visiting a Fairytale TV channel with support from MTS Info, reaching over 6,000 hearing-impaired children across Russia.

The "MTS – A Company for Everyone" project was run in 67 regions of Russia to hire older candidates who would facilitate engagement with our older customers.

Working with local communities is another top priority for us. Within the Cultural Code project, MTS employee volunteers engage in the restoration and preservation of cultural sites and support craft workshops, exhibitions and art installations. The project has already covered over 40 participating regions, creating a real social impact.

We take particular pride in our employee volunteer movement, with MTS's offline social projects alone reaching 10 million Russian citizens in 2019. Our employee volunteers participate in environmental, educational and donor programs, as well as social events held by the Company for veterans, children in social institutions and people with disabilities. This allows them to feel that they are a part of a wider team, a powerful social movement capable of addressing the issues that are important to society.

The technologies we now use are bridging the divides between countries and generations. We are integrated into a global mechanism that shapes our future, and it is more important than ever for us to act together.



GRI 103-3

COVID-19

Today, with physical/social distancing in society dramatically increased, providing tens of millions of our customers with reliable connectivity and communications services has become our special mission. We have invested significant effort in adapting our services to customer needs, including by helping people to maintain their social connections as much as possible.

FREE PRODUCTS AND SERVICES

MTS has launched a number of special offers and free services to help people better organize their life and leisure in self-isolation. In particular, users of home internet and cable or satellite TV were able to continue consuming all these services even when they run out of credit, and also benefited from free access to dozens of TV channels. In addition, we have zero rated outgoing and incoming calls to relevant helplines and hotlines set up for the public, as well as to airline office numbers from anywhere in the world. For customers staying abroad, we have also zero rated text messaging to Russian numbers to help them stay connected to their families and friends.

For a token amount of just one ruble, MTS has offered customers of any operator access to a new bundle of digital services, including digital television (TV) and sports, reading and music applications – MTS Fitness, MTS Library and MTS Music – as well as our SmartMed telemedicine app providing an easy way for anyone to get an urgent consultation online with a GP on duty or a specialist doctor from a MEDSI clinic. MTS has also zero rated traffic to popular educational platforms, as well as resources relating to culture or arts.

SUPPORT FOR ENTREPRENEURS

All businesses that did not previously use #CloudMTS, our cloud remote corporate data storage and sharing service, have been offered two months free access. MTS Bank has cancelled fees for existing and new customers who are small businesses or individual entrepreneurs for interbank transfers

to current accounts of legal entities or individual entrepreneurs under all cash management programs, as well as for transfers to accounts of retail payroll customers. MTS has also launched Mneblizko, an interactive map showing operating small businesses. The project allows entrepreneurs to detail the services they currently offer and helps consumers to find out which cafes and stores continue to operate in their local vicinity and learn the details of using their services. The map was designed to support entrepreneurs who are now required to work in a new way, e.g. shift to home delivery of food and ready meals or offer exercise or learning classes online.

RELEVANT SOCIAL INITIATIVES

In addition, we have launched multiple social initiatives to support people in Russia through the lockdown. We have opened a free hotline to offer psychological help to Muscovites, available to everyone who needs professional advice from volunteer psychologists. To help graduating high school seniors (grade 11) prepare for the Unified State Exam during the distance learning period, MTS has developed free online crash courses. In addition, students in grades 5 to 11 were able to practice speaking English for free in conversation clubs accessible via our SmartUniversity app.

MTS teamed up with the Russian Schoolchildren's Movement to launch the nationwide #VSkazkulzDoma children's project with support from Russia's Ministry of Culture. A free audio fairytale hotline and a major reader contest were launched under the guidance of Russian celebrities for children under 14. Over one month since launch, the project volunteers received 50,000 calls from across Russia, with children and their parents spending a total of 3,870 hours (or about five months) listening to fairytales. As part of other social projects (primarily the Generation M project), MTS has organized a number of online activities to help children focus more on creative development during this period. We are supporting online master classes hosted by the State Tretyakov Gallery, virtual tours of the gallery rooms, online auditions and interviews of applicants to the Russian Institute of Theatre Arts (GITIS), etc.

SUPPORT FOR COVID-19 RESPONSE

MTS has already allocated almost RUB 1 billion to fight COVID-19 – providing not only free access to its solutions, medical and educational services for the public, but also assistance to doctors and healthcare institutions, regional communities and volunteers helping elderly people. Together with Sistema Charitable Foundation, we provided free COVID-19 tests to regional hospitals. We have also provided doctors on the frontline of the coronavirus pandemic with free connection for three months and a reduced tariff beyond this period. MTS is also involved in the Folding@home global project focused on searching for a COVID-19 medicine, providing cloud resources to model the novel virus mechanism.

Our employee volunteers have joined the We Are Together project, manning its hotline and advising callers on purchases and deliveries of medicines and essential goods. MTS is supporting volunteers from other organizations by providing necessary equipment to volunteer centers. Training courses for older generations have also been launched to help elderly people to learn to get online medical advice, order home delivery of products and request public services without leaving home.

**MTS continues
to do everything
it can to support
people during these
challenging times.**



OUR ACHIEVEMENTS



Brand Finance consultancy

Brand Finance Telecoms 300 2019 –
the world's 300 most valuable telecoms
operator brands

69th place

The overall
national rating

10th place
by brand strength

**The World Branding Forum global
non-profit organization**

international
**World
Branding
Awards**

MTS won the Brand of the Year award
in the Telecommunications – Mobile
category (National), becoming
Russia's top telecoms brand

Forbes

Russia's top 200 largest private
companies

Top 20

GRI 102-7, 103-1, 201-1, 103-1

BUSINESS MODEL

PARTNERS' HIGH-POTENTIAL SOLUTIONS

Cooperation drives business efficiency as it accelerates time to market for new, unique technology solutions and builds trust with retail and corporate customers

MTS Media

MTS Entertainment

MTS Telecom

MTS Finance

MTS Retail

MTS IT

MTS ECOSYSTEM

MTS IS TRANSFORMING INTO A MULTI-SERVICE DIGITAL COMPANY

Our expansion beyond the telecoms business into new markets, driven by our strong focus on partnership projects and functional support in digital areas such as Big Data and AI, allows us to build a large-scale ecosystem of new digital products.

POPULAR PRODUCT LINE

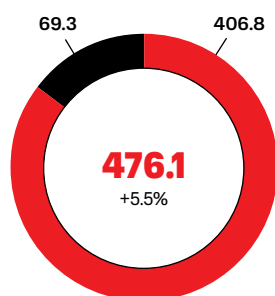
of interrelated products drives a seamless customer experience and a powerful social impact

EFFECTIVE CUSTOMER SERVICE

is delivered through our extensive retail store network, MTS Retail, mobile apps and specialized online resources, all contributing to trust-based relations with private and corporate customers

FINANCIAL HIGHLIGHTS¹

REVENUE BREAKDOWN, RUB BILLION



■ Communications services
■ Sales of goods

Revenue growth is driven by steady growth in the core telecoms market and betting on adjacencies – financial services, system integration solutions, software sales, etc. Strong performance gains were partially offset by a slight decrease in revenue from sales of handsets and accessories

OIBDA
210.3
RUB billion
+2.8%

Net profit
54.2
RUB billion
+692.1%

STAKEHOLDER VALUE CREATION²

CUSTOMERS

Mobile penetration rate
in Russia

170%

LOCAL
COMMUNITIES

Total expenditures for charitable
and social projects

0.86
RUB billion

PEOPLE

Average salary per
employee

603.66
thousand per year

PARTNERS

Total procurement spend
in Russia

107.97
RUB billion

GOVERNMENT

Tax payments
(income tax)

15.75
RUB billion

Average number
of training hours
provided to employees
during the year

15.34
man-hours

SHAREHOLDERS

Dividend per share

28.66 RUB

Total dividends paid

57.32
RUB billion

Headcount at end-2019



■ Moscow
■ Russian regions (including the Moscow Region)
■ Outside Russia

ENVIRONMENT

Reduction in ferrous
and base metal waste
generation

79.78%

Reduction in paper
consumption

19.52%

¹ 2019 IFRS consolidated financial statements. Financial performance is fully detailed in the annual report.

² Metrics selected based on stakeholder surveys.

GRI 102-2, 102-6, 103-1

OUR MARKETS

Mobile TeleSystems Public Joint Stock Company (MTS PJSC)¹ is Russia and CIS' leading provider of mobile and fixed-line services, internet access, cable and satellite TV services, digital services and mobile applications, financial and e-commerce services, as well as converged IT solutions for system

integration, the Internet of Things, remote monitoring, data processing and cloud computing. By providing innovative services and solutions, MTS makes a significant contribution to economic growth and improved quality of life for tens of millions of people in its regions of operation.

MTS GROUP'S KEY MARKETS

Operating segment	Major operators within MTS Group	Target market
MTS Telecom	MTS, MGTS, Stream	<ul style="list-style-type: none"> > Mobile services > Fixed-line services > Broadband services > TV
MTS Retail	MTS retail chain (RTC JSC)	Retail sales of digital services and equipment (including the online store)
MTS Finance	MTS Bank	<ul style="list-style-type: none"> > Banking and financial services > Financial services and applications
MTS IT	MTS IT, ServiceHub	<ul style="list-style-type: none"> > Big Data > Artificial intelligence solutions > OTT applications > Fintech services for banking process automation
MTS B2B Cloud & Digital	MTS, NVision Group, IT-GRAD 1 Cloud, NIS	<ul style="list-style-type: none"> > Cloud services > Internet of Things > Industrial automation > Smart City > System integration > Data centers > Telemedicine > Online education
MTS Media	MTS Media, satellite TV (STV)	<ul style="list-style-type: none"> > Gaming > Online TV
MTS Entertainment		<ul style="list-style-type: none"> > Ticket aggregator (Ticketland and Ponominalu ticket services) > MTS Afisha > MTS Live Arena

¹ For more information about the history of MTS Group see our corporate website at <https://moskva.mts.ru/about/informaciya-o-mts/mts-v-rossii-i-v-mire/o-kompanii/informaciya-o-mts>.



MTS Telecom

MOBILE BUSINESS IN RUSSIA

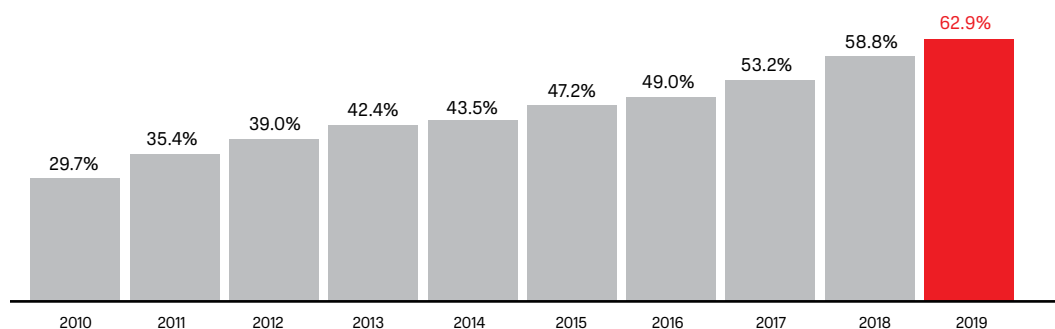
Despite a significant increase in mobile data usage both per subscriber and overall, MTS customers have maintained the same level of voice usage, allowing us to stabilize our ARPU. The proportion of subscribers on bundled tariffs exceeded 63% of the subscriber base. The total number of subscribers in Russia reached 79.1 million at the end of 2019 (86.9 million for the Group), an increase of 1.4% from 2018.

The total number of subscribers in Russia reached

79.1 million
(86.9 million for the Group)

at the end of 2019, an increase of 1.4% from 2018

\\ Mobile data penetration (proportion of monthly active users), %



MTS leverages global experience of developing digital services to tailor offerings that are relevant to various customer segments. In December 2019, MTS for the first time provided its customers with the option of making up their own tariff plan based on artificial intelligence (AI) algorithms. An AI engine analyzes a month's worth of data on a customer's service usage pattern and tailors a plan that takes into account the customer's specific needs and optimizes their mobile and data spend.

The introduction of tailored tariff plans (both personalized and geared to specific target groups) drives both customer loyalty and emotional involvement with the brand, as well as improves customer experience, which is in line with the Company's strategic priorities for 2020–2022.

MOBILE BUSINESS OUTSIDE RUSSIA

Armenia

MTS Armenia CJSC is an MTS subsidiary. The company offers GSM, UMTS and LTE communications services under the trade mark Viva-MTS and accounts for 58% of the market.

The main priority of MTS in the Armenian market in 2019 was to further expand its line of V&D tariffs tailored to the needs of younger customers in addition to the existing plans. Demand for tariff plans increased due to LTE network expansion (now covering up to 78% of the total Armenian population). The subscriber base increased by 3.7% to 2.2 million users as at the end of 2019.

Belarus

Our operator Mobile TeleSystems JLLC (an MTS subsidiary) provides mobile (GSM) coverage to 98% of the Belarusian population. Its communications services are available at all stations of the Minsk subway and along the main highways of Belarus. To increase wireless broadband speeds and expand the coverage of mobile cellular communications services within the Republic of Belarus, 135 new base stations were installed in December 2019, and 222 base stations of the unified LTE network were commissioned. The subscriber base increased by to 5.6 million at end-2019, including 3.7 million data users. In Belarus, MTS continues to demonstrate impressive double-digit growth in financial metrics, with revenue for the full year 2019 increasing by 17.7%.

In a saturated fixed broadband market, the main strategy is to attract and retain customers through focusing on bundled offers, higher access speeds, and rollout of converged services. MTS continues to consistently pursue its strategy of improving the quality of its fixed-line products by upgrading networks, launching digital and interactive TV services and expanding the throughput capacity of backbone infrastructure to deliver a faster experience for its customers. Launches of converged services, which combine fixed and mobile connectivity, are part of the MTS ecosystem development program. As part of its new strategy, MTS intends to significantly increase the number of its converged customers. The All MTS tariff plan was developed to drive this strategy by offering a bundle of services across three telecoms segments:



Residential broadband



TV



Mobile

FIXED-LINE SERVICES

MGTS (part of MTS Group) is Moscow's largest fixed-line operator. MGTS increased its share of the mass broadband market in Moscow to 42% at end-2019, with the share of paid TV market expanded to 45.5%. The number of GPON users has also continued to grow, with the total subscriber base across the mass and business markets expanding to 2.1 million. Growth in fixed-line services is mainly driven by higher numbers of private users (including due to new-build connections); however, with a 60% penetration rate at end-2019, the market is saturated not only in large cities but also in most medium-sized cities. This is largely due to the gradual exhaustion of opportunities for growth through old-build connections.

B2G

Within the Digital Economy of the Russian Federation national project, MTS is implementing projects to bring broadband connectivity to about 5,000 social infrastructure facilities in nine regions of Russia. These facilities include primary care centers and rural health posts, schools, vocational educational institutions, government and local authorities, fire departments, local police stations and National Guard units in the Amur, Kaliningrad, Kemerovo, Leningrad, Tambov, Tver and Yaroslavl Regions, as well as Moscow and Saint Petersburg. Fixed broadband connection provides social infrastructure facilities with access to the ecosystem of digital services MTS offers to its customers to match their needs and objectives.



MTS Retail

MTS retail chain¹ remains our key channel to attract customers, with MTS stores accounting for over 40% of total SIM card sales. The owned retail store network delivers superior performance by both the number and quality of new SIM card subscribers.

MTS remains the largest non-food retail chain in Russia, with MTS's retail network comprising 5,679 stores at end-2019. MTS offices offer customers a full range of services provided by the operator, including fixed broadband and TV services. As touch points for the Company's ecosystem, MTS retail stores drive increased cross sales.



MTS Finance

MTS Bank serves over 5 million users of financial services. The close integration of our financial business with MTS's Big Data capabilities is the Company's key advantage in the Russian

market. Further consolidation will facilitate the shared ecosystem expansion by several times, including a single financial marketplace for banking and non-banking products and services.

\\ Growth by consumer segment, %

Segment	Share
Retail loan portfolio	+67
Special consumer loans (POS lending)	+46
General-purpose consumer loans	+145
Bank cards (credit cards, including MTS Cashback)	+96
Mortgage lending	+25
Retail deposits	+44
Fee products and insurance products	+42
NFC services for contactless payments (Apple Pay, Google Pay, Samsung Pay and MirPay)	+120
Private Banking (premium service), deposit portfolio	+20
Securities portfolio margin	+32
Growth in the average daily transaction volume	+51

Top 50

in terms of repo transactions
(by transaction volumes on the Moscow
Exchange)

39th

MTS Bank's ranking by corporate
deposits (among Russian banks)

¹ Through its subsidiary Russian Telephone Company JSC (RTC JSC), MTS is developing a network of owned monobrand stores in Russia.

PRODUCTS FOR SMALL BUSINESSES

In 2019, MTS Bank significantly expanded its product line for small businesses, individual entrepreneurs and self-employed, attracting over 21 thousand new customers during the year, a 67% increase.

Compared to 2018, its performing asset portfolio increased by 52%, with net fee and commission income up by 34%, and operating income by 20%. The number of foreign currency accounts opened with the bank in 2019 tripled while merchant acquiring turnover grew 3.8 times and sales of cash register equipment 2.5 times.

The small business lending portfolio increased by 48% year-on-year to RUB 1.84 billion. To bolster lending, MTS Bank qualified as a lending institution

entitled to a subsidy from the federal budget to get its lost income reimbursed for loans extended in 2019–2024 to small and medium-sized enterprises (SMEs) at the rate of the preferential lending program for SMEs run by RSMB Corporation and the Ministry of Economic Development of the Russian Federation.

In the reporting period, the Bank's guarantee portfolio amounted to RUB 7.4 billion, a more than 16-fold growth driven among others by the issuance of express guarantees and the promotion of electronic letters of credit. In 2019, MTS Bank continued its active B2B integration with MTS, with customers now able to open a current bank account at an MTS store without visiting a branch.



MTS IT

The segment is focused on developing digital solutions and designing networks requested by corporate customers. As part of the business line, MTS develops proprietary innovative products for building automation, information security and finance management.

In 2019, MTS continued the development of its SME offering. Specifically, in early 2019, the Company launched an online cash register rental service targeting entrepreneurs who had to switch to online cash registers by July 1, 2019, when the new regulations came into force. Renting a cash register allows business people to minimize the respective one-off costs and get access to a stock accounting system and 24/7 technical support.

ServiceHub team, a part of MTS Group, successfully implements IT projects in education, public sector, manufacturing and telecommunications. Currently, the software company develops and implements fintech solutions for banks and other financial institutions. In 2019, ServiceHub launched Goodfin, a new financial services platform. The platform generates a stable flow of customer orders for financial institutions and serves as a powerful customer communication engine. According to ServiceHub, Goodfin audience now includes 56 thousand legal entities. Goodfin is expected to capture 60% to 75% of customer demand for guarantee and loan products in public procurement alone. Negotiations are also in progress to connect insurance and microfinance companies to the platform, with plans to offer a wide range of financial and related products, including from private investors, going forward.



MTS B2B Cloud & Digital

The segment's key growth drivers are cloud solutions, Big Data, smart communications network services, and machine-to-machine-based Internet of Things (M2M/IoT) solutions. Cloud services are the fastest-growing product line, delivering an almost fourfold increase in revenue facilitated by the development of #CloudMTS provider based on own data centers and driven by M&A, including the acquisition of cloud service provider IT-GRAD 1 Cloud LLC.

MTS Group has commenced the construction of Russia's first corporate wireless broadband LTE networks (Private LTE), which will soon become the technological base for the digitalization of large businesses. NVision Group JSC was the system integrator for the construction of Private LTE

networks in partnership with Ericsson, a global leader in information and communications technology. Private LTE networks serve as a digital infrastructure supporting the adoption of a wide range of IoT, Industrial IoT, and other Industry 4.0 innovative services in energy, chemical and other key industries where increased safety and reliability standards are critical.

The Company participates in the implementation of the Autonomous Non-Profit Organization (ANO) Digital Economy project aimed at building a resilient federal network for the Internet of Things, developing Smart Cities, modernizing production facilities, bridging the digital divide and establishing a regulatory framework to promote and implement end-to-end technologies.



MTS Media

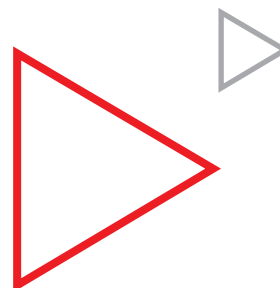
To achieve its strategic goal of building a digital ecosystem, MTS Group is developing an entertainment and media product line. MTS Media manages MTS Group's businesses in all television broadcasting environments. The development

of MTS TV proprietary multimedia platform, filling it with unique content and products, promoting it to gain leadership in the media market, and designing the best user experience are a priority for MTS Media.



MTS Entertainment

The MTS ecosystem building strategy requires the development of MTS Group entertainment business. MTS Entertainment drives strategic business growth in the segment, coordinates asset interactions, and enables synergies and ecosystem effects. Current projects include Ticketland and Ponominalu ticket services, MTS Afisha portal and app, MTS Live Arena, and others.



GRI 103-1, 203-1

NETWORK INFRASTRUCTURE EXPANSION

LTE

MTS continues the development of core telecommunications services – voice and mobile data amidst global digitalization. Building a quality network and increasing LTE coverage remain key focus areas of our business.

We have conducted a massive NB-IoT¹ rollout with over 30 thousand base stations now supporting all the functionalities required to enable the development of the Internet of Things product line.

In 2019, we launched

over **19** thousand
new base stations,
67% of which use LTE frequency bands



Moscow Metro

2G/3G/4G coverage has been extended to all operating Moscow Metro stations and tunnels. The construction is carried out based on a network sharing agreement with MegaFon, with each operator covering 108 stations.

Antarctica

On December 19, 2019, a GSM-900 base station was successfully launched at the Russian Antarctic Expedition station Progress. Similar service will be further launched at Bellingshausen, Novolazarevskaya, Mirny and Vostok stations.

¹ For more information on the technology see our corporate website at <https://moskva.mts.ru/personal/tehnologii>.

5G

5G pilot zones were set up in three Russian regions, including for the following events:

- > Demonstrating smart city solutions, such as Safe Overtaking, Smart Intersection and Safe Pedestrian for the Moscow Department of Information Technology at VDNH (Smart City pavilion)
- > Opening MTS 5G lab (MTS StartUp Hub) for the development of innovative 5G-enabled products at VDNH (Technograd pavilion)
- > Launching 4.9 GHz blanket 5G coverage in Kronstadt
- > Deploying Russia's first industrial 5G network at a KamAZ plant

FIBER-OPTIC COMMUNICATION LINES (FOCL)

Our metro- and local-area FOCL grew by more than 6,100 km in 2019 to almost 250,000 km, with another 6,000 km of new lines planned for 2020.

IT SECURITY

MTS PJSC's information security management system is certified to ISO/IEC 27001:2013 international standard

In 2019, capabilities were expanded, and separate service lines focusing on critical IT infrastructure protection were established in accordance with Federal Law No. 187-FZ On Security of Critical Information Infrastructure in the Russian Federation, as well as a service line around applied solutions in security and monitoring systems. During the year, the Company signed a number of partnership agreements with IT security vendors such as Varonis, Fortinet, Wallarm and others.



GRI 102-15

OUR STRATEGY

BUSINESS DEVELOPMENT STRATEGY

Over the past few years, MTS's business was driven by its 3D (Data. Digital. Dividends) strategy aimed at consistently shifting the emphasis of our business model from voice to data and subsequently to digital services while continuously increasing operational efficiency. We focused on building within the Company a landscape that would serve as a foundation for digital services as well as a tool for business process optimization. As a result, we maintained a confident lead in our core telecommunications market while offering a consistently high level of dividend payments.

We also built important capabilities in core digital areas such as Big Data and AI, and entered a number of related business areas, such as

According to the annual brand valuation of the world's largest companies by Brand Finance¹, a leading consultancy in the area, MTS became the leader among Russian telecom and IT companies with 69th place globally by brand value in 2019 (56th place in 2020). MTS was also a leader by brand strength with tenth place in 2019 and second place in 2020. Brand strength is determined using a balanced scorecard of metrics (Brand Strength Index (BSI)) evaluating marketing investment, stakeholder equity and business performance.



BANKING



MEDIA



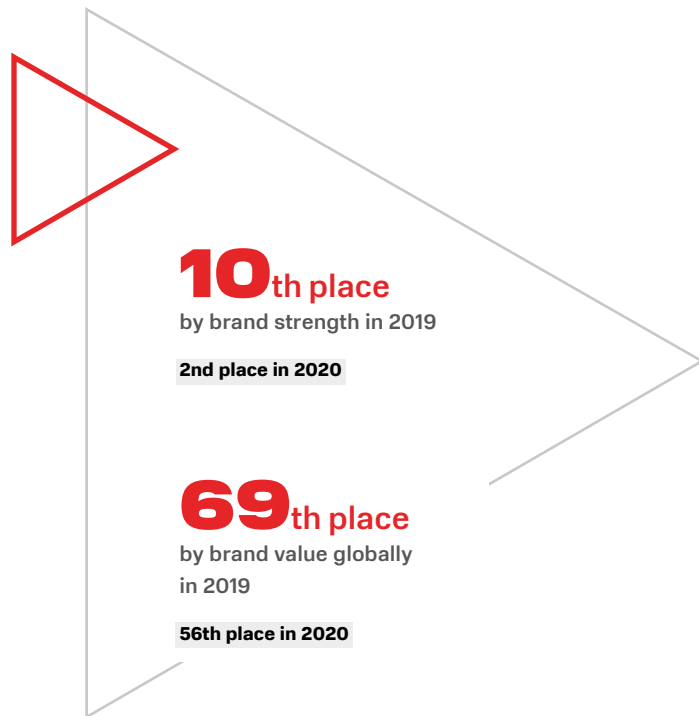
ENTERTAINMENT



CLOUD SERVICES



ETC.



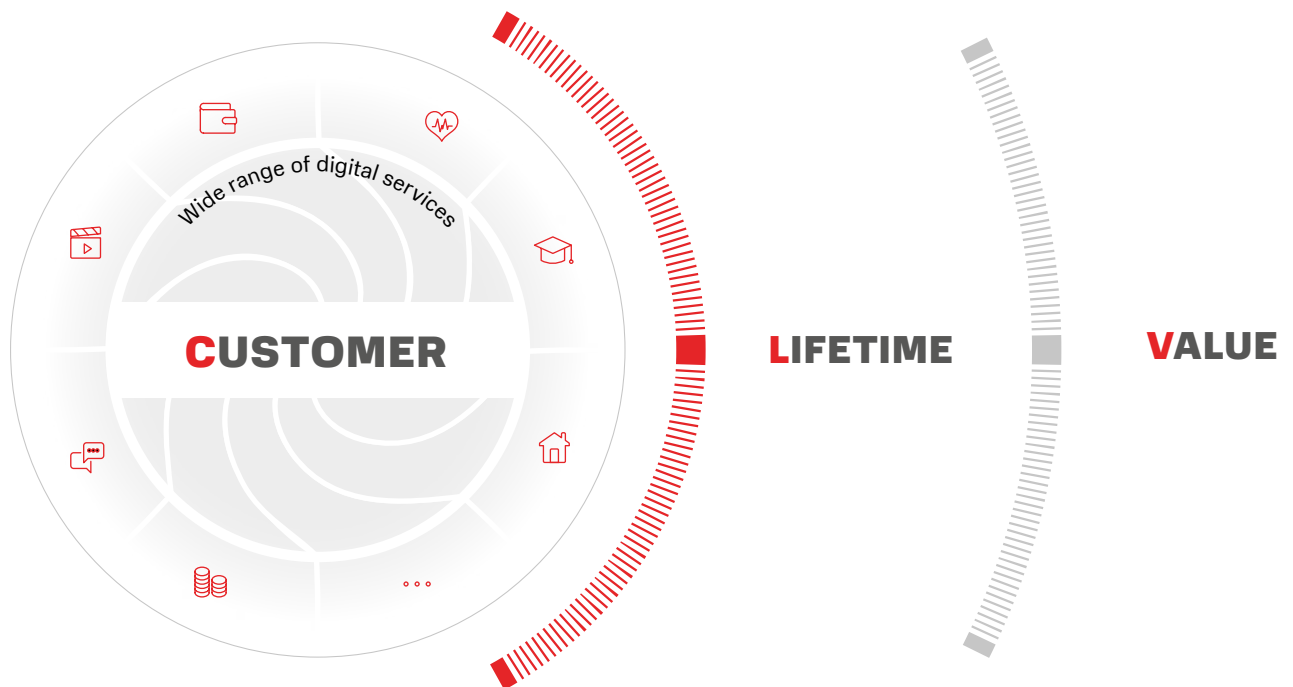
¹ Brand Finance's brand value ratings have been certified by the Marketing Accountability Standards Board (MASB) through the Marketing Metrics Audit Protocol (MMAP), a formal process to verify the relationship between marketing measurement and financial performance: <https://brandirectory.com/rankings>

CUSTOMER LIFETIME VALUE

\\ In October 2019, MTS PJSC's Board of Directors confirmed the current Company listing structure and approved the updated Company development strategy for 2020–2022, CLV 2.0 (Customer Lifetime Value 2.0), which envisages the creation of a large-scale ecosystem of new digital products based on accumulated expertise and leadership achievements in the telecommunications business.

The strategy title is interpreted as follows. Our value proposition is built around the **Customer**, to whom we offer a wide range of digital services. We strive to maximize the customer's **Lifetime** (the period during which they use our services) by evoking and gradually strengthening an emotional connection with the brand, including by operating our business in an environmentally and socially responsible way, and by driving customer satisfaction and loyalty. We focus on offering greater **Value** to the customer while maximizing the value we get from them in the longer term. The "2.0" symbolizes our transition from the philosophy of operating in just one market, telecommunications (indicated as "1.0") to the philosophy of a digital service provider operating in diverse markets and offering a variety of products to meet the needs of customers in various areas of their lives in order to maximize the overall value (both for customers and for the Company) generated by our entire service portfolio.

We are confident that with functional support in digital service lines such as Big Data and AI, our expansion beyond the telecommunications business into new markets, for example, financial services and entertainment, will allow us to transform into a multi-service digital company. We will build our digital product portfolio both based on our own development projects and by involving independent developers and service providers as partners. These mutually beneficial partnerships will allow us to bring more value to the lives of our customers, offering them more innovative, diverse and convenient services. In the near future, we plan to increase the number of partnerships, significantly expand the opportunities offered by our partnership programs and become a partner of choice for market players, enabling value maximization for all participants of the process.

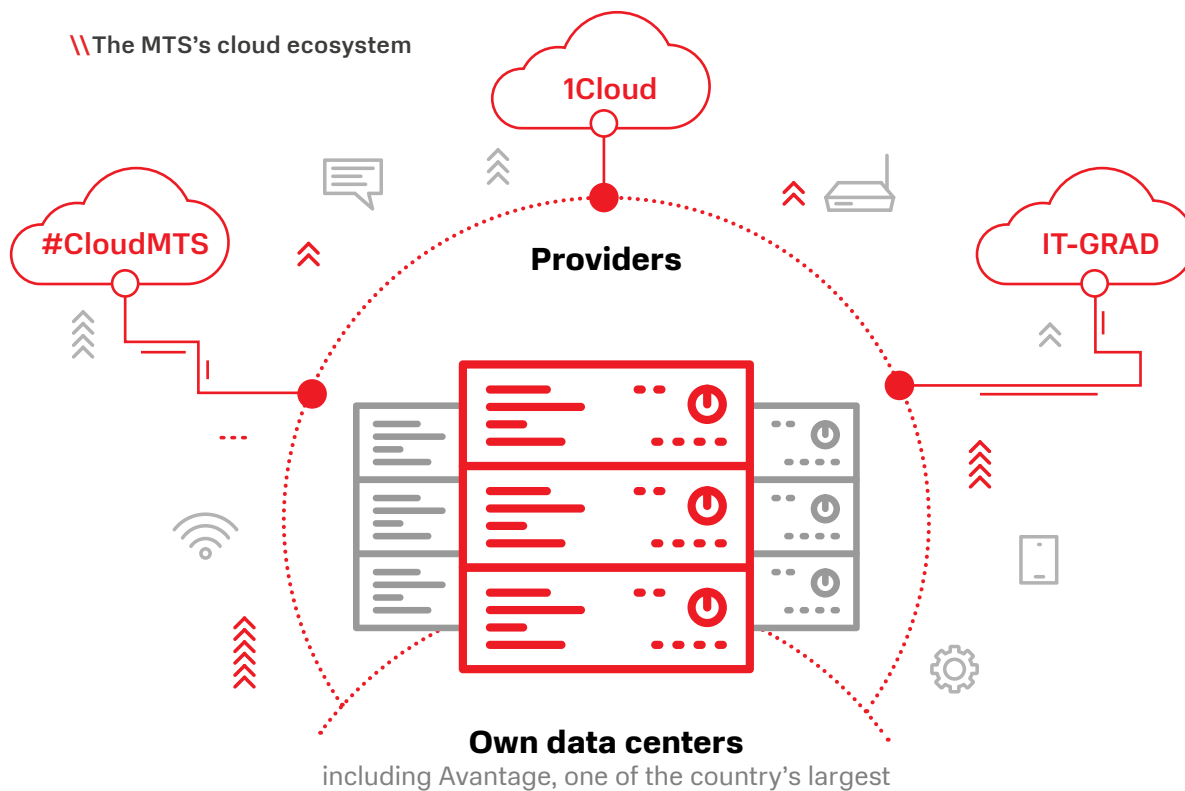


INNOVATIVE GROWTH AREAS

In 2019, the Company merged three digital areas – cloud services, IoT and corporate system integration – into a single business vertical, Cloud and Digital Solutions. Cloud services are the foundation for both driving innovation within the Company and enabling the digital transformation of the national economy.

CLOUD SOLUTIONS

\\The MTS's cloud ecosystem



MTS's cloud portfolio includes infrastructure solutions based on private, public and hybrid clouds, a range of advisory and professional services, as well as data center and telecom services. Our extensive portfolio of B2B and B2G services and solutions, broad geographical footprint stretching from Kaliningrad to Vladivostok, and our focus on innovative service development helped MTS quickly ramp up its presence in Russia's cloud market. During the year, we launched a number of cloud services, for example an antivirus for the public cloud, a completely new service for the Russian market developed jointly with Kaspersky Lab, as well as container computing and DevOps services.

New digital service lines at MTS are developed mainly based on our own cloud. The **SmartMed** telemedicine service uses a certified MTS's cloud segment to store electronic patient records. Our own cloud resources also power the **Smart University**, an e-learning platform, making it possible to adapt the service to the increasingly heavy content of training materials and video lessons. The media platform for gamers, **WASD.TV**, also uses #CloudMTS resources, which ensures high availability, performance and scalability of the service. These benefits of cloud technology are important for any business driven by digital models.

MTS STARTUP HUB

MTS StartUp Hub, our innovation launchpad, includes a corporate accelerator, a 5G incubator, MTS's venture capital fund and international offices. Accelerated development of startup teams is carried out through mentorship, training and expert support to prepare products for piloting within the Company. The accelerator conducted four startup intake campaigns, with over 3,000 teams applying and 58 teams completing the accelerator program. A total of 46 pilots were launched, with 19 of those progressing to the scale-up stage.

In 2019, the accelerator held two startup intake campaigns. Following the spring startup intake campaign, ten pilots were launched in HR, e-sports and fintech. The autumn startup intake campaign brought in 450 applications, a record-high number, with 19 startups selected as accelerator participants.

Over the year, MTS StartUp Hub turned from a corporate accelerator to a genuine open innovation springboard. A **5G Center** was launched at VDNKh in 2019 within MTS StartUp Hub to test startup products in next-generation networks. Nine startups became the Center's tenants, selected out of some 100 candidates, including two international ones. The tenants receive expert and technical support from MTS, with the teams coming up with the best solutions awarded a development grant of up to RUB 500 thousand.

MTS's RUB 1 bn **corporate venture capital fund** was also established in 2019, investing upwards of USD 500 thousand in seed¹ and Series A rounds. The fund is focused on promising startups with strategic value for MTS in areas such as AI, ML and Big Data, IoT, fintech, cloud technology and SaaS, edutech, e-sports and media.

 **>3,000**
teams submitted applications

 **RUB 1 bn**
MTS's venture capital fund,
set up in 2019



MTS StartUp Hub also launched a number of international offices, with our tech scouts now operating in Germany, Israel and Southeast Asia. MTS also signed partnership agreements with Enterprise Singapore and Invest India government innovation support agencies for assistance in innovation sourcing in international markets. Our partnership with Enterprise Singapore also provides MTS's accelerator program participants with access to the Southeast Asia market.

MTS plans to have two startup intake campaigns for its corporate accelerator in 2020 and launch over 15 pilots during the year. MTS's venture capital fund plans at least two startup deals for 2020, subject to the 5G Center conducting several successful technology solution demos in a 5G network.

¹ A seed round is (minimum) targeted support provided to developers to convert an idea into a product or service. The outcome of the investment is an established team with a clear business plan.

PARTNERSHIP PROJECTS

January 2019

MTS

Samara State Medical University

MTS and Samara State Medical University signed an agreement on cooperation in digital health, with plans to open an AI laboratory at the university's Institute for Innovative Development.

June 2019

At the St. Petersburg International Economic Forum (SPIEF 2019)

MTS

Regional administrations of Moscow, Tatarstan, and the Kaluga, Ryazan and Samara Regions

MTS signed cooperation agreements on digital project development with regional administrations of Moscow, Tatarstan, and the Kaluga, Ryazan and Samara Regions.

MTS

Invest India

MTS signed a memorandum of cooperation with Invest India, the country's national investment agency. The agreement involves the search for technology projects in India that could be implemented in the MTS business. The main areas for selection will be e-commerce, telemedicine, fintech and IoT solutions.

MTS

Ericsson

MTS and Ericsson announced joint development and production of 5G-enabled solutions for Russia's smart cities as part of the Housing and Urban Environment national project. The innovative products will be tested based on the joint MTS–Ericsson R&D Center at Innopolis, a technology park in Tatarstan.

2019

September 2019

At the Eastern Economic Forum:

MTS**Enterprise Singapore, the Skolkovo Foundation and Sistema Asia**

MTS, Singapore Enterprise (a statutory board under Singapore's Ministry of Trade and Industry), the Skolkovo Foundation and Sistema Asia signed a cooperation agreement. The partnership is aimed at implementing Singapore's technology startup solutions in products for the Russian market and supporting Russian startups' access to Singapore's market.

November 2019

MTS**Sberbank, Gazprom Neft, Yandex, Mail.ru Group and the Russian Direct Investment Fund**

MTS, Sberbank, Gazprom Neft, Yandex, Mail.ru Group and the Russian Direct Investment Fund (RDIF, Russia's sovereign investment fund) announced the signing of a cooperation agreement envisaging the forging of an artificial intelligence alliance, AI-Russia Alliance, at Artificial Intelligence Journey (AIJ), Eastern Europe's largest AI forum.

MTS**The Ministry of Digital Development, Communications and Mass Media of the Russian Federation, the Ministry for the Development of the Russian Far East and Arctic, and the Far Eastern Federal University (FEFU)**

MTS, the Ministry of Digital Development, Communications and Mass Media of the Russian Federation, the Ministry for the Development of the Russian Far East and Arctic, and the Far Eastern Federal University (FEFU) signed an agreement on the development of the Far Eastern IT cluster on Russky Island. The first project will be building elements of a digital twin of the city of Vladivostok based on MTS's Big Data and IoT technologies.

March 2020

MTS**Skoltech**

MTS and the Skolkovo Institute of Science and Technology (Skoltech) opened an AI laboratory for research in the field of natural language processing.

MTS**Authorities of the Lipetsk Region, Buryatia, Yakutia, Kamchatka, the Sakhalin and Amur Regions and the Khabarovsk Territory**

MTS entered into a number of cooperation agreements with the authorities of the Lipetsk Region, Buryatia, Yakutia, Kamchatka, the Sakhalin and Amur Regions and the Khabarovsk Territory aimed at digitizing the economy, urban environment and social sphere of the regions.

2020

STRATEGIC PRIORITIES

BUSINESS STRATEGY

Customer

- › Seamless experience based on interconnected digital marketplaces
- › Customer centricity
- › Personalized approach

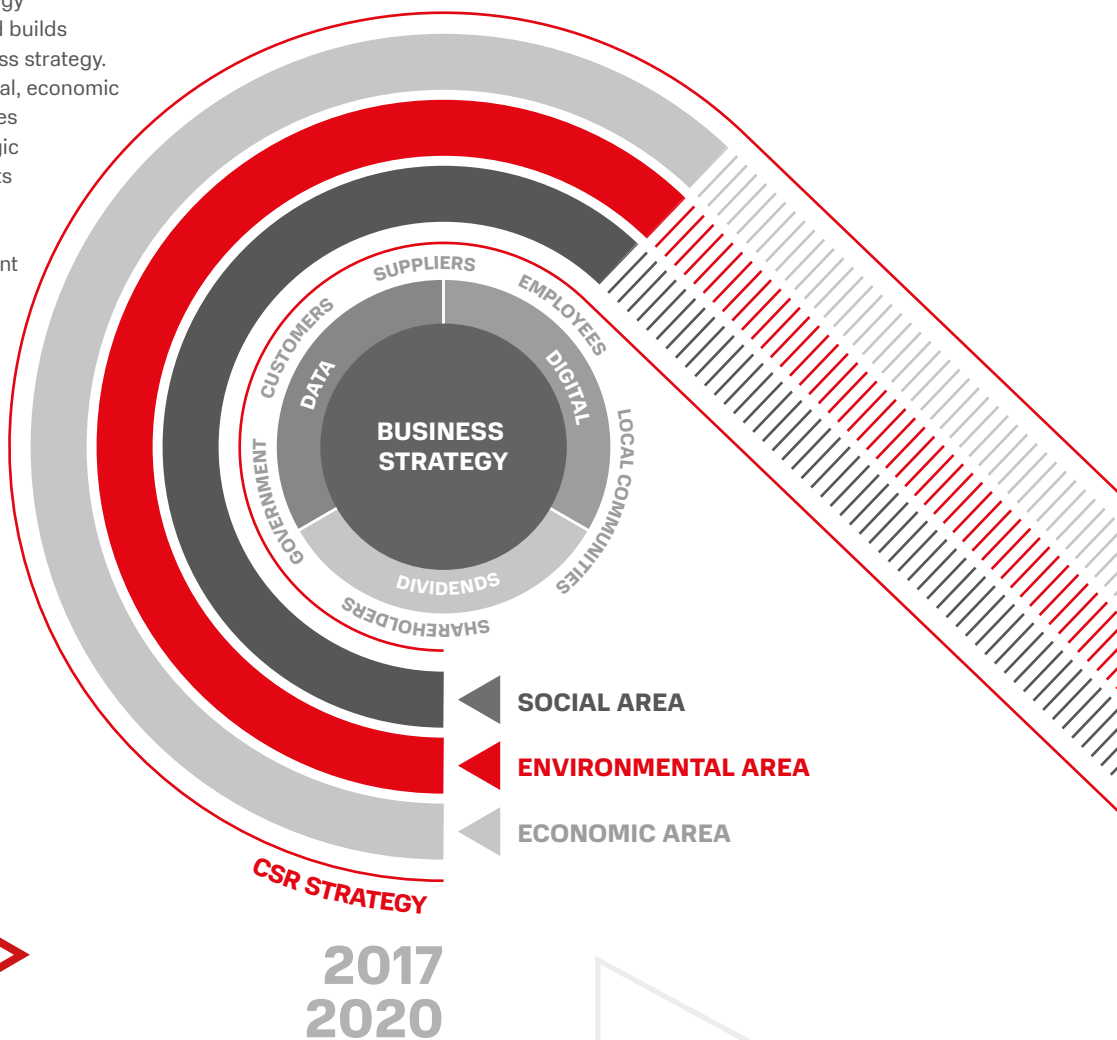
Lifetime

- › Focus on building long-term relationships with customers
- › Focus on maintaining loyalty and emotional connection, including by operating our business in an environmentally and socially responsible way

Value

- › Effective partner engagement and superior customer experience
- › Creation of new value beyond telecoms

MTS's existing CSR strategy was approved in 2017 and builds on the Company's business strategy. Each CSR area in the social, economic and environmental spheres is aligned with the strategic goals and key components of the business strategy. With the update to the business development strategy in 2019, the CSR strategy was also refreshed to maintain a clear link with the Company's development priorities.



MTS's sustainability and CSR efforts in 2019 were guided by the approved CSR strategy, business strategy and HR strategy, UN SDGs (the 2030 Agenda), recommendations of the ISO 26000:2010 international standard, the Ten Principles of the UN Global Compact, and international and Russian best practices in CSR.

2020 2022

CUSTOMER

LIFETIME

VALUE

CUSTOMER

LIFETIME

MTS
ECOSYSTEM

VALUE

CSR STRATEGY

Customer

- › Ensuring equal access to the Company's services, increasing loyalty
- › Security and responsibility for the services provided
- › Creating an innovative environment to find business solutions addressing social issues
- › Environmental responsibility of MTS's business

Lifetime

- › Focus on maintaining loyalty and emotional connection, including by operating our business in an environmentally and socially responsible way
- › Development of services enhancing environmental sustainability
- › Development of projects aimed at environmental protection and sustainable use of natural resources

Value

- › Reinforcing the image of a socially responsible company (the Sustainable Development Report, ESG, IAC and CDP)
- › Creating transparency for shareholders, investors, suppliers and partners
- › Strengthening MTS's corporate spirit and reputation

CURRENT CORPORATE SOCIAL RESPONSIBILITY STRATEGY FOR 2017–2020

**Improving
the quality of life**

**Improving safety for people
and society**

Fostering innovation

**Expanding the range
of customer services**

MTS's CSR system supports the achievement of these priorities through targeted projects in the social, economic and environmental areas addressing the needs of society, shareholders, MTS employees, government, non-profit and non-governmental organizations, partners and suppliers, as well as local communities. An important area of the CSR strategy is building a flexible corporate culture that fosters innovation and enables continuous improvement of our services and technology, which contributes to improving the quality of life.



Social area

MTS offers affordable and innovative services so that our customers in any region and with any income level could use the communications services they need. MTS customers use mobile apps and web resources to shop, pay public transport fares, book concert and movie tickets, manage their finances, and much more. MTS services enable people across the country to have equal opportunities for learning, development and self-realization.

In implementing our HR strategy, we observe CSR principles in respect of our employees, create a favorable environment for work and development, and thus drive labor productivity.

Our employees take an active part in social projects as employee volunteers. The goal of MTS's employee volunteer movement is to improve the quality of life and address the most pressing social issues in our regions of operation, facilitate team building and promote a favorable work climate.

We see charity as an integral part of the Company's CSR agenda. Our activity in this area is governed by the same principles as our social policy.



RUB859.3 mln
spent on charitable and social projects

>10 million
Russians reached by offline social projects



Economic area

We are committed to responsible business conduct, planning and implementing our actions so as to improve the overall social climate, reduce social tension, promote societal change and stimulate social development.

Our activities in all markets of operation strictly comply with applicable local laws and regulations.

As a major, reliable employer, MTS contributes to creating equal opportunities for people in remote areas and large regional centers alike, providing

services such as mobile communications, finance management, satellite and cable TV, and Industrial Internet of Things.

We are always open to cooperation, supporting CSR initiatives of the national governments in the countries of operation, Russian federal and regional authorities, non-profit organizations, and business communities within joint social programs based on equal partnership and subject to applicable legal and other constraints.

>80 million
mobile subscribers

~2.1 million
MTS Bank customers

>700
#CloudMTS corporate
customers

~4 million
TV customers



Environmental area

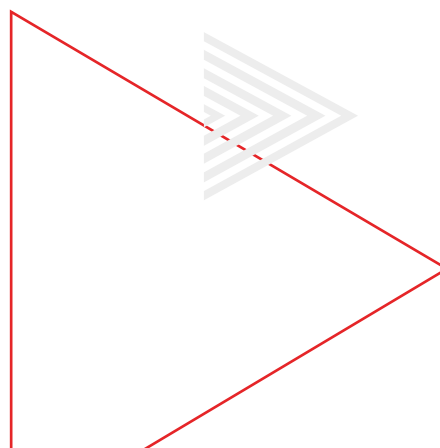
We make commitments to drive environmental sustainability within our business and create a culture of care for the environment and each other among MTS employees, customers and partners.

In our activities, we aim to minimize as much as possible our environmental footprint. In doing this, we comply with the regional environmental laws and follow responsible business practices.

We work to increase energy efficiency of our assets, use green energy alternatives and lead by example to raise awareness of the business and the public about environmental protection.

> RUB100 mln
invested in environmental protection

>90 tonnes
total waste sent for recycling



UN SUSTAINABLE DEVELOPMENT GOALS NAVIGATOR

● Goal targets

MTS Group's projects

In 2019, the Company conducted an employee survey to rank the sustainable development areas by their relevance to the Company employees. The following UN SDGs came out on top by a significant margin:

#3

GOOD HEALTH AND WELL-BEING

- Achieve access to quality essential health-care services

SmartMed **p. 64**

The MTS 120/80 heart care application **p. 64**

#8

DECENT WORK AND ECONOMIC GROWTH

- Achieve higher levels of economic productivity through diversification, technological upgrading and innovation

Digital Economy of the Russian Federation national program **p. 80**

- Endeavour to decouple economic growth from environmental degradation

Alternative energy **p. 130**

- Devise and implement policies to promote sustainable tourism

Urban Legends **p. 112**

- Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation

Human Rights at the Workplace compliance program **p. 48**

- Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities

Inclusion **p. 123**

- Expand access to banking, insurance and financial services for all

Financial Marketplace **p. 70**

MTS Cashback **p. 70**

As part of building a digital ecosystem, MTS Group successfully develops projects for a wide range of stakeholders, including socially oriented services, charitable and environmental projects.

#4

QUALITY EDUCATION

- Provide people across Russia, including socially vulnerable groups, with equal opportunities for learning and development

The MTS Flash and MTS/start internship programs **p. 88**

Path to a Career **p. 92**

Smart University **p. 108**

The Generation M project **p. 113**

Training program for hearing impaired escort interpreters and tour guides **p. 113**

- Ensure education for sustainable development and sustainable lifestyles

Sustainable Business Development course **p. 76**

Our Planet for Kids **p. 76**

#12

RESPONSIBLE CONSUMPTION AND PRODUCTION

- Substantially reduce waste generation

The Environment compliance program **p. 126**

The MTS Environmental Movement community **p. 127**

- Adopt sustainable practices and to integrate sustainability information into the reporting cycle

CDP disclosure **p. 131**

- Promote public procurement practices that are sustainable, in accordance with national policies and priorities

The MTS Auctions platform **p. 68**

#9

INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure

#CloudMTS **p. 19**

Hybrid cloud **p. 66**

Big Data **p. 67**

Smart City **p. 106**

Regional digital modeling system **p. 107**

- Increase integration of small-scale industrial and other enterprises into value chains and markets

Responsible supply chains **p. 75**

- Upgrade the technological capabilities of industrial sectors in all countries

Industrial automation **p. 68**

IoT platform **p. 69**

Private LTE **p. 19**

- Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet

Network infrastructure expansion **p. 20**

Our initiatives are aligned with the UN SDGs, giving us grounds to believe that MTS Group makes a fair contribution to addressing contemporary global challenges.

PARTICIPATION IN NON-GOVERNMENTAL ORGANIZATIONS

GSMA



More details about
the CDP disclosure requirements
the official website

The GSM Association, or GSMA, was formed in 1995 as a body representing the interests of mobile operators committed to deploying GSM¹. The Association unites approximately 750 mobile operators and almost 350 companies in the broader mobile ecosystem, including handset and device makers, software companies, equipment providers, as well as organizations in adjacent industry sectors. The Association focuses on creating innovative opportunities for the development of the global mobile communications industry by its members.

The Company's interaction with GSMA is handled by Strategy. In February 2019, in Barcelona, MTS PJSC, represented by its President Alexey Kornya, made commitments under GSMA's new global climate and environment program approved by the GSMA Board decisions. MTS also publicly announced its commitment to disclose its 2018 environmental footprint via CDP². In 2019, MTS started disclosing environmental data through CDP, joining the global GSMA-led initiative to develop a mobile industry climate action roadmap in line with the Paris Agreement, which is aimed at combating climate change.

In 2019, MTS PJSC's President Alexey Kornya became a member of the new GSMA Board for 2019–2020, the only representative of Russian telecoms on the Board. The GSMA Board has 25 members representing the largest telecom operators globally (AT&T, China Mobile, Deutsche Telekom, Orange Group, Verizon, Turkcell, etc).



¹ GSM — Global System for Mobile Communications.

² The Carbon Disclosure Project, <https://www.cdp.net/en>.

JAC



The Joint Audit Cooperation (JAC) association was established in 2010 and currently has among its members 17 telecom operators from around the world, including Deutsche Telecom, Orange, Telecom Italia, Swisscom, Verizon, Vodafone, and others. MTS became a member in 2017.

JAC targets enhancing the performance of those involved in the Information and Communication Technology (ICT) supply chains, including increased efficiency and productivity for companies and suppliers, reducing pollution and any kind of environmental impact, improved conditions for workers, economic development and reducing risk to ensure continuity of supply.

To ensure sustainability of our supply chain, MTS carries out supplier audits to assess their performance on corporate social and environmental responsibility. An audit of five largest suppliers was carried out under the JAC methodology in 2019, with further six audits scheduled for 2020.

Based on the findings of each supplier audit, an audit report is prepared and a corrective action plan is approved for implementation, which is carefully monitored. Audit reports, corrective action plans and information on their implementation progress are stored in a single database and are available to all JAC members. In selecting a supplier, each counterparty provides information on sustainable development compliance.

In 2019, MTS became a member of the Climate Change Workstream working group established within the JAC association. The working group's objectives are to develop and implement standards for the JAC association members to reduce their negative impact on climate change



The JAC association



THE UN GLOBAL COMPACT



For more information on the workshop see the UN Global Compact Network Russia's official website

In 2019, MTS representatives participated in the following events of the UN Global Compact as experts from the business community:

- > Business Responsibility in the Supply Chain: Modern Standards in the Context of Sustainable Development round table
- > Human Rights and Effective Development Institutions: Openness and Digitalization panel discussion
- > Innovation and Trends in Sustainable Development Business Strategies panel discussion held as part of the Sustainable

Development Day with the support of the UN Global Compact Network Russia at the RANEPA Summer Campus 2019

- > Integration of the Social Mission of Business in Communications: Evaluating Efficiency (a joint workshop by MTS, the UN Global Compact Network Russia and Effie Russia)
- > Business and Human Rights, first international workshop organized by the Office of the UN High Commissioner for Human Rights and the UN Global Compact Network Russia

THE RUSSIAN UNION OF INDUSTRIALISTS AND ENTREPRENEURS



MTS is actively involved in the work of RSPP's Committees on Digital Economy, Intellectual Property, Technical Regulation, CSR and Sustainable Development, and the Commission on ICT.

The Russian Union of Industrialists and Entrepreneurs (RSPP) represents the interests of Russian businesses domestically and internationally, and brings together thousands of Russia's largest companies seeking to improve business environment, boost the profile of Russian businesses domestically and internationally, and maintain the balance of interests between society, government and business.

In its drive for practical work, the organization holds high-level conferences on topical economic issues attended by Russian and international businesses, as well as top federal authority officials.

THE RUSSIAN MANAGERS ASSOCIATION



The Russian Managers Association, a leading business association, works towards professional development and building a highly capable community of managers, transition to socially responsible business practices and integration into the global economy. The organization is an independent expert platform that enables businesses to develop aligned approaches to the most topical social and professional challenges confronting the management of Russia's major companies, society and the government.

MTS's participation in the Russian Managers Association's committees provides opportunities for networking with other participants from a variety of industries, as well as influencing the development of the strategic agenda and views of Russia's business community.



HOW WE MANAGE SUSTAINABLE DEVELOPMENT ASPECTS

PROBA Awards 2019,
a national communications award
**Russian Association of Public
Relations**

the nation's
leading
marketing
award
Effie Russia

MTS won Effie's highest award
in the **Contribution
to Society
and Sustainable
Development:
Brands category**
for its Generation M charity
project, and also received a special
acknowledgement for effective
integration of the UN SDGs in corporate
communications

MTS ranked
among the
top 15
companies
and became
the leader among
IT and telecom
companies

First sustainable
development ranking
of Russian companies
**Expert
Media Holding**

MTS tops the
**social
efficiency
ranking**
of major
Russian companies

Social efficiency
ranking of major
Russian companies
**AK&M
Rating
Agency**

MTS won in the
**Effective
Grand Prix
category**,
with its Cultural Code
initiative, recognized
as the most effective social
project. The project was
the winner in the Corporate
Communications category

MTS is among the leaders
of the **MOEX-RSPP
Responsibility &
Transparency index**
and **MOEX-RSPP
Sustainability
Vector index**

Sustainable
development
indices
RSPP

GRI 102-20

SUSTAINABLE DEVELOPMENT MANAGEMENT SYSTEM



CSR KPIS FOR 2019

Number of Social Idea projects in 2019 considered for implementation within the Company's business

307 projects

Share of regions in mts's socially important projects

50% (+8 pp)

Share of mts group employee volunteers participating in social programs

14%



COMPLIANCE COMMITTEE

- › Anti-corruption
- › Security of personal data processing
- › Occupational safety
- › Observing human rights
- › Compliance with environmental standards

OCCUPATIONAL HEALTH & SAFETY

IR

PROCUREMENT MANAGEMENT

- Supplier code of business conduct:
- › Environmental protection
 - › Human rights

BUSINESS ETHICS AND COMPLIANCE DEPARTMENT

MARKETING DEPARTMENT

External audience involved in volunteer campaigns

125 thousand people (+20%)

GRI 102-12

QUALITY PRODUCTS AND SERVICES TO MEET THE NEEDS OF CUSTOMERS IN VARIOUS AREAS OF THEIR LIVES IN ORDER TO MAXIMIZE VALUE FOR CUSTOMERS AND THE COMPANY

PROMOTE THE QUALITY OF LIFE AND SAFETY FOR AN INDIVIDUAL AND SOCIETY THROUGH FOSTERING INNOVATION

PARTICIPATION IN MAJOR INTERNATIONAL AND NATIONAL INITIATIVES

- **GSMA**
- **The JAC association, CSR supplier audits**
- **The UN Global Compact (as a Signatory)**
- **The Russian Union of Industrialists and Entrepreneurs (RSPP, through Sistema PJSC)**
- **The Russian Managers Association**

PUBLIC REPORTING

- › Sustainable Development Report (endorsed by the RSPP Board on Non-Financial Reporting)
- › Reporting under the CDP international system

THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

The Board of Directors and the Management Board of MTS PJSC are the main governing bodies exercising oversight of CSR matters, including the environmental policy and climate-related activity. Their responsibilities include approval of the CSR strategy and social initiatives, as well as monitoring of the implementation and effectiveness of social initiatives, including in environmental protection. A member of the Management Board and Vice President for Human Resources, as well as the CSR Department (headed by a Department Director) in HR Management are responsible for planning, implementation and consolidation of CSR activity. Employees of regional units, including managers in the HR and talent management functions, as well as Marketing and PR employees, oversee the planning and implementation of MTS's regional social climate initiatives.

MTS PJSC's Board of Directors is responsible for reviewing the annual Sustainable Development Report and monitoring the performance against project and program objectives. The Board

of Directors receives regular updates on relevant risks, including climate change risks. A risk status report for MTS PJSC's risks is reviewed quarterly by the Risk Committee, which discusses the Company's key risks and makes collective decisions on mitigation measures. The Risk Committee is chaired by MTS's President. The Strategy Committee of MTS PJSC's Board of Directors oversees the IT and technology strategy. The IT strategy includes the energy saving policy.

The Strategy Committee of MTS PJSC's Board of Directors and the Management Board of MTS PJSC annually review the technology strategy which includes energy saving and energy efficiency programs, use of energy efficient equipment and the implementation of alternative energy sources – matters that are the responsibility of MTS's Chief Energy Officer. Regional offices annually present their local energy saving and energy efficiency targets and programs aligned with MTS's overall technology strategy.

THE CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The CSR management system is aligned with the Company's business processes and MTS's new business strategy with the customer at the center of its ecosystem. As its business ecosystem develops, so does MTS's responsibility to all stakeholders. Cross-functional projects in CSR and sustainable development matter now more than ever. The role of the CSR Committee in these aspects is paramount as it facilitates the achievement of the set goals and addressing today's complex challenges.

The Committee is an advisory body under a member of the Management Board and Vice President for Human Resources of MTS PJSC. The Committee was established in 2011 to coordinate partnership programs, communicate the Company's CSR policy internally and externally, foster a CSR environment within and around the Company, consolidate and ensure the efficient use of Company resources in integrated CSR projects, conduct independent

reviews of Sustainable Development Reports and approve annual work plans of the Corporate Center and clusters.

The CSR Committee working group includes nominees from the following MTS's units:

- > CSR Department at HR
- > Administrative
- > Marketing
- > Sales and Customer Service
- > Procurement Management
- > Internal Control and Audit
- > Corporate and Legal
- > Corporate Security
- > Strategic Communications Department
- > Business Ethics and Compliance Department
- > Finance and Investments
- > HR Management
- > Cluster regional development directors
- > Partners and recognized experts in CSR.

In 2019, meetings in person and by absentee voting discussed the following matters:

- > presentation of the CSR and sustainable development strategy for 2019
- > presentation of the outcomes of MTS PJSC's self-assessment according to ISO 26000:2010
- > presentation of CSR and sustainable development KPIs
- > the Approval of the Material Topics and the Concept of the 2018 MTS Group Sustainable Development Report facilitation session
- > approval of the 2018 MTS Group Sustainable Development Report
- > approval of MTS's CDP Climate Change Questionnaire for 2018.

As the impact of MTS Group's sustainable development projects grows, plans for 2020 include restructuring the CSR Committee into the Sustainable Development and CSR Committee. To achieve the strategic goals in sustainable development, the Company has to develop effective cross-functional interaction between its divisions. For example, the Carbon Management Working Group was set up under the CSR Committee to facilitate the Unified Carbon Management Program and MTS PJSC's climate change risk assessment.



In 2019, the CSR Committee developed a set of CSR and sustainable development KPIs. All the KPIs are linked to the Company's strategic priorities and grouped into thematic blocks: environmental, social, territories of operation, quality, and safety and security.

SUPERVISORY BOARD FOR CHARITY

The Supervisory Board for Charity is a collective body under the Strategic Communications Department. The Board supervises MTS Group's charitable activities, endorses and approves the list of charitable projects to be funded out of MTS Group's charity budget.

The Supervisory Board For Charity:

- > approves the Company's annual charitable activity plan
- > approves the charitable projects that emerge during the year and not included in the annual charitable activity plan
- > decides on increasing funding for a charitable project if such a request is initiated during the project implementation.



GRI 102-9

PROCUREMENT MANAGEMENT

The procurement management process is designed to enable business development, serve the interests of the Company and guarantee the best value for money. Procurement is carried out in accordance with MTS PJSC's Procurement Rules¹, developed in accordance with applicable laws and aimed at efficient use of funds, promoting competition and transparency. Equal access to procurement procedures is ensured by establishing a level playing field for all participants before a procurement procedure begins.

The Company has MTS PJSC's Supplier Code of Business Conduct², containing minimum standards that suppliers are expected to comply with. In addition to operating ethically and with integrity, the Code emphasizes the need for supplier compliance with environmental laws and human rights.



See more information
on the Procurement Rules



See more information
on MTS PJSC's Supplier
Code of Business Conduct

COMPLIANCE COMMITTEE

In 2016, the Company established the Compliance Committee under MTS PJSC's President, which includes the President, top managers reporting directly to the President, and Vice President for Business Ethics and Compliance who is chairing the Committee.

The Committee was set up to make decisions related to the development and implementation of compliance programs which together form the Unified Compliance System. The main objective of the Compliance Committee is to drive the implementation of the compliance risk management policy, including risks of non-compliance with health and safety standards, environmental laws, human rights at the workplace laws and standards, as well as other aspects of sustainability activities.

In 2019, five Compliance Committee meetings were held with the following matters reviewed:

- › setting KPIs for the employees who are functionally responsible for compliance programs, implement assignments of the Committee and are on the working group under the Committee
- › allocation of necessary resources for the implementation of compliance programs
- › approval of an action plan to increase employee awareness of compliance program training courses and raise the profile of compliance programs as elements of the Unified Compliance System.



The compliance risk management system is part of MTS Group's integrated risk management process. In 2019, a scheduled risk review was carried out with the compliance programs updated accordingly.

¹ For more information on the Procurement Rules see our corporate website at <https://tenders.mts.ru/>.

² For more information on MTS PJSC's Supplier Code of Business Conduct see https://tenders.mts.ru/upload/SUPPLIER_CODE.rar.

GRI 102-16, 102-29, 103-1, 103-2, 205-2

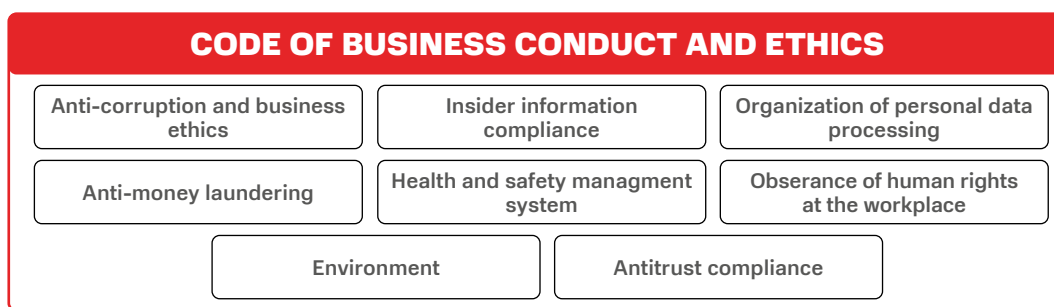
MTS'S CORPORATE RESPONSIBILITY PRINCIPLES

MTS strives to be an example of transparent and ethical business practices for all stakeholders in all jurisdictions in which it operates.

Efforts in priority CSR areas are driven by relevant functions, each of which implements its compliance program and risk minimization system. Monitoring

of compliance with the laws and internal regulations is carried out as part of the Company-wide compliance system.

Compliance aspects of MTS Group's sustainable development¹



CODE OF BUSINESS CONDUCT AND ETHICS

MTS's Code of Business Conduct² and Ethics (the "Code") contains key principles and a set of standards and requirements that Company employees follow in their day-to-day operations. The provisions of the Code are based on the applicable Russian laws and generally accepted business ethics principles. Sections of the Code set forth the Company's responsibility in its relations with employees, customers and society. The Code also sets out procedures for interaction with partners and suppliers, and provisions on the role of management, protection of intellectual property, and dealing with reported breaches of the Code. The Code contains information about all compliance programs within MTS's Unified Compliance System.

All employees familiarize themselves with the provisions of the Code when commencing employment. Regular trainings in various aspects of business conduct are also included in the corporate training plan. An updated e-learning course on the Code of Business

Conduct and Ethics was offered in 2019, reaching all MTS Group employees. A video message from MTS's President to the employees on the Code of Business Conduct and Ethics was published on the intranet portal.

The Unified Compliance System is certified to international standards:

**ISO 19600:2014 –
Compliance management systems**

**ISO 37001:2016 –
Anti-bribery management systems**

¹ For more information on the Unified Compliance System and the international certificates of the programs that comprise it see the Compliance and Ethical Behavior Culture section of the 2019 MTS PJSC Annual Report.

² For more information on the Code of Business Conduct and Ethics see our corporate website at: <https://moskva.mts.ru/about/komplaens-i-delovaya-etika>.

MTS also joined the Anti-Corruption Charter of the Russian Business.

ANTI-CORRUPTION

MTS's Anti-Corruption Program is based on recommendations of regulatory authorities and relevant international organizations, as well as best practice in developing corporate anti-corruption compliance programs. Steps are taken to engage management in the development and implementation of the program (the "Tone from the Top"). To disseminate up-to-date anti-corruption practices, training is provided to employees and members of the management bodies on the principles and standards of compliance with applicable anti-corruption laws in the Russian Federation as well as other jurisdictions. In addition, regular corruption risk assessment is carried out and anti-corruption procedures are implemented. We ensure there is a due diligence process for both legal entities as counterparties and individuals with whom the Company intends to sign a permanent or a temporary employment agreement.

A classroom anti-corruption compliance training course was taken by over 22 thousand MTS Group employees in 2019, and over 52 thousand employees of the Company and its subsidiaries completed the updated Anti-Corruption Laws Compliance e-learning course. An open dialog webinar for employees was held with the Director for Business Ethics and Compliance. Throughout the year, articles and posts on anti-corruption compliance were published in the corporate magazine and in the compliance blog launched on the intranet portal, and anti-corruption posters were displayed as screensavers on corporate desktops and laptops. Every year on October 23, the Company marks the corporate Ethics and Compliance Day. The events of the day, held for the employees of MTS and its subsidiaries in Russia and beyond, include trainings, master classes, compliance contests and webinars. The slogan of the 2019 Ethics and Compliance Day was "Compliance is good, it's the right thing, and it's ethical".

ANTITRUST COMPLIANCE

The Company continuously monitors changes in the antitrust legislation, analyzes antitrust practices and risk prevention experience at other companies, improving its control procedures and adapting training and information materials for its employees.

The annual risk review completed in 2019 found no significant changes in the Company's antitrust risk map. Employee guidance was provided on an ongoing basis, the antitrust compliance manager participated in the business processes

that are significantly exposed to antitrust risks, i.e. pricing, contracting, interactions with telecoms operators, etc.

Employee training is an important element of the compliance system. In 2019, the training of employees on antitrust requirements continued, including introduction of a remote training course, which made it possible to expand the training geography and involve more employees compared to previous periods.

CONTROL OVER THE USE OF INSIDER INFORMATION

As a company whose securities are traded both in Russia and the U.S., MTS places a strong emphasis on maintaining an effective system of protecting insider information. The Company operates a system of measures, procedures and processes aimed at preventing breaches of insider information laws. This framework rests on two core documents, the Insider Information Legislation Compliance Policy and the Regulations on the Principles and Procedures for Preventing Trading on MTS's Insider Information. These documents establish the procedure for using

insider information and access to it, the procedure for maintaining the insider employee list and the list of insider information items, as well as the procedure for submission of information upon requests from the Bank of Russia and the Moscow Exchange.

Since 2014, the Company has run a classroom training program for all of its insider employees. All employees familiarize themselves with the Company's regulations aimed at preventing breaches of insider information laws.

PERSONAL DATA PROCESSING OPERATIONS

MTS implements the concept of a diversified holding company that develops diverse services for a single customer base. This strategy calls for increased attention to personal data security. In 2019, the Company further improved its approach to personal data processing as prompted by the ongoing business process transformation, introducing business process-level automated personal data processing control systems¹. A template was introduced enabling legally viable exchange of information with international counterparties. The risks of non-compliance with personal data laws are reflected in the Company's risk management system and are reviewed on a quarterly basis.

In 2019, 3,576 MTS employees took a remote training course on the Personal Data Processing at MTS According to Federal Law No. 152-FZ.

The procedure for subscribers' personal data processing is set forth in the terms and conditions of communications services that are an integral part of our service contract². Where personal data processing involves MTS's partners, a special confidentiality agreement is signed that requires the partners to perform personal data processing, sets forth the requirements for the processing

procedures and ensuring personal data security, and the information security tools required when transferring such data.

To prevent confidential information leaks from the intranet, potential leak channels are monitored. This monitoring process is an integral part of our data protection and data breach detection framework. The Communications Confidentiality and Information Security Department of MTS's Integrated Safety and Security Center monitors user access to information covered by communications confidentiality policies. When instances of unauthorized access to such information are detected, internal investigations are conducted, with the findings submitted to law enforcement authorities.

To minimize the human factor, posters are displayed in the Company offices explaining the principles of handling personal data and the requirements for their protection with technical means. Screensavers reminding users that confidentiality of personal data must be ensured are displayed on corporate computers. All new employees take a mandatory brief training course on personal data processing, with mandatory testing at the end of the course.

¹ Documents governing personal data processing:

- Federal Law No. 152-FZ dated July 27, 2006 On Personal Data, including amendments requiring that processing of Russian nationals' personal data be localized in Russia
- Resolution of the Government of the Russian Federation No. 687 dated September 15, 2008 On Approval of the Regulations on the Specifics of Non-Automated Personal Data Processing
- Resolution of the Government of the Russian Federation No. 1119 dated November 1, 2012 On Approval of Requirements for Personal Data Protection when Processing Data in Personal Data IT Systems
- MTS PJSC Personal Data Processing Policy.

² The terms and conditions of services and the MTS PJSC Personal Data Processing Policy are available on the Company's official website.

GRI 102-17

ANTI-MONEY LAUNDERING

The Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation Financing (AML/CFT/CPF) program at MTS was developed based on the requirements of the applicable laws. The Regional Security Department monitors the subscriber base on a daily basis for any individuals that are on the list of persons designated as terrorists/extremists. Any customer attempt to conduct a high-risk transaction triggers a check against the invalid passport database

and the terrorist/extremist list. The Company also monitors on a daily basis contract terminations with account balance refunds and other dubious transactions made by subscribers¹.

In 2019, the Company approved the new version of its Anti-Money Laundering and Combating the Financing of Terrorism Policy. Checking candidates and employees against the terrorist/extremist list has also been automated.

HEALTH AND SAFETY MANAGEMENT SYSTEM²

The Company operates a two-tier health and safety management system focused on creating a safe working environment, prevention of occupational injuries and employee workplace safety training.

The annual health and safety budget has been on an upward trend as the Company's headcount grows.

HUMAN RIGHTS AT THE WORKPLACE

MTS fully supports the globally recognized approach to observing human rights and seeks to guarantee and protect human rights through the continuous improvement of its feedback system. In 2019, the Company continued to develop its Human Rights at the Workplace compliance program in accordance with the recommendations from the self-assessment under ISO 26000:2010, Guidance on social responsibility, and the business process-level compliance risk assessment outcomes from an audit conducted by an external consultancy. In addition to generating risk maps, recommendations were also developed under the program on improving the control environment. The human rights compliance risk management system is part of MTS Group's integrated risk management, with the relevant risks reviewed on a regular basis. A Business and Human Rights webinar was organized for Company employees.

The Company operates a Single Hotline for employees to get professional advice from relevant functions. Employees can use the Single Hotline to resolve issues related to compliance with the Code of Business Conduct

and Ethics and to organizational conflicts, report abuse of office and breaches of the Anti-Corruption Laws Compliance Policy or the Conflict of Interest Management Policy. When contacting the Single Hotline, employees may choose not to provide their e-mail for feedback. The Company protects all employees using the hotline against all forms of retaliation or discrimination. In 2019, 74 reports were received on the Single Hotline regarding employee rights at the workplace. All reports were handled in a business-as-usual manner.

In 2019, work continued in the Inclusivity and Creating an Inclusive Environment for People with Disabilities area. Audits of several MTS's Moscow offices and retail stores³ were conducted (including surrounding grounds) to assess their accessibility for people with various types of disabilities and reduced mobility. The Understanding Disability and Communicating with People with Disabilities webinar was produced. The Human Rights at the Workplace section was created on the intranet portal. The mandatory supplier's questionnaire was updated to include questions related to human rights.

¹ In accordance with the Federal Financial Monitoring Service's Order No. 103 dated May 8, 2009 On Approval of Recommendations for Developing Criteria for Detecting and Identifying Signs of Unusual Transactions..

² For more information on the system see the Our Employees section.

³ Russian Telephone Company JSC.

ENVIRONMENT⁴

In its activities, MTS strives not only to have a minimal impact on the environment but also to reduce this impact to the best of its ability. In achieving this objective, the Company is guided by Russian environmental laws and principles of responsible business conduct, and strives to enhance the environmental culture among its employees and partners and to implement services based on advanced technologies.

As part of our efforts to promote the Environment compliance program, regular mandatory trainings for branch managers and environmental safety officers were conducted in 2019. A total of 27 facilities with adverse environmental impact were

registered across nine branches. A new paper waste storage system was introduced in offices following the enactment of new separate waste collection requirements. Environmental protection and safety experts analyzed all categories of the Company's products/works/services specified in the Procurement Policy to determine their impact on environmental protection and safety.



A new paper waste storage system was introduced in offices following the enactment of new separate waste collection requirements.



⁴ For more information on this aspect see the Environment section of this Report.

GRI 205-1**INTELLECTUAL PROPERTY MANAGEMENT SYSTEM¹**

As a company that sees innovation as a key to success, MTS treats intellectual property as a most valuable asset. MTS protects its intellectual property and respects the intellectual property of other market participants. To this end, MTS PJSC Code of Corporate Conduct and Business Ethics has been supplemented with the Protection of Intellectual Property section.

The Company has approved the Policy on Managing Intangible Assets at MTS PJSC and its Subsidiaries, which sets out the principles for managing, recording and auditing intellectual property, and describes the principles, components and operating procedures of MTS Group's intellectual property risk management system.

To drive risk management, we have included intellectual property (IP) clauses facilitating IP risk prevention in all internal documents regulating IP-related business processes. Risks are registered

in a dedicated automated system and reviewed annually starting from 2019.

To enable effective management of MTS Group's intellectual property, a dedicated division, Intellectual Property Management Group, has been set up within Corporate and Legal. The team includes experts with the status of a patent attorney.

MTS Group employees are provided with regular training in the rules of handling intellectual property. The Intellectual Property section launched on the intranet portal allows every employee to learn about the rules of handling intellectual property and about applicable regulations, as well as to view recordings of employee trainings.

In 2019, the Corporate and Legal Block was awarded by the legal community in the Best Legal Departments national contest for effective intellectual property management.

RISK MANAGEMENT SYSTEM AND SUSTAINABLE DEVELOPMENT RISK MAP

MTS Group has an approved Integrated Risk Management Policy. Integrated risk management is aimed at providing reasonable assurance that the Company will achieve its strategic objectives and that MTS Group's risks are kept within the levels acceptable to the Company management. Risk management at MTS Group complies with the generally accepted conceptual framework of risk management². Our risk register is updated on a quarterly basis.

Risk management is integrated into the policy development, strategic, budget, investment, business planning and change management processes, as well as purchasing procedures.

The most significant risk factors that are related to CSR priority areas and could potentially affect MTS PJSC's performance are listed below

¹ The system will soon be integrated into MTS PJSC's Unified Compliance System and certified to ISO 19600:2014 and ISO 37001:2016.

² Enterprise Risk Management – Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

GRI 102-11

RISK FACTORS BY CSR PRIORITY AREA

Risk description	Risk mitigation	Impact on objectives
Economic and social instability		
Economic and social instability, as well as possible future economic downturn or slowdown in the countries in which the Company operates may lead to lower demand for MTS's services and have an adverse impact on the financial position of its corporate customers and partners, including financial institutions, which could subsequently lead to a decrease in the Company's income and lower performance, as well adversely affect the security of its assets	MTS monitors the macroeconomic situation in the markets in which the Group operates, and responds promptly and effectively to changes in the general economic environment, primarily by using pricing tools. The Company strives to constantly expand its service range, stimulate consumption, and improve customer satisfaction in the corporate and mass segments. MTS is strongly focused on creating optimal conditions for attracting external financing and monitoring the size, cost and structure of its debt, making it possible, in particular, to offset the negative effects of currency exchange fluctuations driven by high volatility in foreign exchange markets	Achievement of sustainable business development
Regulatory risks		
Our business in the countries in which we operate is regulated by applicable local laws, in particular, by regulations and licensing requirements. Laws covering communications services are constantly evolving	MTS regularly monitors national laws to make sure it complies with relevant requirements. As a market participant, the Company collaborates with regulators within working groups tasked with optimizing the regulatory framework for the communications industry. Particular attention is paid to regulatory risks in the strategic planning process	Achievement of strong operating results; regulatory compliance
Compliance risks		
MTS securities are traded on the U.S. stock market, making the Company subject not only to Russian, but also to U.S. anti-corruption laws (U.S. Foreign Corrupt Practices Act), and potentially to the UK anti-corruption law (UK Bribery Act)	Starting from 2012, when a standalone compliance unit was set up at MTS, the Company has consistently developed an anti-corruption compliance system in line with global best practice. The Company has in place special rules and procedures to prevent corrupt practices by employees or counterparties. The key documents regulating anti-corruption requirements within the Company are the Code of Corporate Conduct and Business Ethics and the Anti-Corruption Laws Compliance Policy. The procedures ensuring compliance with anti-corruption laws are also formalized in MTS's business process regulations	Promoting integrity and ethical business conduct, and prevention of abuse
Tax risks		
Tax systems in the countries of operation undergo constant changes. Relevant laws may be interpreted ambiguously	MTS complies with tax laws in the countries in which the Group operates. The Company promptly responds to any changes and monitors current trends in lawmaking and tax laws in Russia and beyond to enable timely comprehensive decisions related to tax planning and customs regulation. Qualified experts are engaged on a regular basis	Achievement of sustainable business development; regulatory compliance

Risk description	Risk mitigation	Impact on objectives
Social risks		
MTS PJSC's ability to maintain its competitive position and implement its business strategy largely depends on the performance of its employees. Care for employees is one of the Company's key priorities determining its success in today's market	<p>MTS Group constantly improves social and labor relations, focusing on the following areas:</p> <ul style="list-style-type: none"> > social support > opportunities for career development and personal growth. <p>To enable effective communication with the Company's personnel, a number of opportunities are provided for any employee to contact management, as well as express their views on MTS development prospects and plans, to submit proposals for optimizing certain business processes and services as well as for introducing new services. To assess the internal climate within the Company, regular social studies are conducted, enabling us to benchmark our HR strategy and tactics against the actual expectations of our employees</p>	Building an attractive employer brand; building high-performance teams; developing innovative products
Occupational health and safety risks		
Potential risks of health and safety breaches related to employee training, medical examinations, provision of personal protective equipment (PPE), compliance with sanitation and hygiene standards, special assessment of working conditions, etc.	<p>MTS PJSC has in place an OHSAS 18001:2007 certified Occupational Health and Safety Management System (OHSMS). The OHSMS covers the organizational structure; planning; division of responsibilities; procedures, processes and resources for developing, implementing and achieving goals as well as for reviewing the performance of health and safety policies and measures. The main objectives of the OHSMS include monitoring compliance with laws and other regulations on health and safety. Specialists undergo regular health and safety training.</p> <p>MTS has adopted a number of local regulations governing key aspects of employee health and safety. These documents contain all the basic requirements and instructions related to health and safety, including the procedure for internal control of working conditions.</p> <p>Health and safety initiatives at MTS are focused on prioritizing protection of employee life and health in the workplace, improving the health and safety management system, conducting timely health and safety trainings for managers and specialists, arranging for initial and periodic medical examinations for employees, providing employees with protective clothing and other PPE items as required, as well as conducting operational control and special assessments of working conditions</p>	Ensuring employee safety
Risks of human rights violations		
Potential risks of human rights violations related to compliance with the Russian labor laws, non-discrimination and ethical behavior, public statements, insurance payments, etc.	<p>The Company regularly conducts self-assessment of its sustainable development management system for compliance with ISO 26000:2010, Guidance on social responsibility, involving an external consultant. The key areas covered by the self-assessment are Human Rights and Labor Practices. Based on the self-assessment results, recommendations are developed for improving business processes promoting sustainable development.</p> <p>MTS has adopted local regulations governing the main issues related to the observance of human rights in the workplace. The documents formalize the key principles covering respect for human rights and conduct of Company employees.</p> <p>MTS has in place the Single Hotline for employees to report difficult work situations</p>	Comfortable working conditions with equal opportunities to unlock employee creative potential

Risk description	Risk mitigation	Impact on objectives
Environmental risks		
<p>Non-compliance with environmental reporting requirements</p> <p>Conducting activities without registering a facility with an adverse environmental impact</p> <p>Breaches of environmental control and monitoring standards</p> <p>Conducting activities without appropriate permits for air emissions or waste management</p>	<p>To comply with the requirements of environmental laws and ensure environmental safety at MTS facilities, the Company has developed the Environmental Safety and Protection Policy.</p> <p>The Policy formalizes the need for proper permitting and information updates, along with objectives in planning, financing and providing material and technical support for environmental programs and environmental protection measures; the need to take environmental protection training and run environmental operational control procedures (a set of preventive measures aimed at eliminating the risk of emergencies and environmental damage).</p> <p>Changes in the requirements of environmental laws are monitored at the Corporate Center level and in the regions.</p> <p>MTS regularly funds the costs associated with waste management and air pollution control, as well as with mitigating regulatory risks in environmental protection and with bolstering MTS's profile as an environmentally sustainable business.</p> <p>Organizational, technological and sanitation/hygiene measures are implemented to prevent and reduce the adverse impact of economic activities on the environment and human health</p>	<p>Compliance with Russian environmental laws; compliance with national and international environmental protection standards; improving employee environmental awareness and education; implementing environmental community projects; openness and availability of environmental information; reducing adverse environmental impacts; and sustainable development focus</p>
Risk of information security breaches		
<p>Unauthorized acts by employees and partners in violation of the Information Security Policy, as well as unlawful acts by third parties may lead to a breach of confidentiality, integrity or accessibility of information, including subscribers' data leak, which may disrupt core business processes, cause a loss of market share, lead to complaints from subscribers, regulators or partners, and have a material negative impact on MTS's reputation, business, financial position, performance results and prospects</p>	<p>MTS's Information Security Policy is aligned with international standards and Russian legal requirements governing information security.</p> <p>A centralized information protection system has been set up, comprising uniform measures to protect various types of restricted information in line with ISO 27000 standards and Russian regulations on data privacy, communications confidentiality, trade secrets, and insider information. Personal data is protected according to the third level of personal data protection prescribed by Russian laws.</p> <p>In addition, communications confidentiality is protected in communications networks supporting protection-enabled communications devices in line with international communications standards and the requirements of the industry regulator.</p> <p>MTS PJSC provides information protection services under licenses issued by the FSTEC and FSS of Russia for technical and cryptographic protection of confidential information, and for information security events monitoring</p>	<p>Ensuring continuity and security of the Company's business processes when migrating to digital technologies amidst growing cyber risks and tightening legal requirements for information security</p>

GRI 205-1

VALUES WE CREATE

The Russian Corporate Philanthropy
Leaders in the Sustainable Development
Paradigm ranking
**Donors Forum, PwC,
Vedomosti newspaper**



MTS was ranked among
Russia's **top 5** companies
and recognized for the best approach
to sustainable development
management.

The Generation M project was named
the best project promoting sustainable
development through information
technology





HR Brand Award
HeadHunter

MTS's Cultural Code volunteer initiative was recognized as the best socially-oriented project in the Big Heart category. The WorkForce

Management (WFM) retail system and MTS Fountain Challenge, a street fountain programming competition, were among the winners in the Federation and Region categories



Ranking of the Best
Companies for Work
and Career
Rabota.ru

The Company was awarded in
**the Leadership
Index category**

GRI 103-2

MTS FOR SHAREHOLDERS

\\ Our sustainable development strategy adds to the MTS investment case. Demonstrating transparency in sustainable development drives the Company's share price performance and is an important consideration for investors.

In 2019, MTS Group was among the leaders of the MOEX-RSPP Responsibility & Transparency index and MOEX-RSPP Sustainability Vector index¹. The RSPP indices are included in the international database of sustainability indices and ratings, the Reporting Exchange. The Moscow Exchange has been using these indices since 2019 to calculate eponymous stock indices which include top companies from the RSPP indices.

MTS was praised for the high quality, world-class level of its public reporting.

Maintaining strong, trust-based relations with shareholders and investors and engaging with them directly in line with applicable laws and international best practice is a top priority

for MTS. The Company has an effective information disclosure system² designed to meet the listing rules of the Moscow Exchange and the New York Stock Exchange, and ensure transparency (NYSE: MBT, MOEX: MTSS).

In 2019, MTS's IR team³ produced over 100 press releases, blog posts and other written notices, and held over 120 meetings with leading institutional funds, including in the course of 12 international investor conferences in Moscow, New York, London and other cities.

MTS entered the **top 10**

10 Russian companies with the best practices of climate change disclosure under CDP.

MTS entered the **top 15**

in the sustainable development ranking of 100 largest Russian companies by Expert Media Holding and became the leader among IT and telecom companies⁴.

¹ Annual Reports: The Experience of Leaders, 16th Annual Practical Conference. Reports as a Source of Information for Sustainability Indices: <https://raex-a.ru/files/%D0%A4%D0%B5%D0%BE%D0%BA%D1%82%D0%B8%D1%81%D1%82%D0%BE%D0%B2%D0%B0.pdf>.

² Expert Media Holding's sustainable development ranking: <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/raskritie-informacii>.

³ IR – Investor Relations.

⁴ Expert Media Holding's sustainable development ranking: <https://expert.ru/ratings/renking-ustojchivogo-razvitiya/>.



2019 INVESTOR CONFERENCES attended by the Company

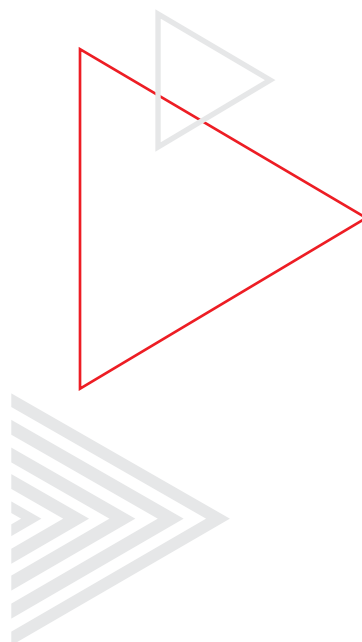


MTS held its Investor Day in Moscow on November 25, 2019, with the new development strategy for 2020–2022 unveiled by management.

The 2019 Investor Day became MTS's biggest IR event in recent years, with over 400 participants attending in person or watching the webcast, including more than 20 analysts from research teams of leading Russian and global banks. The event also received Russian and international media coverage, with more than 10 stories published in quality newspapers and magazines, including RBC, Vedomosti, the Financial Times, Light Reading, and others.

> 400 participants
at the Investor Day

- > Moscow Exchange Forum
- > BAML Emerging Markets Debt & Equity Conference
- > Sberbank CIB "Russia: The Inside Track" One-on-One Conference
- > HSBC Global Emerging Markets Investor Forum
- > UBS LATEMEA One-on-One Conference
- > BAML Global Telecoms & Media Conference
- > RenCap 23th Annual Russia Investor Conference
- > Citibank GEMS Conference 2019
- > HSBC GEMS Investor Forum 2019
- > Moscow Exchange Forum: London Session
- > VTB Capital Investment Forum Russia Calling
- > WOOD Winter Wonderland EME Conference



List of ESG-related investor questions

?	Does the company have an environmental policy?	p. 124
?	Does the company disclose its CO2 emissions via CDP?	p. 131
?	Has the company had any breaches of environmental standards?	p. 126
?	Has the company paid any fines to government authorities in the past five years for any failure to comply with environmental laws?	p. 126
?	Does the company have a social policy?	p. 84
?	What channels are available to employees to raise concerns about dubious business practices and/or unsafe workplace conditions?	p. 48
?	Does the Board of Directors consider ESG factors in its discussions and activities?	p. 42
?	Do the Audit Committee and the Remuneration and Nomination Committee of the Board of Directors consist only of independent directors?	p. 42
?	Does the company have an anti-corruption policy and/or a compliance system?	p. 46

In addition to the Annual Report, presentations summarizing progress under CSR programs are sent out to the Company shareholders in preparation for the Annual General Shareholders' Meeting. This contributes to better alignment of values between management and investors.

DIVIDEND POLICY

On March 21, 2019, MTS's Board of Directors approved the new dividend policy for 2019–2021, according to which the Company committed to a dividend payout of least RUB 28.0 per ordinary share (RUB 56.0 per ADR) per calendar year.

Under the new dividend policy, payments will be made on a semi-annual basis, with a full-year dividend payment for the preceding year and payment of interim dividend for the first half of the current year. In determining the payout level, MTS will consider a number of factors, including cash flow from operations, capital expenditures and the Company's debt position.

In addition to regular payments under the dividend policy, the Company may further increase shareholder returns through a share buyback program in the open

market. When making a decision on the launch and size of a buyback program, the Board of Directors will take into account the current availability of funds, operating performance, amount of debt and future cash requirements of the Company, as well as the overall market situation.



Full text
of the dividend policy

List of ESG-related investor questions

Item	2017	2018	2019
Total dividends paid, RUB bn	52.00	52.00	57.30
Dividends paid per ordinary share	26.00	26.00	28.66
Dividends paid per ADR	52.00	52.00	57.32

¹ The total includes dividends on treasury shares and may differ from the net cash dividend flow as reflected in our corporate financial statements.



MTS FOR CUSTOMERS

QUALITY AND CUSTOMER EXPERIENCE EXCELLENCE

\ In 2019, MTS Group adopted the Company's development strategy for 2020–2022 towards a global digital ecosystem

The new approach envisages creating additional value for customers using our multiple services and a high degree of internal process integration. As part of this approach, a new system was developed to drive customer experience surveys and feedback analysis, covering all business areas. Customers can now leave their feedback or report a problem at any touchpoint and feel confident that we will get back to them at all times. MTS keeps the customer perspective first and uses customer satisfaction as the key internal performance metric, improving products and processes in all value chains of its ecosystem.

The Company strives to make customer communications seamless, simple and unobtrusive, to earn customers' trust and become a true lifestyle partner for them. The introduction of personalized communications in online channels has provided an important driver in attracting new customers and maintaining strong, trust-based relationships with existing ones. Along with new technology rollouts in digital channels, MTS transforms the customer experience in traditional channels, which still have relevance for customers.

>80 million
mobile subscribers



DIGITAL SOLUTIONS FOR RETAIL CUSTOMERS



Smart tariff

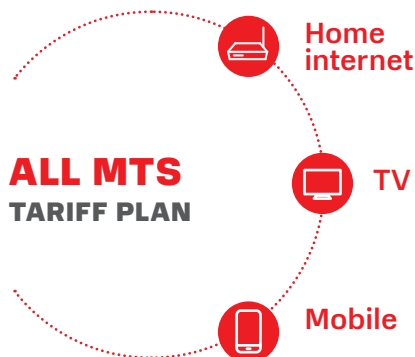
MTS leverages global experience of developing digital services to tailor offerings that are relevant to various customer segments. In December 2019, MTS for the first time provided its customers with the option of making up their own tariff plan based on artificial intelligence (AI) algorithms. An AI engine analyzes a month's worth of data on a customer's service usage pattern and tailors a plan that takes into account the customer's specific needs and optimizes their mobile and data spend.



Converged services

Launching converged services is part of MTS's ecosystem development program.

Combining the benefits of fixed and mobile communications, MTS developed the All MTS tariff plan that bundles three types of telecoms services:



51

regions of Russia

the geography of our converged services

The Company is the only operator in Russia that provides access to satellite TV on top of the standard service range (telephony, internet, cable TV and IPTV). As of the end of 2019, the geography of our converged services covered 51 regions of Russia. Any existing mobile and fixed-line services can be added optionally to the All MTS bundle:

- > Thematic/premium TV packages
- > High-speed home internet
- > Rewinding and recording in interactive TV
- > Protection of children from inappropriate content in the interactive package
- > MTS mobile service discounts
- > Using the mobile account as a single account to pay for all services





UltraHD resolution in the cable network

MTS was the first among terrestrial cable pay-TV operators to launch a 4K UltraHD channel in its DVB-C cable network and on a satellite platform. MTS provides more than 180 digital-quality TV channels, including more than 40 HD channels and four UltraHD channels. Digital TV penetration in 2019 remained at 90%. The starter package includes some 140 channels, including more than 20 HD channels and one UltraHD channel. It is the largest starter package in the regional markets, which is also included in all bundled offers with broadband access and telephony. As part of its fixed network upgrade and development investment program, the Company plans to develop high-speed broadband services in its regions of operation, with speeds of up to 500 Mbit/s in 2020–2023.

>180 digital quality
TV channels

>40 HD TV channels

4 UltraHD (4K)
TV channels

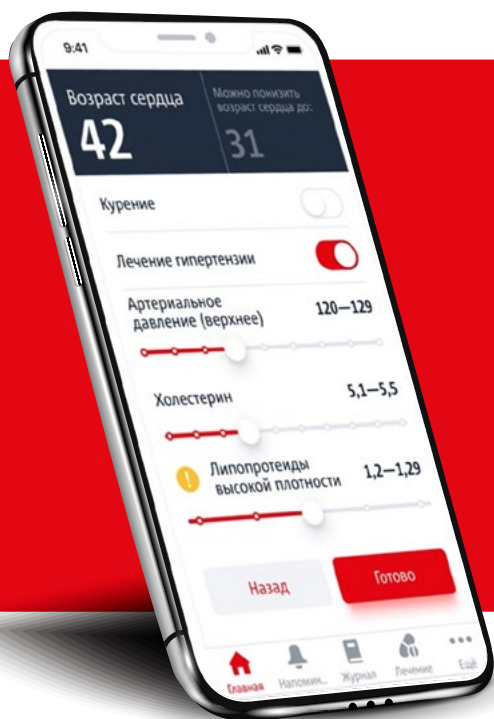
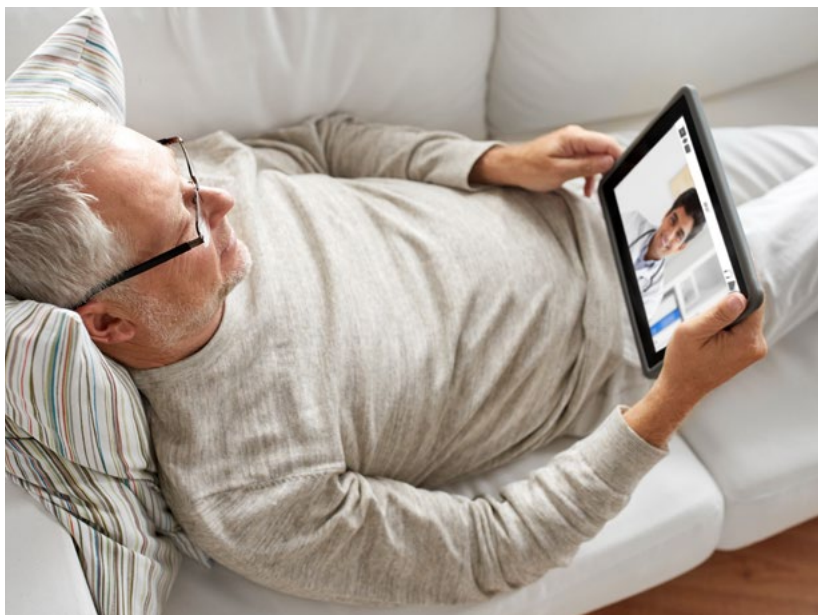
In 2019, MTS continued to develop its new TV platform which enhances traditional TV experience with interactive components.

The SmartMed telemedicine service



The launch of our SmartMed service was a milestone development for the telemedicine space. The app allows patients to consult medical specialists from the MEDSI chain of clinics from anywhere through video call or chat. All necessary medical documents (the electronic medical record, history of seeking medical advice, prescriptions and lab test results) are stored in the secure #CloudMTS cloud and can be accessed from a smartphone anytime.

The MTS 120/80 application



In 2019, MTS developed the MTS 120/80 heart care app in collaboration with the National Medical Research Center for Cardiology of the Russian Ministry of Health. The app makes it possible to calculate the health age of the heart, functions as a medication reminder and can set up an online consultation with a cardiologist or any other medical specialist through the SmartMed telemedicine service.

As the user enters daily blood pressure readings, the application builds a graph that presents the data in a visual form. The application alerts the user if their blood pressure becomes abnormal.



Smart Home



1300

users

of the MTS 120/80 heart care application in its first month

Towards the end of 2019, MTS commenced a project to develop a smart speaker with a virtual assistant named Marvin. The speaker can read news, play music or audiobooks, control Smart Home devices and give answers to user questions. The device was in beta testing as at the end of 2019.



5G networks

An innovation landmark of 2019 was MTS launching the rollout of the new 5G mobile communications standard on the Company's infrastructure. The standard will enable multiple new products and services to benefit our customers.

In 2019, MTS together with Moscow's Department of Information Technology launched a 5G network pilot area at VDNKh. The purpose of the trial network is to test Smart City solutions aimed at improving safety and security, developing the transport system and municipal service management

systems, and designing smart city products based on augmented and virtual reality. MTS is involved in the activities of ANO Digital Economy's Center of Excellence aimed at developing secure 5G networks in Russia.



4G in the Moscow Metro

More than two million people use the MTS network in the metro daily. The average weekly mobile data usage by metro passengers is 360 TB, with the total data usage growing fivefold and LTE traffic by almost eight times from the beginning of 2019. MTS was the first operator to start developing a 4G network in the Moscow Metro in 2015.

With the construction of the 4G network completed across all tunnels and stations of the Moscow Metro, peak data speeds can now reach 200 Mbit/s due to inter-band carrier aggregation in the 1,800 MHz and 800 MHz bands. Average data rates in regular passenger traffic is about 35 Mbit/s, enough to use messengers, browse social media or check e-mail, play online games and watch streaming video without frame freezes, all as the train travels through the tunnel. These services account for over 70% of total mobile data usage by metro passengers. Customers can also use VoLTE technology, enabling voice calls.

>2 million subscribers
using MTS's underground 4G network
in the Moscow Metro every day

200 Mbit/s
data speed within the Moscow Metro
after the construction of the 4G
network is completed



For more information
on the technology see
our corporate website

DIGITAL SOLUTIONS FOR CORPORATE CUSTOMERS



Amidst the digitalization of all sectors of the economy and digital transformation of businesses, government and society, MTS offers a wide range of digital products and services that contribute to improving the quality of life for people and driving business growth for our corporate customers.



In 2019, the Company merged three digital areas – cloud services, IoT and system integration – into a single business vertical, Cloud and Digital Solutions. Our capabilities in digital product development, coupled with customer feedback

on the products we launch, enable us to continuously expand our product portfolio of in-demand digital solutions for B2B and B2G. These solutions help our customers transition to a digital company model, drive efficiency and revenue.



Hybrid cloud

In October 2019, the #CloudMTS provider launched services for creating private and hybrid clouds based on the Avantage data center. Hybrid cloud involves simultaneous use of both private and public cloud. In private cloud projects, companies use dedicated IT equipment that runs an individual cloud for each

of them. Banks can use private clouds to lower their IT spend while ensuring compliance in terms of bank secrecy and personal data rules, while retailers can turn to hybrid cloud to ensure they have enough capacity to process all orders received at peak times such as sale periods.

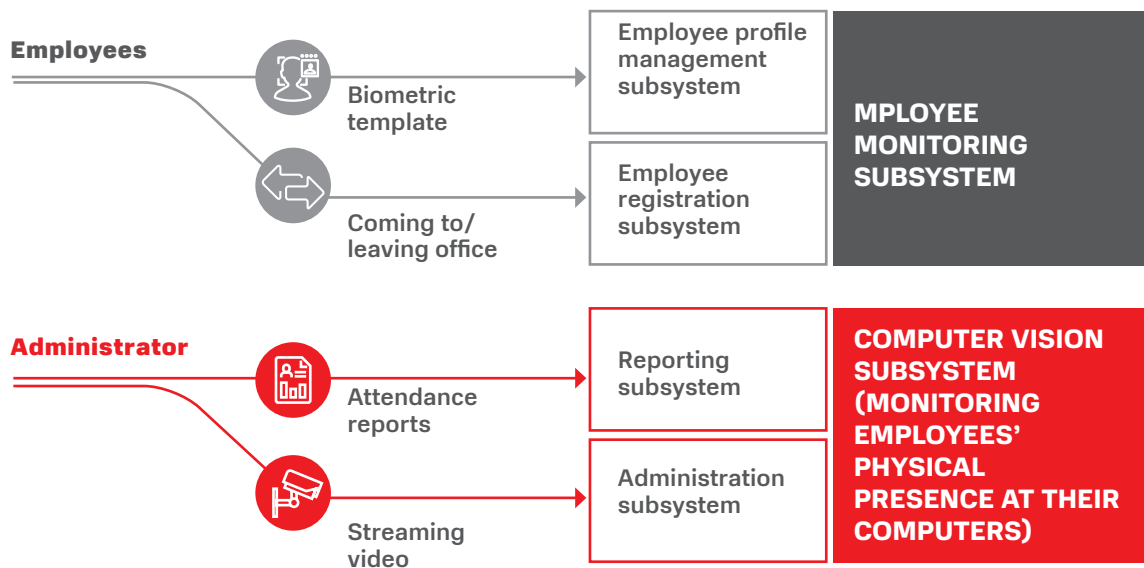


Employee time tracking

In 2019, NVision Group developed an IT system to automate office-based employee time tracking processes using biometric facial recognition.

The system rollout will reduce the labor intensity of work time reporting through time tracking automation and drive overall improvement of HR decisions.

System overview



The Big Data project

The Company has been actively developing its Big Data¹ project since 2015. Priority areas are telecom, fintech, media business, as well as digital business solutions. MTS successfully develops the bank scoring and geoanalytics service lines, with scale-up plans for these products. In 2019, the Company launched recommendation engines for MTS Cashback, MTS Library, etc., and introduced SpamBlackList and WhoCalls products to protect customers from unsolicited calls. A unique advantage of SpamBlackList and WhoCalls services is that they run on MTS's side, not on the user's device. The user

does not need to install any third-party applications or grant third parties access to their contact list.

As a part of our fintech business, the Big Data team has implemented a number of successful projects for MTS Bank. Currently, Big Data technologies are actively used in many business processes of the Bank, from risk assessment and anti-fraud models to smart promotion of banking products and generation of personalized offers for its customers.

¹ Big Data technology.



Industrial automation

The Industrial Automation Center was established at MTS in 2019 to help Russia's industrial enterprises increase their efficiency. The center develops a comprehensive IoT solution to drive employee safety in manufacturing, mining and construction.

The product allows the user to build a "digital twin" of an employee in real time and track their movements and tasks performed, helping businesses improve labor efficiency.



E-procurement platforms

Continuing its focus on further business diversification, MTS was the first Russian telecoms operator to announce expansion into e-procurement platforms. At the moment, the MTS Auctions covers lots featuring real estate, IT and process equipment, rolled metal products, motor vehicles, household

appliances, furniture, and other categories of items for sale. One of the main benefits of the service is that large telecommunications, financial, industrial and IT companies can sell items that are not used or are about to be written off.



Online cash registers for small businesses



In 2019, MTS continued to develop services for small and medium-sized enterprises (SMEs). In early 2019, the Company began to lease out online cash registers. This solution targets the small business owners who were required by the law to start using online cash registers by 1 July 2019. Leasing an online cash register allows small business owners to minimize the one-time costs of purchasing cash registers while also gaining access to an inventory accounting system and 24/7 technical support.



A marketplace for individual entrepreneurs and the self-employed

In February 2020, MTS launched an online marketplace with IT products for micro-businesses and the self-employed. Customers of the marketplace can subscribe to useful IT services for their business without having to install any special software or third-party applications.

65
thousand

users in the MTS Kassa
subscriber base

43.2
thousand

online cash registers
sold in 2019

Antivirus protection of IT resources and corporate data in the public cloud



The solution was developed in a technology partnership with Kaspersky Lab and integrated into the virtual infrastructure of the MTS cloud. The Antivirus Protection of Virtual Machines service targets companies that choose cloud deployment of mission-critical corporate systems

and applications, such as online store websites, databases or accounting systems. The service will also be relevant for customers handling citizens' personal data and required to comply with the data privacy laws.

A cloud service to protect personal health-related data processed by healthcare institutions



The MTS solution can help customers ensure compliance with Russian laws and optimize personal data storage and processing IT infrastructure costs. The service enables cloud deployment of IT systems that collect and process personal data of customers of outpatient and dental clinics, as well as diagnostic, fitness, and wellness centers. The service relies

on a dedicated #CloudMTS segment certified to comply with the Federal Service for Technical and Export Control (FSTEC) requirements and fully complies with the requirements of Federal Law No. 152-FZ dated July 27, 2006 On Personal Data and respective legislative enactments.

IoT in Belarus



In 2019, MTS's subsidiary in Belarus (MTS JLLC) launched a range of initiatives to roll out the IoT technology. These included pilots in the utility sector to create products for remote collection and feeding of electricity meter readings in apartment blocks and single dwelling units, as well as for monitoring municipal waste removal. The Smart Cow Collar pilot was also implemented with NB-IoT enabled collars monitoring the physical activity of cows.

In 2019, the Company launched the Internet of Things tariff plan for smart devices in urban infrastructure, agriculture, utilities, as well as for monitoring systems and industrial devices.



Digital solutions for business in Belarus

The Company developed functionality for a solution offering electronic signature on a SIM card.

The technology, called MTS ID, is available in the personal account of retail customers and individual entrepreneurs with the Ministry of Taxes and Duties of the Republic of Belarus, as well as on the Social Security Fund portal and in the electronic document and packing slip exchange service.

The **MTS Communicator solution** was also launched, offering a secure, stable and cost-efficient platform for reliable and timely text messaging through SMS and Viber.

MTS BANK – FINANCIAL PRODUCTS



Products for small businesses

In 2019, MTS Bank significantly expanded its product range for small businesses, launching four new lending products:

- > **Credit PRO** — an unsecured general purpose loan for businesses with fast approval;
- > **Credit Lite** — an instant loan with the loan limit calculated automatically based on the business transaction volume as per the fiscal data operator;
- > **a pre-approved no-hassle overdraft** for MTS Bank customers;
- > **a pre-approved overdraft** for active users of MTS Bank account with an optimized approval process based on aggregated data.

MTS Bank also launched a corporate card that can be used for cash deposits and withdrawals at any ATMs.



RUB 90.7 bn
retail loans

1.14 million
credit and debit cards issued

5 million
users of MTS Cashback



Products for the self-employed

The new, recently implemented taxation regime (professional income tax) has formalized the self-employed into a separate group of individual taxpayers. Following up on these developments, MTS Bank launched an online service for the self-employed in its New MTS Bank retail banking application. The service enables the user to register with tax authorities as a self-employed at no charge (remotely, without the need for a personal visit to a tax office or an MTS Bank branch), enable fiscal recording of their income, generate receipts and send them to their customers.

In 2019, MTS Bank launched a B2B2C project enabling businesses to pay professional fees to the self-employed as part of payroll disbursement. Under the project, companies using the services of the self-employed can pay their fees as part of payroll disbursement and receive the accounting documents.





The project with mos.ru

In 2019, MTS Bank teamed up with Moscow's Department of Information Technology to implement a new financial service for finding and paying amounts due. The service is available on mos.ru, the official website of Moscow's mayor and municipal government, as well as in the Gosuslugy Moskvy and Moya Moskva mobile applications. The project's main objective is to provide a convenient, secure and broad selection of tools to pay for public, municipal and commercial services.

Following the implementation of this service by MTS Bank, users of the municipal web-portal now have the unique opportunity to see all their amounts due in a one-page view in their personal account and pay them in one click (including the single utility bill, fees for kindergartens and children's extracurricular activities, traffic police fines, any amounts to be collected by the Federal Bailiff Service, etc.). It only takes one visit to the portal per month and 3–5 minutes to pay all outstanding amounts with any convenient method such as a bank card, an e-wallet or a mobile phone account.

In 2019, the number of payments made through MTS Bank's payment gate on Moscow city's portal and in mobile applications reached 9.8 million transactions, almost double the 2018 figure. MTS Bank's payment gate processed about 20% of all Moscow's utility bill payments and over 80% of all payments to the Moscow Department of Education (for kindergartens, schools and extracurricular activities).

Based on its learnings from the Moscow project, MTS Bank developed a payment solution which can be integrated into regional e-government portals, with plans to scale the service into other regions of Russia.

The project's main objective is to provide a convenient, secure and broad selection of tools to pay for public, municipal and commercial services.



Benefits for the users:

- > A one-stop solution to view and pay bills for all city and municipal services
- > No need to provide paper-based proof of payment
- > Ability to pay selected amounts due in one go, no more browsing for separate charges and having to enter full bank details every time
- > Ability to set up automatic payments



Benefits for the city/municipal authorities:

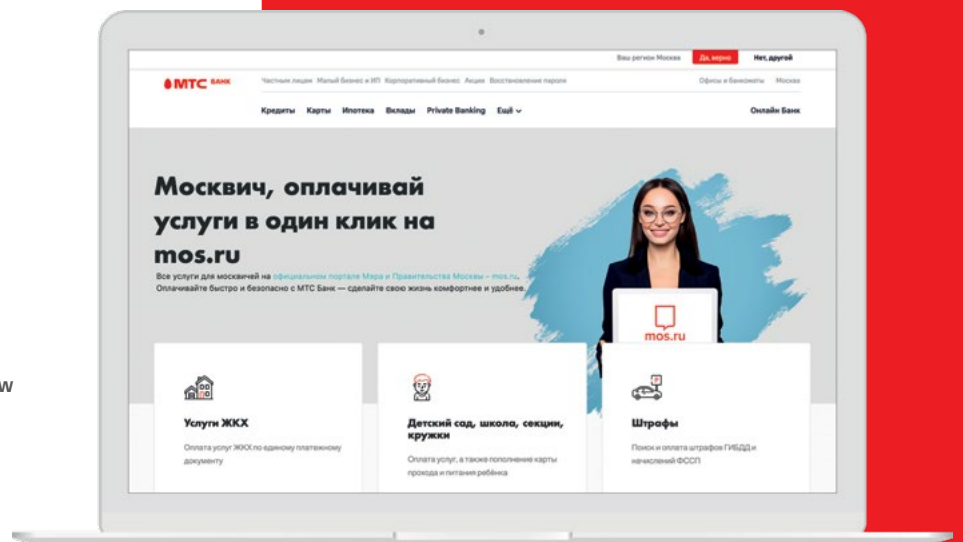
- > An audit trail of paid services provided to the population
- > Increased user satisfaction with municipal services
- > Diverting all or most payment-related user claims away from the municipal authorities
- > Lower municipal budget spend on payment service maintenance

9.8 million

payments processed via the City of Moscow portal and mobile applications

80 %

of all payments to the Moscow Department of Education



MTS FOR PARTNERS

\\ MTS is committed to building its relationships with partners based on the principles of honesty, integrity and transparency.

The MTS PJSC Supplier Code of Business Conduct contains standards that are expected to be met by suppliers, in particular compliance with environmental laws and respect for human rights. When engaging with partners, MTS expects them to strictly follow the principles of anti-corruption laws and the requirements of business ethics.

Participants in procurement procedures must complete a Supplier Questionnaire which accelerates supplier verification for compliance

In 2019, we continued our focus on partner engagement, including through educational events for MTS suppliers and customers.



An online course of eight video lessons on Sustainable Business Development was developed for employees and external stakeholders



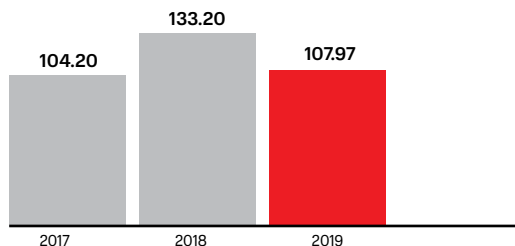
MTS also held two open conferences themed:

- > "Responsible business. Be better every day";
- > "Sustainable development. Be better every day!"



MTS PJSC's Supplier Questionnaire now also features human rights topics.

\\ MTS PJSC's total procurement spend including electronic in 2017–2019 (RUB billion)

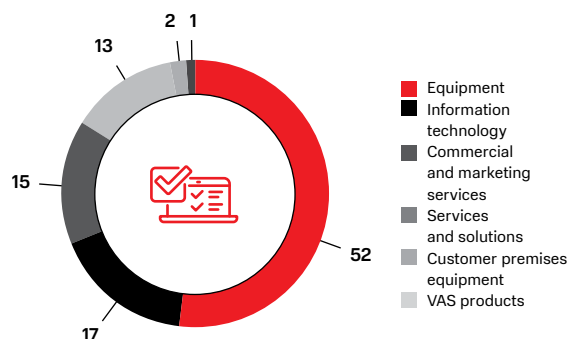


100%

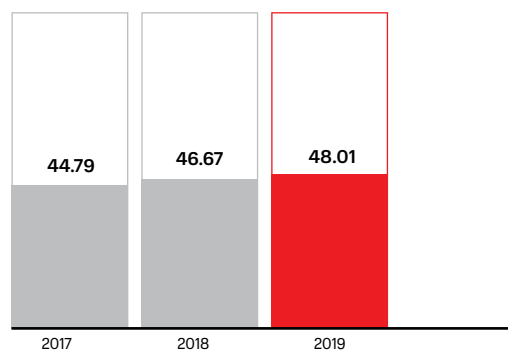
of MTS's procurement handled electronically through our Oracle Sourcing platform



\\Procurement breakdown by category (%)



\\SME share of MGTS PJSC's procurement in 2017–2019 (%)



MGTS is increasing the SME share of its procurement every year. In order to make MTS procurement more attractive to SMEs, MGTS has introduced prompt payment terms in SME contracts.

\\Payment period beginning from the date a product/work/service acceptance form under a contract (contract milestone) was signed

previously

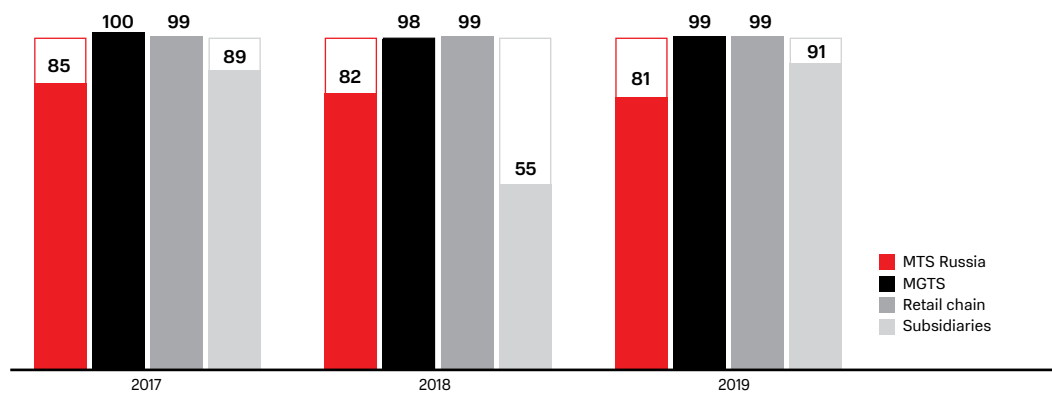
≤30 
business days



now reduced to

15 
business days

\\Procurement from Russian suppliers in 2017–2019 (%)



RESPONSIBLE SUPPLY CHAINS

An integral part of MTS Group's procurement documentation is the Participant CSR Questionnaire, which is mandatory for all contractors to complete. The availability of an up-to-date Participant Questionnaire in the system accelerates the supplier verification process for compliance with MTS requirements when bidding.

The Participant Questionnaire covers CSR and compliance topics, including general information on compliance and CSR practices, as well as the topics of occupational health & safety and environmental protection. When completing the Questionnaire, a supplier also puts his signature in order to certify that they have read and understood the following documents:

- > MTS PJSC Anti-Corruption Laws Compliance Policy
- > MTS PJSC Code of Business Conduct and Ethics
- > MTS PJSC Supplier Code of Business Conduct

The submitted information is analyzed automatically. No participant can win a tender without completing a Questionnaire.

The implementation of an automated completion functionality for Supplier Questionnaires has increased the number of both completed Questionnaires and suppliers complying or on the path to complying with CSR standards and principles.

In 2019, some amendments were made to the Company's procurement regulations:

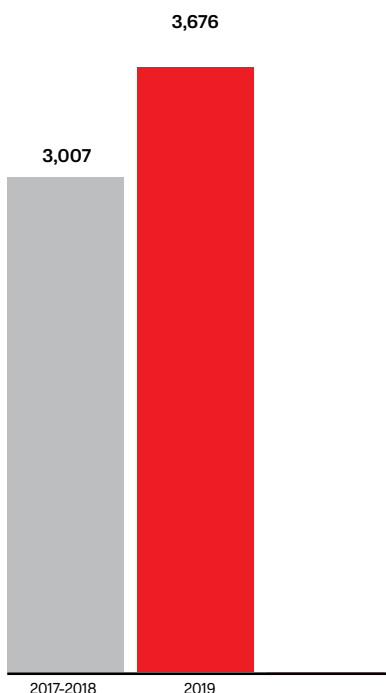
- > Controls have been established as part of the development process for an intellectual property risk management system
- > The Participant Questionnaire has been expanded to cover information about subcontractors/joint contractors, as well as CSR topics
- > Within the MTS StartUp Hub, a startup-driven procurement procedure has been introduced for innovative projects

In order to promote sustainability among its suppliers, MTS has developed educational initiatives on the following topics:

- > Compliance
- > Policies and codes aligned with our corporate strategy.

MTS has also launched its CSR Platform educational project to spread sustainability and CSR knowledge among partners and suppliers, including the Sustainable Business Development course. In 2019, MTS held a number of supplier conferences, where compliance function provided the MTS's Anti-Corruption Tools for Procurement training. In addition, compliance and corruption risk prevention topics are included in the Supplier Questionnaire, Procurement Rules and Supplier Code.

Participant CSR Questionnaires completed



For the MTS PJSC Anti-Corruption Laws Compliance Policy see our corporate website



For more information on the Sustainable Business Development course see our corporate website

ANNUAL SUPPLIER ASSESSMENT

Previously, supplier assessments were conducted via a country-wide survey of MTS supplier-facing employees who managed the relevant relationships during the year. The Net Promoter Score (NPS) was used to calculate the overall score. In 2019, a decision was made to switch to a new supplier evaluation system based on actual supplier performance data covering metrics such as deadlines, fines and claims. A project was launched to develop an integrated automated supplier evaluation system driven by insights from internal and external sources into suppliers, their activities and competitive environment.

In 2019, radio subsystem construction contractors were evaluated using actual data on deadline performance, claims and fines. The resulting scores were used to rank suppliers, and a series of meetings were held to discuss issues arising from the performance of MTS contracts and orders.

SUPPLIER TRAINING COURSE

The Sustainable Business Development course uses the webinar format and comprises eight lessons. Each lesson involves mandatory testing.

Lesson topics

- > Sustainable development concept and principles
- > Management for sustainable development
 - Integration of sustainable development goals into business practices
- > Sustainable business development problems
- > Sustainable business development strategies
- > Sustainable development projects. Part 1 (social innovation)
- > Sustainable development projects. Part 2
- > New business models and designing for sustainable development



The Sustainable Business Development course is published on the MTS Corporate University's website



“Responsible business. Be better every day” conference

The event brought together in one place about 200 major equipment suppliers and service vendors of MTS, NPOs, international experts, CSR and sustainable development managers, and top managers. The conference highlighted our strategic priorities for corporate social responsibility and discussed the problems related to global trends and Russian CSR and sustainable development practices, including in supply chains, as well as the impact of ESG factors on valuation and the tools that drive performance for businesses and stakeholders: employees and customers, suppliers and partners, shareholders and top management. The 2018 MTS Group Sustainable Development Report was also presented.

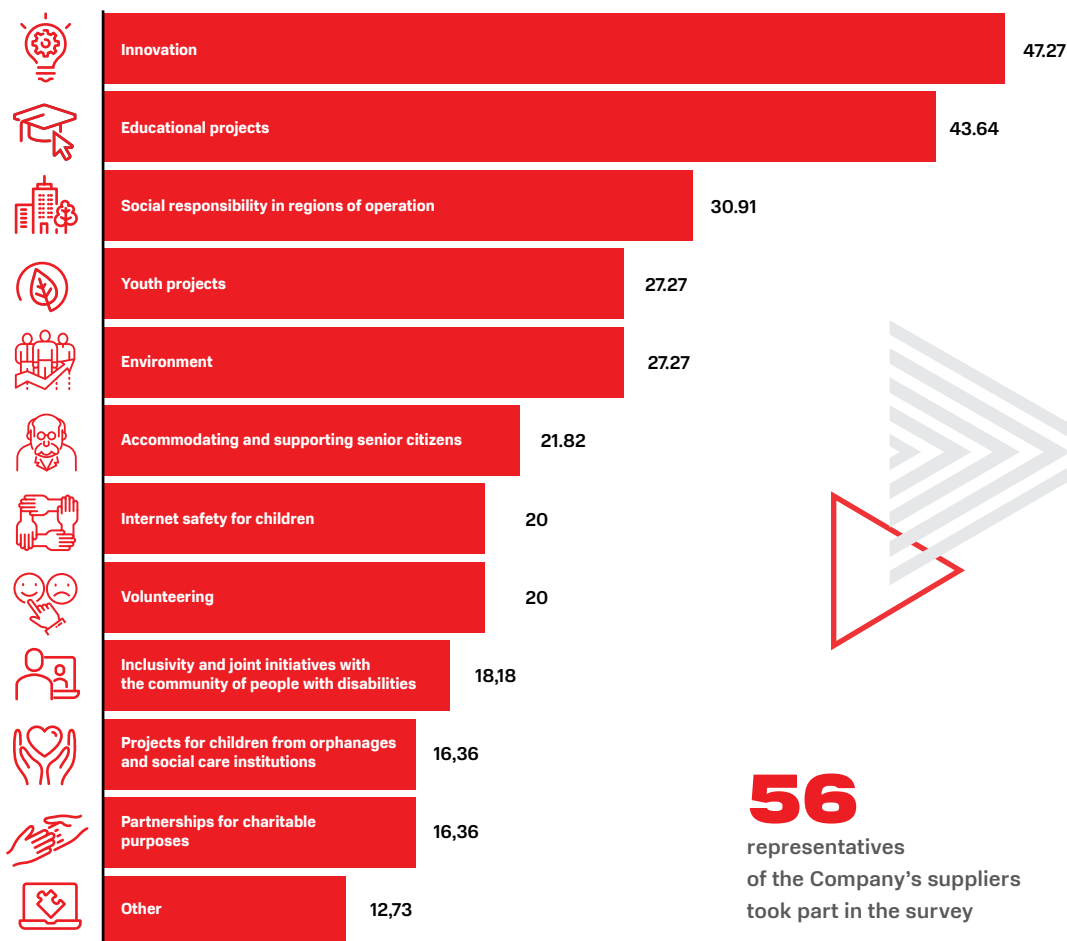
As a follow-up to the conference, a survey of suppliers was conducted to obtain feedback on the event and identify the topics and areas for further supplier engagement. The survey involved 56 representatives of the Company's suppliers.

200

representatives of major companies participated in the conference



Areas in which suppliers are willing to collaborate with MTS



JAC AUDITS

JAC targets enhancing the performance of those involved in the Information and Communication Technology (ICT) supply chains, including increased efficiency and productivity for companies and their suppliers, reducing pollution and any kind of environmental impact, improved conditions for workers, economic development and reducing risk to ensure continuity of supply.

Audits are undertaken according to the JAC CSR guidelines based on the internationally recognized CSR standards (SA8000, ISO 14000) and cover five main areas:

- › Labor;
- › Health & Safety;
- › Environmental;
- › Ethics;
- › Management Systems.

On average, each JAC member company undertakes five audits per year. MTS undertook four audits in 2018, five audits in 2019, and has planned six audits for 2020.

Audit reports, corrective action plans and information on their implementation progress are stored in a single database and are available to all JAC members. This approach allows members of the association to save financial and time resources spent on undertaking audits. By joining forces, each JAC member is empowered for better supplier engagement. This allows JAC members to promptly identify weaknesses in operations, close gaps, and ultimately improve the sustainability of their supply chains.

Participation in the Climate Change Workstream working group allowed MTS to gain access to best practices in greenhouse gas emissions management. This has enabled the Company to improve the performance of its existing initiatives and define new objectives in greenhouse gas emissions management, including:

- › identification of the most significant sources of greenhouse gas emissions and their volume in MTS's supply chain
- › setting targets to reduce greenhouse gas emissions in MTS's supply chain, measuring and monitoring progress on targets
- › setting requirements for suppliers to achieve emission reduction targets.

\\Share of procurement queries handled by the Single Hotline in 2017–2019

Indicator	Topic	2017	2018	2019
Procurement Management's line within the Single Hotline (buz@mts.ru)	Product, service and work proposals	204	179	236
	Participation in procurement procedures	128	110	124
	Other questions on corporate issues	2	3	6
Total		334	292	366
tendersmail@mts.ru , an email address for supplier queries and consultations on navigating the Procurement Procedure Newsletter Opt-In System on the Procurement portal (tenders.mts.ru)	Account registration, restoration, and adding/removing points of contact	213	166	190
Handled queries, %		100	100	100

JOINT PROCUREMENT

MTS runs joint procurement procedures with a number of partners. In addition to the economic benefits, such cooperation enables the standardization of technical and functional requirements, approaches and methods.

In 2019, MTS PJSC continued providing procurement outsourcing to five partner companies for various procurement categories. Procurement takes place in the form of joint procedures, collaboration or individual procedures. The total budget of partner procurement procedures amounted to some RUB 1.3 billion.

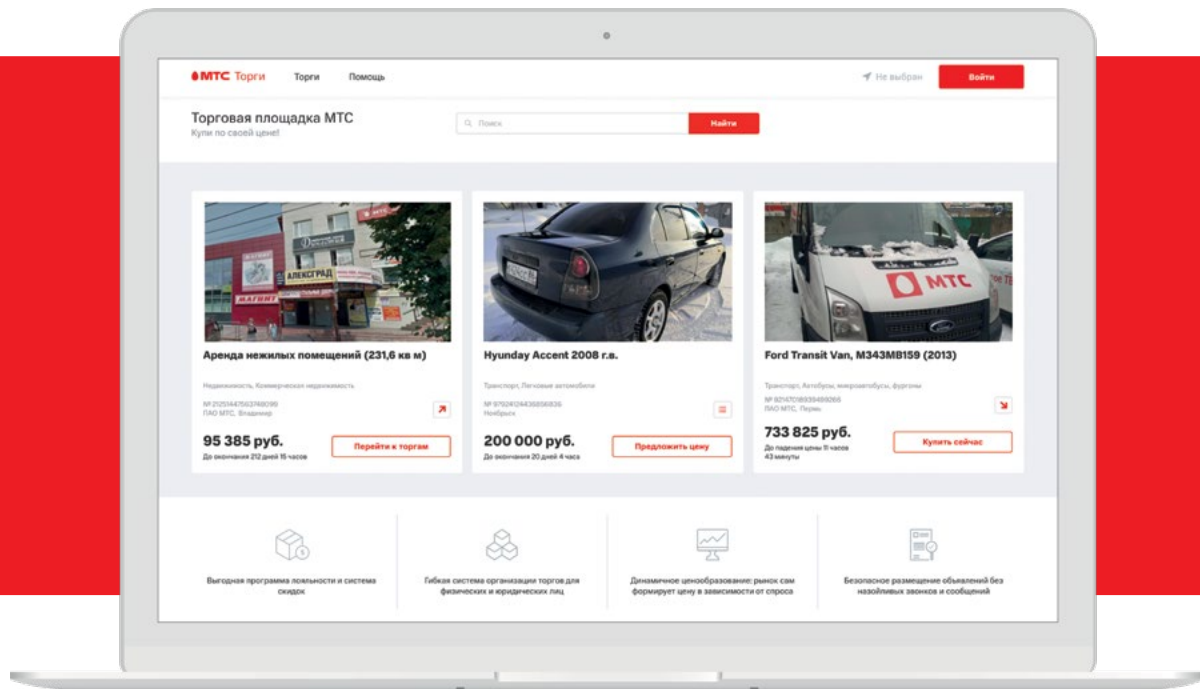
RUB 1.3 bln

total budget of partner procurement procedures

MTS AUCTIONS

The MTS Auctions platform was launched in 2017 to dispose of all types of idle property and equipment of MTS. The platform is not only a corporate marketplace for selling property but also an efficient tool for optimizing costs, creating additional income streams and effective disposal of asserts in the external market. This approach is aligned with our sustainable consumption model. All equipment and dead stock are sent for reuse, significantly reducing the amount of stored waste.

Starting from 2019, external companies may sell their assets via our platform, benefiting from the convenient sales tool with a transparent trading system we have brought to the market. In 2019, sales via the platform totaled RUB 1.15 billion, with MTS Group revenue at 45% of total sales.



RUB 1.15 bln

turnover on the MTS Auctions platform in 2019

45 %

of the total volume –
MTS Group revenue



The MTS Auctions platform

MTS FOR GOVERNMENT

PROJECTS FOR GROWTH

\\ MTS strategy is focused on significantly expanding the innovative product lines for executive authorities and capturing more of the B2G market share.

The main sources of growth for the Company in this market are:



Participation in projects for social infrastructure facilities;



Mobile coverage of motorways;



Development of a single cloud platform for information systems and resources of federal authorities and state funds.

DIGITAL ECONOMY OF THE RUSSIAN FEDERATION

The Digital Economy of the Russian Federation national project is aimed at accelerating the digital transformation of the economy and social sector.

To coordinate the project, Russia's Government and major digital players, including MTS, have established ANO Digital Economy. Ruslan Ibragimov, MTS Management Board Member, Vice President for Government Relations and Public Relations, serves on the ANO supervisory board.

The Company participates in the implementation of

6 Digital Economy federal projects :

1

Talent Pipeline for the Digital Economy

2

Digital Public Administration

The national project is driven by centers of excellence and working groups bringing together relevant deputy ministers and domain experts from the top management of leading digital economy players and expert community. Regulation of the Digital Environment is a working group headed by Ruslan Ibragimov. The working group reviews business community needs in terms of the digital economy and examines draft digital economy laws.

In 2019, a number of laws were adopted to regulate the digital transformation of social relations, in particular on electronic employment records, attracting investments using investment platforms, enhancing electronic signature laws, formalizing digital rights and smart (self-executing) contracts in the Civil Code of the Russian Federation, building a geographically distributed network of disaster-proof data centers, promoting the development of educational and academic practices for training IT and end-to-end technology professionals, as well as the development of international cooperation and integration of international best practices into Russia's educational system. A Citizen Digital Profile

project was piloted, and the Blueprint for Developing Telecommunications Networks and Data Storage and Processing Infrastructure in the Russian Federation for 2019–2024 was developed, along with roadmaps for end-to-end technology development areas incorporating the needs of leading digital economy players.

Plans for 2020 include launching an electronic passport pilot in Moscow, developing a national data management system, approving the Concept for 5G/IMT-2020 Network Development in the Russian Federation and implementing other measures envisaged by the national project.

62 regions
covered by MTS's NB-IoT network

3 Digital Technologies

4 Regulation of the Digital Environment

5 Information Security

6 Information Infrastructure



CONNECTIVITY ALONG THE RUSSIAN RAILWAYS NETWORK

At SPIEF 2019, we signed an agreement with Russian Railways to enhance mobile service quality along 9 high-traffic rail arteries, as well as in 49 train stations throughout the country. The agreement involves the construction of about 400 additional LTE base stations along the Moscow–St. Petersburg, Moscow–Kaluga, Moscow–Tula, Moscow–Lipetsk, Moscow–Nizhny Novgorod, Moscow–Yaroslavl, Moscow–Sochi, St. Petersburg–Buslovskaya, and Novosibirsk–Barnaul lines with a total length of about 4,500 km.

400

additional LTE base stations
will be installed under the agreement

4,500 km

total length of lines



DIGITIZING RUSSIAN REGIONS

In 2019, MTS signed a number of agreements for digitizing Russian regions.

- At SPIEF 2019, MTS signed cooperation agreements on accelerating digital development with the regional administrations of Moscow, Tatarstan and the Kaluga, Ryazan and Samara Regions. The partnerships will be focused on the development of innovative technologies and services driving the digital transformation of the economy and social sector, as well as community infrastructure across Russian regions. The agreements provide for piloting and launching integrated MTS solutions in emerging areas such as:
 - telemedicine and educational platforms
 - fintech, cybersecurity, big data, cloud services and e-commerce
 - the Internet of Things, including NB-IoT-network based solutions and MTS IoT integration platform.
- MTS and the government of the Kamchatka Territory entered into a strategic partnership agreement for digital economy projects in Kamchatka. Under the agreement, smart street lighting and urban infrastructure monitoring systems will be built in Petropavlovsk-Kamchatsky to ensure resilience to natural disasters, as well as to use MTS big data analytics to enhance the region's growth potential as a travel destination.
- A cooperative agreement between MTS and the Republic of Kalmykia was signed in 2019, under which MTS will channel over RUB 200 million through 2024 to Kalmykia to digitize the region. The funds will be spent on both driving the technological development of modern networks in the region and the development of smart solutions to enhance the infrastructure in Kalmykia.

MTS also entered into a number of cooperation agreements with the authorities of the Lipetsk, Sakhalin and Amur Regions, the Khabarovsk Territory, and Buryatia and Yakutia aimed at digitizing the economy, urban infrastructure and social sector in the regions.

RESILIENCE TO NATURAL AND MAN-MADE HAZARDS

In December 2019, Navigation Information Systems JSC (NIS) won the Safe Region competition of the Ministry of Education and Science of the Russian Federation. Under the proposed project, NIS JSC and Bauman Moscow State Technical University will develop an IoT, big data and AI-driven digital platform for enhancing the resilience to natural and man-made hazards in Russian regions. The digital platform will provide information and analytical support for emergency mitigation and response.

RUSSIA'S VOLUNTEERS

MTS actively interacts with federal and regional government bodies and local communities within projects that both promote business growth and contribute to the development of our regions of operation. In 2019, we completed multiple partnership projects across the country involving MTS employee volunteers. MTS employee volunteers train people in new professions, develop quality services, provide support to socially vulnerable groups, protect the environment and promote environmental education.

Plans for 2020 include increasing the number of projects to 500, reinforcing volunteer activities through strategic partnerships with volunteer associations, B2B partners, non-profit organizations, government and businesses and expanding the program to other regions.

>480

major employee volunteer projects in 2019

GRI 102-8, 103-2

MTS FOR EMPLOYEES

CORPORATE CULTURE

MTS Group operates in all Russia's regions and also has international operations. The Company's total workforce is approximately 65 thousand people, held together as a single team by our single competency model developed by the Company to reflect its business needs and current trends. The purpose of the competency model is to identify the skills and personal qualities that help employees to perform their jobs effectively. The model differentiates between core competencies, expected of employees at any job level, and additional ones, which may apply to particular roles and positions.

The competencies are integrated into all HR processes for staff assessment and development, such as recruitment, performance assessment, training and development, and talent pool management. Every employee can obtain feedback both from their line manager and peers, and select their priority development areas for the next year.

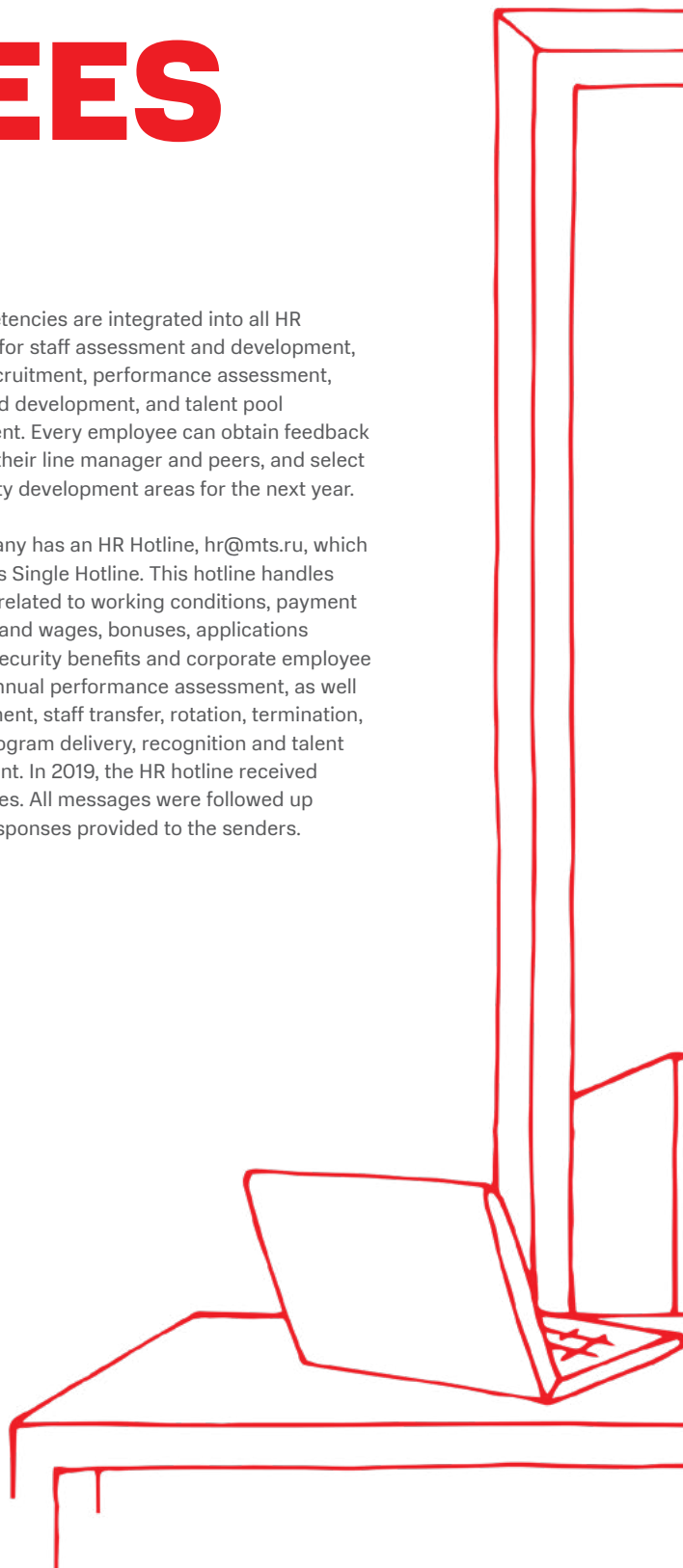
The Company has an HR Hotline, hr@mts.ru, which is part of its Single Hotline. This hotline handles messages related to working conditions, payment of salaries and wages, bonuses, applications for social security benefits and corporate employee benefits, annual performance assessment, as well as recruitment, staff transfer, rotation, termination, training program delivery, recognition and talent development. In 2019, the HR hotline received 97 messages. All messages were followed up on, with responses provided to the senders.

Core competencies:

- › Development (personal development, curiosity, flexibility and adaptability)
- › Collaboration (teamwork, customer focus)
- › Result (can-do attitude, results-oriented approach, compliance and professional integrity)

Additional competencies:

- › Strategy (strategic thinking, business thinking, change management)
- › Managing people (employee motivation, development, performance control and feedback)
- › Project/product management (managing tasks, resources and the project team)
- › Negotiating skills
- › Presentation skills



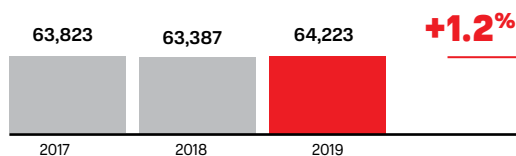
GRI 102-2



GRI 103-1, 401-1

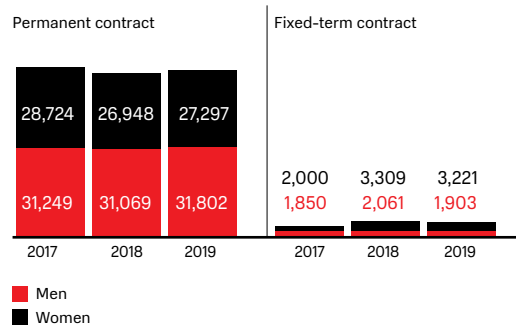
PERSONNEL STRUCTURE

\\ MTS Group's headcount as at 31 December, employees

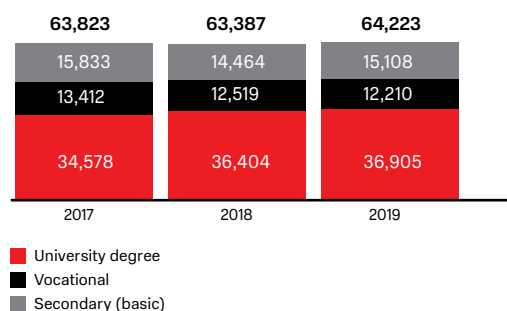


\\ Headcount by job level and type of employment in 2017–2019, employees

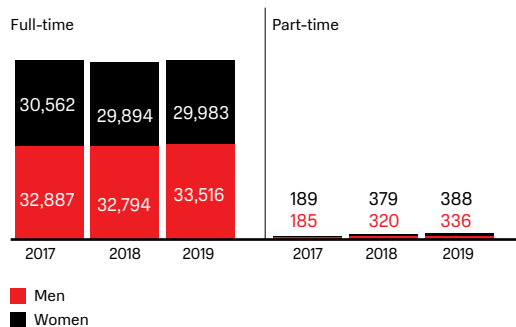
Type of employment contract, by gender



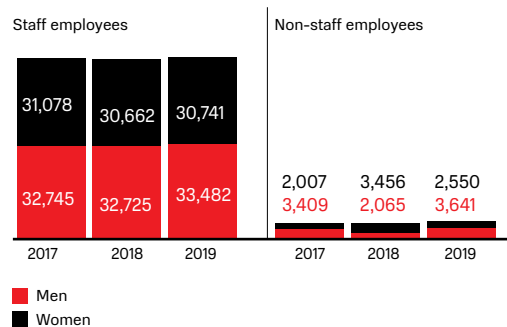
Education level



Employment type, by gender



Headcount for MTS Group, subsidiaries and affiliates



Total headcount for MTS Group, subsidiaries and affiliates (staff and non-staff)

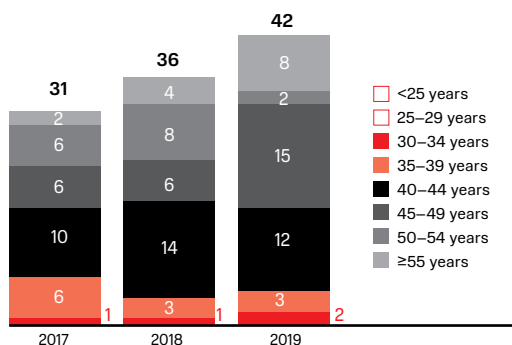
70,414 employees
in 2019

68,908 employees
in 2018

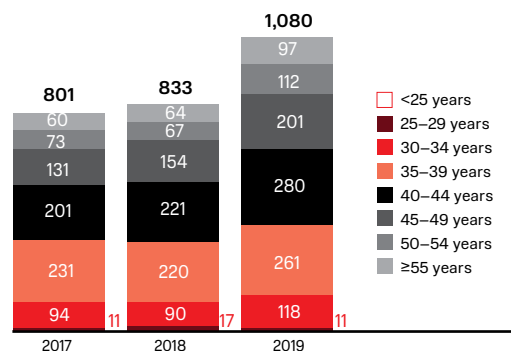
69,239 employees
in 2017

\\ Number of managers and specialists by age group, employees

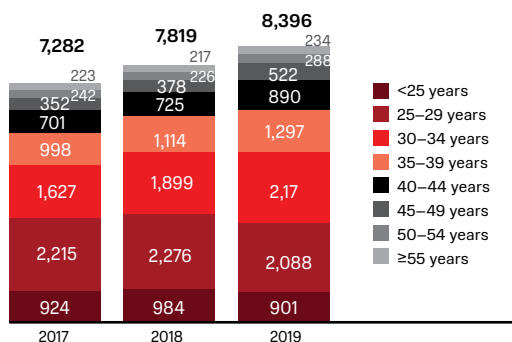
Top-level managers¹
(as at 31 December)



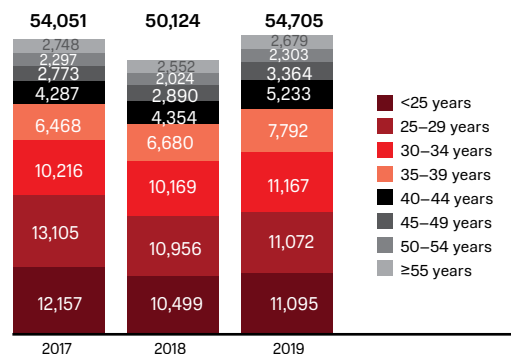
Mid-level managers
(as at 31 December)



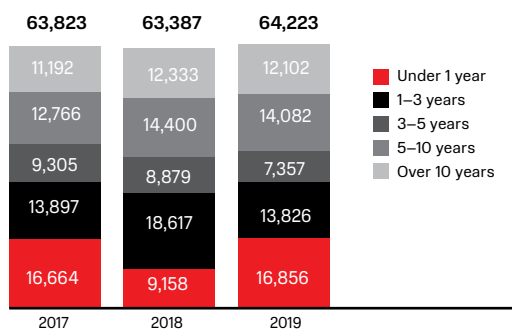
First-level managers
(as at 31 December)



Specialists
(as at 31 December)



\\ Workforce by length of employment at MTS, employees



¹ Only for the larger MTS Group companies.

RECRUITMENT

The growing competition for IT talent means that companies need to continuously refine their HR strategies, take an active stand on talent retention, encourage out-of-the-box thinking and drive innovation. MTS augments its talent pool management system through mentoring. The wider product concept of the near future will require more talent with unique skills. To address this, the Company actively engages young specialists, university students and small developer teams working on innovative products. MTS offers excellent career and development opportunities, with more than 80% of vacancies filled internally, going up to 85% for management roles. MTS's strong employer brand is not just the external image of an employer of choice but also an effective driver of business capitalization and a reputational asset.

The master classes are usually hosted by universities and start with an internship pitch and career advice sessions. There are many areas for students to try and excel in, including IT, marketing, procurement, HR, PR, technology and finance. The project makes it possible not only to contribute to the existing business but also to suggest new areas for the Company to step out into. This means that students can find an internship opportunity in almost any profession.

Under the project, B2B School events were held in Yekaterinburg and Saint Petersburg, with MTS's management acting as mentors and featuring joint lectures, externship programs and career days. University engagement was also facilitated by former interns acting as MTS brand ambassadors in student communities.

WORKING WITH UNIVERSITIES

The MTS Skills project

MTS Skills is an intensive training course for students with three parallel master classes in soft skills.

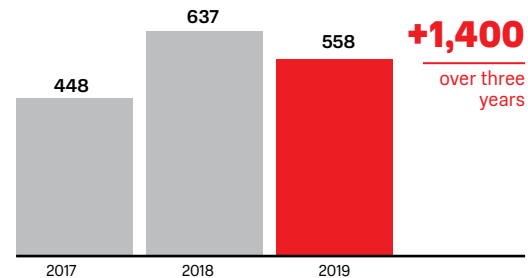
MTS Group cooperates with over 30 universities, including HSE University (Higher School of Economics), MIPT (Moscow Institute of Physics and Technology), MTUCI (Moscow Technical University of Communications and Informatics), BMSTU (Bauman State Technical University), Plekhanov Russian University of Economics, FINU (Financial University under the Government of the Russian Federation), MSU (Lomonosov Moscow State University), MAI (Moscow Aviation Institute), NUST MISIS, Skoltech (Skolkovo Institute of Science and Technology), National Research Nuclear University MEPhI, Saint Petersburg State University, SPbPU (Peter the Great St. Petersburg Polytechnic University), ITMO University (Saint Petersburg), NNSTU (Nizhny Novgorod State Technical University named after R.E. Alekseev), SibSUTIS (Siberian State University of Telecommunications and Information Science), KUBSTU (Kuban State Technological University), etc.



At the master classes, instructors of the MTS Corporate University talk about disciplines such as personal effectiveness, leadership, emotional intelligence, mind maps and Agile. They also discuss soft skills transformation in the digital age, a rapid paradigm shift in the market and future job skills.

In 2019, MTS Skills master classes were held at 17 universities in 11 cities – Nizhny Novgorod, Ufa, Novosibirsk, Krasnodar, Saint Petersburg, Kaliningrad, Rostov-on-Don, Voronezh, Ulyanovsk, Yekaterinburg and Perm. A total of over 800 students participated. Over 5,000 internship requests were received in 2019, with 525 candidates successfully passing selection and becoming interns, and 110 of those accepting job offers at the Company.

Number of students completing an internship at the Company in 2017–2019, interns



Students from target universities normally take internship at either business or IT divisions. In 2019, the split was 359 interns at business and 156 interns at IT.



The list of 2020 priority competencies includes:

- > holistic approach to problem solving
- > critical thinking
- > creativity
- > management
- > collaboration
- > emotional intelligence
- > customer focus
- > negotiating skills.

The most in-demand skills were cognitive flexibility and open-mindedness.

Targeted regional training programs are developed based on the universities' profiles and MTS Group's needs. For example, partner master's programs are traditionally developed with MAI (Moscow Aviation Institute) and Skoltech, laboratory and practical classes – with ITMO University, and specialized courses – with Innopolis University and Kazan (Volga region) Federal University. The number of IT interns was down year-on-year in 2019 because most of them ended up accepting job offers from the Company.

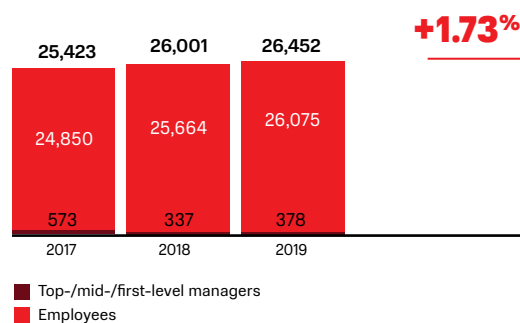
New hire mix, 2017–2019

Indicator	2017	2018	2019	Change 2019/2018, %
Number of new hires	26,167	26,718	27,662	3.53
Managers:				
> top-level	4	10	13	30.00
> mid-level	114	81	102	25.93
> first-level	514	298	365	22.48
Specialists	22,465	26,071	26,876	3.09
Of which:				
> RTC JSC specialists	13,681	17,608	16,522	-6.17
> young specialists	3,070	258	306	18.60



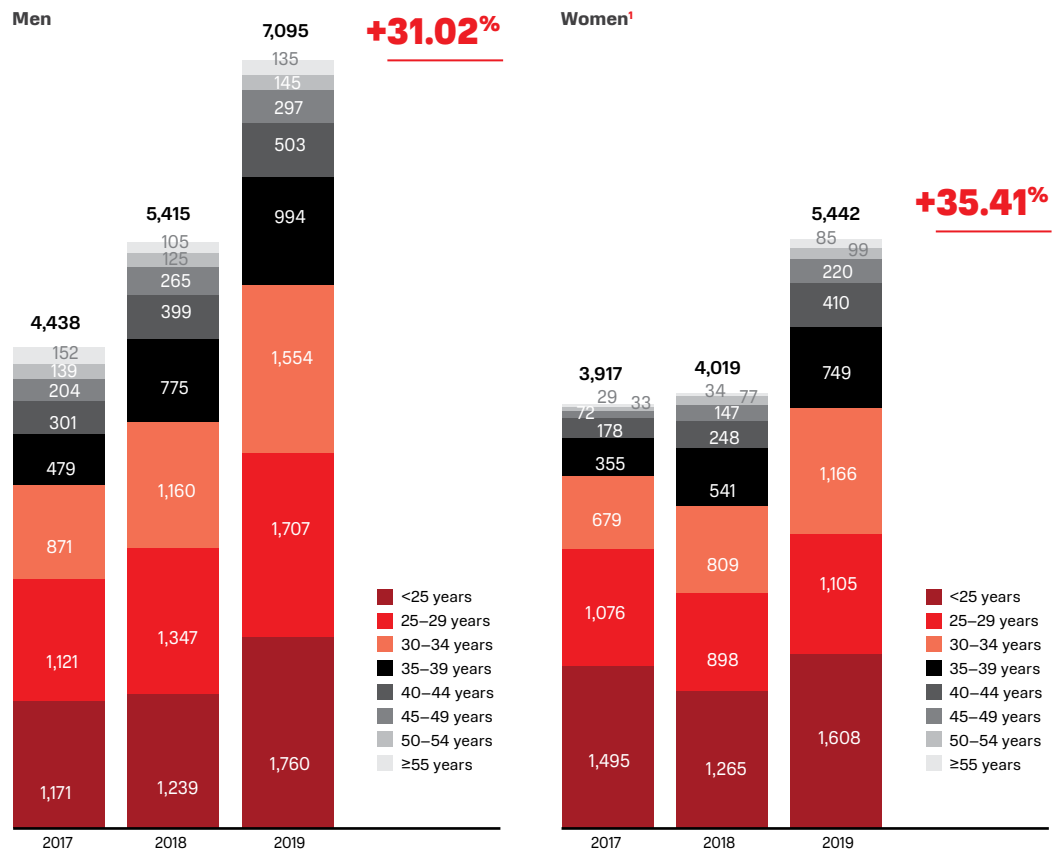
Staff recruitment at MTS is mostly insourced. The Company has a strong demand for workplace-ready talent fully equipped with the necessary skills and competencies. Some roles are filled with younger candidates that are expected to mature over time. These talents are put on intensive corporate training programs from the very start of their employment. The Company also scouts the market for mature experts who can pass on their expertise to the teams they become part of. Re-skilling is mostly used by individuals already employed by MTS when they see the need for additional skills in related fields to make the next meaningful step in their career tracks.

\\ Employees hired from local communities, (people)



GRI 103-1

\\ Total number of employees recruited in 2017–2019 (people)



MTS'S "A COMPANY FOR ALL AGES" PROJECT

The project targets primarily the 40-plus demographic and actively explores the issues around the recruitment, onboarding and retention of employees in this age group. MTS seeks to communicate the challenges related to the labor market's realities and prospects and promote age diversity within the Company. In 2019, over 600 MTS managers were trained in working with older candidates in an age diverse workforce. MTS's "A Company for All Ages" project is especially important now, given Russia's recent increase in the retirement age. Attitudes to older demographics need to change so that business managers could see the benefits brought by older workers.

The project involves regional HR organizations and the heads of multiple units across MTS. In Samara, Nizhny Novgorod and Ryazan, MTS has

teamed up with local public Employment Centers to hold a series of educational social events to create comfortable working environment for age-diverse teams.

An important task for the project is to develop managers' skills for working in age-diverse environments, including skills to recruit and retain older talent. The Company is willing to hire candidates of various age groups to fill mass vacancies and puts a lot of effort and resources into challenging stereotyped attitudes about this issue.

MTS's "A Company for All Ages" project is the Company's challenge designed to address the social issues related to demographic decline in Russia. According to forecasts by the Federal State Statistics Service (Rosstat), given the current demographic slump, working age population in Russia will keep declining through 2030.

¹ The new hire mix is provided for the larger MTS Group companies.

GRI 103-2

EMPLOYMENT OF PEOPLE WITH DISABILITIES

Pursuant to Federal Law No. 181-FZ dated November 24, 1995 On the Protection of People with Disabilities in the Russian Federation, MTS develops an inclusive environment program in its offices with emphasis on three key aspects:

- Equal opportunities for people with disabilities in the vacancy market
- Physical workplace accessibility
- Tolerant atmosphere within teams

The Attitudes to People with Disabilities. Inclusive Culture survey of MTS and retail chain employees was conducted in 2019 under the inclusive environment program. The findings suggest that 86% of the respondents agree that MTS should create special conditions for people with disabilities.

The Proper Communication with People with Disabilities (Coworkers, Customers) webinar was held for MTS Group employees in 2019. MTS administrative offices and retail stores in Moscow and adjacent areas were audited for accessibility to people with reduced mobility, including people with disabilities. The offices and stores were found to be conditionally accessible as some of the existing architectural requirements for building design can not be complied with for technical reasons.

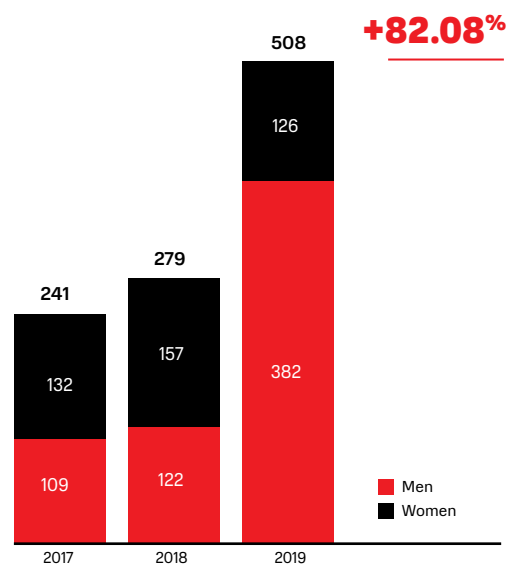
The Path to a Career project for people with disabilities targeting both graduates and senior students was launched in partnership with Russian Disability NGO Perspektiva. The project's objective is to facilitate professional fulfillment and successful employment of ambitious and talented specialists with disabilities in leading Russian and international companies.



GRI 405-1



\\ Number of employed people
with disabilities (people)



A survey has shown that 34% of our employees would like to see a person with disability in their team, with 61% being neutral.

The program highlights:

4 participating regions

420 participants
with various disabilities

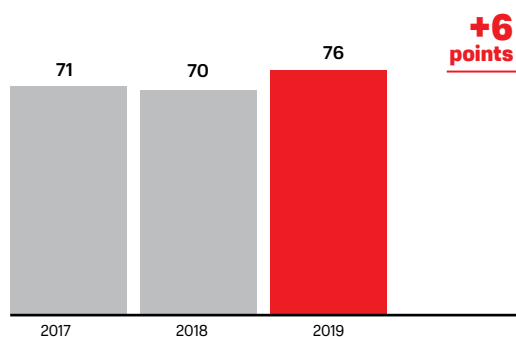
70 finalists

30 employed participants
and one intern

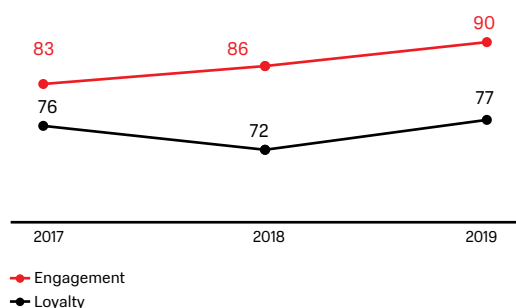
EMPLOYEE DEVELOPMENT POLICY

MTS implements a set of measures aimed at increasing employee engagement and reducing staff turnover. We regularly monitor and analyze the reasons for termination, with the findings informing follow-up measures to improve the situation. The Company also develops and implements special onboarding programs for new employees, which have a positive impact on their relationship with the team, facilitate their induction and help new hires fulfill themselves on a professional and personal level. Thanks to all these measures, MTS employees demonstrate high engagement levels, and the Company boasts low turnover rates.

\\ **HappyIndex** (both loyal employees and engaged employees)



\\ **Employee engagement** (score)



MTS conducts an annual employee engagement survey, with employees anonymously rating their managers, career prospects, training and development opportunities, business processes and working conditions, as well as making proposals and suggestions to improve working conditions at the Company. The survey findings inform an action plan to improve engagement, implemented by the Company's divisions over the following year. Systematic efforts to improve employee engagement allow MTS to maintain very high employee commitment and loyalty levels.



EMPLOYEE ONBOARDING

New employees are introduced to their job and corporate culture through a range of onboarding activities, with the Company actively leveraging automation and product team capabilities (iHR, AI, HR Big Data) to facilitate the process. Tailored recommendations are provided to supervisors via their personal account, Snezhinka ("Snowflake"), to facilitate new employee development and retention.

The Introduction to MTS program was given a new format in 2019. On their first day, new employees learn the basics of their work and the Company's

existing process regulations as this training helps them study relevant documents in detail and ask any questions they might have. The new hires also get a mandatory briefing provided as a distance learning course on the same day. During the first week, they do the First Course distance learning program using different training formats and covering Introduction to Strategy, Core Businesses, Operating Principles and Compliance. The Welcome Day workshop is delivered during the second week with mandatory participation of Buddies, i.e. experienced mentors, supporting their new colleagues. A detailed overview of the Company's structure and corporate culture is given through in-person presentations. Top managers share success stories and their division's strategies and also field questions.

A project for automatic distribution of supporting materials was launched in 2019. Push notifications with tips and links are now circulated to new employees and their supervisors throughout the entire onboarding period. Notices detailing what should be known at certain time, reminders of the importance of target setting and reaching them in due time, feedback, and information about the competency model and mandatory training are circulated at different stages of onboarding.

MTS Ambassador

The MTS Ambassador incentive program for employees actively involved in corporate events has been in place since 2018. Developing with the Company, MTS Ambassadors can every day stay on top of opportunities, trends and discoveries in the five different fields:

- > IT
- > Intellect
- > Volunteering
- > Creativity
- > Environment

Employees can be both participants and organizers of events. Points are awarded to employees actively involved in corporate activities in their personal accounts on the intranet portal. The points can be exchanged for souvenirs and training at year-end. Over 500 events were held under the MTS Ambassador program across Russia in 2019, with the number of participants growing from 8,000 to 11,000 over the year.

MTS Code corporate magazine

MTS Code is a corporate publication for the Company employees which has been published for more than eight years now. The magazine is developing with the Company and has changed several titles over its existence (MTS Up and Zaprosto ("Easy")). When a new Company strategy was approved in July 2019, the magazine was also reinvented, with the July issue already published under the new title MTS Code. The magazine covers new events and projects, important changes and appointments, regional news, as well as MTS services, products, prices and advertising campaigns. MTS Code features interviews with the Company's top managers, insightful customer stories, performance improvement tips and lots of other interesting information.

A paper version has limited circulation and is distributed to the Company's offices across Russia. An electronic flash version is published on the intranet portal and in the Our MTS mobile application for employees. Thanks to different formats, the magazine's readership is close to 80% of the workforce, and its audience can always keep abreast of the most recent news and interesting information on the Company's life. The average readership of the electronic version is 7,000 unique readers per month. MTS Code won the silver award in the Web-Media category of the Digital Communications AWARDS 2020 contest.

magazine's readership – almost

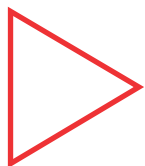
80 %
of the workforce



MTS recognition programs

Every year, MTS recognition programs allow each employee to announce their achievements, whether made personally or as part of a (structural or project) team, or nominate their colleague or supervisor. Winners are chosen by top manager vote and are awarded at an official ceremony in Moscow.

The Group's recognition programs took a total 426 entries through the MTS online platform in 2019, with 125 employees announced winners and another 30 participants awarded training at Skolkovo.



MTS supports employees' healthy lifestyle aspirations and motivates them to broaden their horizons. The Company offers the following federal online sports projects:

- > MTSRunning club
- > online workouts
- > challenges with professional coaches under the In Motion project.

GRI 103-1

>2,000 people
actively involved in the projects every year

In 2019, the Spherum intellectual games were held for the third time, traditionally bringing together MTS employees from the shop floor to the boardroom from across units and regions. A total of 10 online qualification games were played by 350 teams, followed by the knockout stage for 120 teams in three cities (Moscow, Novosibirsk and Vladivostok) and the finals for 21 teams in Sochi.

CORPORATE TRAINING

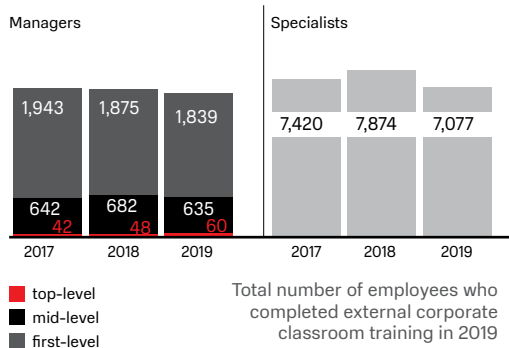
Experts from the MTS Corporate University tailor function-specific educational programs, develop distance learning and hold classroom training and master classes.

Training courses are combined into department packages as such approach helps employees to navigate the vast collection of training content, shape own, unique learning curve, set priorities and establish the direction of self-development efforts. An employee can train at different departments and take programs with selected subjects.

There are open departments and functional departments. To enroll at an open department, one has to complete the First Course distance learning program, a program all new employees enroll into automatically. Training is provided during the onboarding period and includes mandatory basic programs. Upon the completion of the First Course program, employees qualify for enrollment at open departments, e.g. the Competency Development department if focused on core competencies required by the Company, while the Product Transformation department provides immersion programs for product culture.

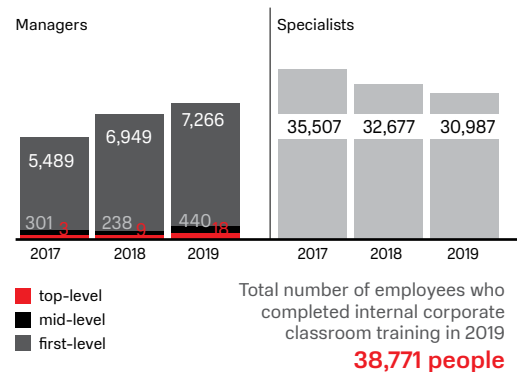
Functional departments mostly target employees of relevant functions: marketing, public relations, HR, IT, procurement, finance, equipment, etc. However, the training programs offered by these departments are partially available to other employee categories as well. This ensures a systematic, structured training for continuous improvement of employee knowledge and skills.

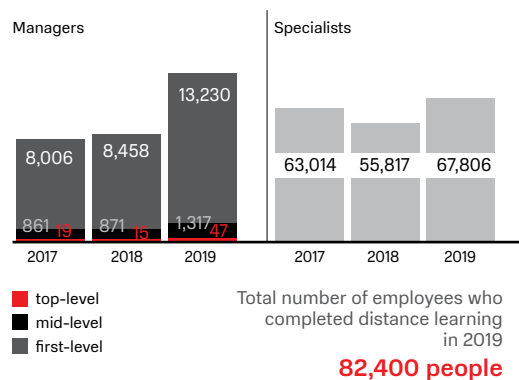
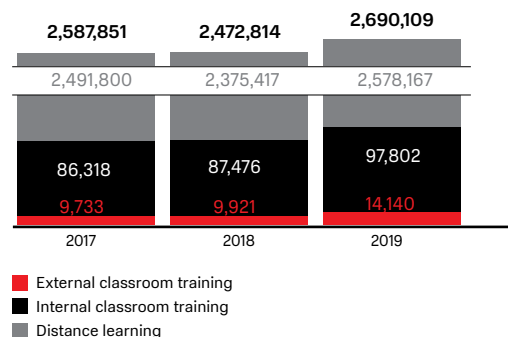
\\Number of employees who completed external corporate classroom training (people)



The total number of training completions decreased in 2019 due to headcount optimization at MGMTS.

\\Number of employees who completed internal corporate classroom training (people)



GRI 103-2, 404-2**\\ Number of employees who completed distance learning¹ (people)****\\ Number of training courses completed, (number of training courses completed)****\\ Time in training by employee category and gender (hours)**

Indicator	2017	2018	2019
Total	862,845	615,290	985,396
Top-level managers:			
> men	1,302	1,491	2,076
> women	308	987	292
Mid-level managers			
> men	19,058	16,550	25,905
> women	7,669	6,265	10,275
First-level managers			
> men	59,769	50,350	84,437
> women	51,516	38,064	64,564
Specialists:			
> men	318,527	253,576	419,031
> women	404,696	248,007	378,816

Virtual Academy

The Virtual Academy has successfully operated within MTS PJSC since 2016 as a single environment for training with multiple priorities: streaming of distance learning courses, enrollment in classroom training, virtual libraries, to name but a few. This approach has been enabled by a special distance learning system, LMS Success Factors (SAP).

242,540
distance learning
courses
completed by employees in 2019

76%

distance learning reach in 2019

31%

of involved users who completed more than three courses

¹ Including current employees and employees terminated in 2019. 2017–2018 data for MGTS is not shown as analytics was not done at the time.

A vast catalog of distance learning courses on a variety of subjects is available to employees, from individual performance to the Russian language rules. The courses have been designed in various formats: interactive presentations, long reads, video courses, and recorded webinars. Courses can be mandatory or optional. In addition to standalone courses, the Corporate University methodologists offer programs: series of courses with the same subject and the end objective of training. This approach makes for structured and integral development.

In 2019, mass online programs focused mostly on practical skills and knowledge:

Business analysis. The basics

The course helps employees to learn data analysis and systemic thinking. Its theory and practice have been adapted for the Company's actual cases

PowerPoint PRO Slides

This course is intended for those who want to learn making creative presentations. Its micro-session format and the opportunity to practice new skills on one's presentation projects in progress make for a seamless training process.

Product Series of MTS

Learning MTS products while playing a game with creative stories. Its videos feature experts explaining the Company's products, services and solutions.

Classroom training

The Corporate University regularly holds classroom trainings and master classes featuring programs to develop Soft Skills which, along with theory training, are focused on practicing new skills.

Coaching

MTS actively uses coaching, both individual and in teams. Individual coaching is available to all employees in any form at their convenience: in person or remotely (over the phone or Skype).

12 team

coaching sessions

120 individual sessions

held in 2019 (on 160 requests)

E-libraries

MTS employees have access to the Alpina Digital library with popular science and business literature. The library boasts 7,665 readers and 23,007 hours of reading time. Thanks to a special app for smartphones and tablets, employees can access:

>2,500
business books

>260 audio books

>440 summaries¹

>370 IT publications

collection of best articles
from the Harvard Business
Review Russia online
publication

Public.ru library of periodicals features the best business publications: Forbes, Kommersant, RBC, Profile, Expert, as well as Psychologies, Geo, Computerworld Russia, Zakon, etc.

Since 2019, all managers also have access to the Harvard Business Review Russia online publication.

¹ Summary: an abridged version of a book.

Employee training by external providers

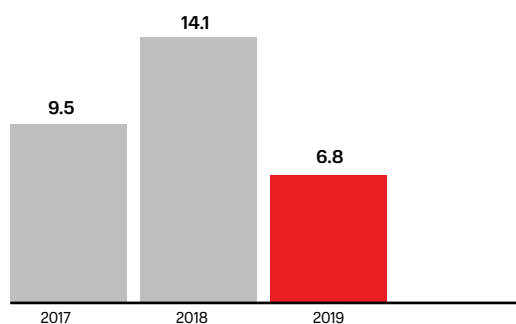
The MTS Corporate University provides employees with ample opportunities for internal training; however, external training is also needed sometimes to obtain deeper, specialized knowledge only available from specialized training centers. Funds are earmarked for external training of MTS employees every year.

The MTS competency development policy is focused on internal training program development. Internal training hours almost doubled year-on-year in 2019 as some external training programs were migrated onto the Corporate University's platform.

\ Time in training per MTS employee (hours)

Training type	2017	2018	2019	Change 2019/2018, %
Internal (classroom) training	16.1	18.2	28.3	55.49
External (classroom) training	24.7	33	15.8	-52.12
Distance learning	16.6	8.14	11.6	42.51
Including:				
> men	23.7	20.8	21.9	5.29
> women	27.1	17.9	18.9	5.59
Including:				
> top-level managers	69.5	45	57.3	27.33
> mid-level managers	38.6	31.9	37.3	16.93
> first-level managers and other employees	25.1	19	20.1	55.49

\ Share of management training in all training completed by managers (%)



The lower share of internal advanced management training was due to changes in the training format and the development of new tailored trainings at the Management Department.

MTS Stars startup academy

As part of MTS product transformation, the Academy of Leadership. Business Breakthrough educational program was relaunched in July

2019 as an innovators' launchpad, MTS Stars startup academy – a program to develop internal entrepreneurship run by the Corporate University jointly with the MTS Innovation Center. The program includes comprehensive online training by practicing experts, practicing new learning (development of a startup project to create digital products from ideation to prototyping), support by internal and external mentors, and collaboration in distributed teams comprising employees from different cities and functions.

Program participants were immersed in a business startup culture, gained comprehensive knowledge of ideation and idea implementation, practiced new tools and developed product thinking. After four training modules, 15 teams out of 30 got to semifinals, with eight reaching the finals. The winner was a Video AI project to develop a smart video processing tool using machine learning based video fragmentation. The three finalist projects moved to the internal accelerator MTS Garage.



Manager training programs

In October 2019, the MTS Corporate University, jointly with the SKOLKOVO Moscow School of Management, completed the third stream of the corporate training program for MTS Group leadership development.



TALENT POOL

In order to ensure management succession and maintain our unique corporate culture, MTS Group develops various programs to train managers and encourage professional development of the Company employees.

The program was taken by 60 participants, including the heads of various functions from several regions. The primary goals of training were to develop entrepreneurial potential and learn using modern tools for launching new product hypotheses.

Training consisted of five modules and included academic and project work with focus on creativity and entrepreneurship. The trainees studied corporate and personal strategies, design thinking, effective communications, leadership psychology and innovative project management in digital environments. Project work included ideation sessions for new business line development, testing hypotheses, value proposition development, prototyping and first sales. Speakers included leading professors from international business schools as well as invited experts from Russian and international businesses.

In just five months, cross-functional teams created eight new products while still performing their current roles. The participants defended their projects and were issued advanced training diplomas. The winner was the team that developed the IDatchik. NB-IoT-sensor Ecosystem project.

MTS Garage

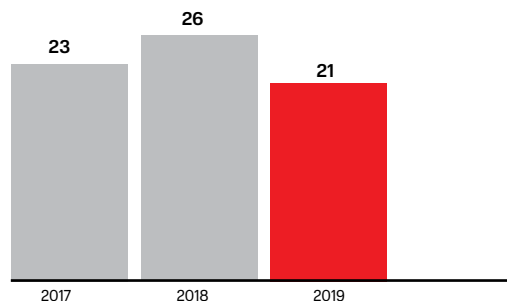
The MTS Garage program to develop internal entrepreneurship was launched in 2019. Any employee, irrespective of their role, function or region, can submit an idea for a new digital product and be given time and resources for its implementation. Subject to successful testing, new products are added to MTS's product range, and a new product unit is built around the product team, led by the team leader. A total of 72 entries from 14 cities were filed during the first submission round in 2019, with 24 projects selected for acceleration, eight demoed at the DemoDay. Four projects were selected for piloting (test sales).

The program has gained strong traction and credibility among employees, having received not a single negative feedback even from rejected project teams.

The MTS Garage is evolving into a key element of the Company's innovative culture and an important part of its ecosystem. The MTS Garage events in Russian regions are held at venues provided by the Agency for Strategic Initiatives and themed the Boiling Point. Students from Far Eastern Federal University, Novosibirsk State Technical University, Samara National Research University, and the Perm branch of the National Research University Higher School of Economics have participated in the events. Students from the Moscow branch of the National Research University Higher School of Economics work as interns in one of the garage teams. Two new submission rounds will be held in 2020, with the MTS Garage program rolled out to the Group subsidiaries and gaining momentum in the pilot regions of the MTS ecosystem, including through partnerships.

GRI 103-1, 103-2**Chief Technology Officer (CTO)**

The New Height training program was launched to prepare regional CTO successors, with 30 candidates shortlisted out of the initial 81 applicants following a three-stage selection process. The participants completed three-module training, participated in the Battle of Strategists business simulation and managerial duels. With 18 participants making it to the finals, the program has helped to fill 57% (four out of seven) of regional CTO vacancies across MTS.

\\Number of the Region Director program participants (people)

The program has helped to fill 57% (four out of seven) of regional CTO vacancies across MTS.

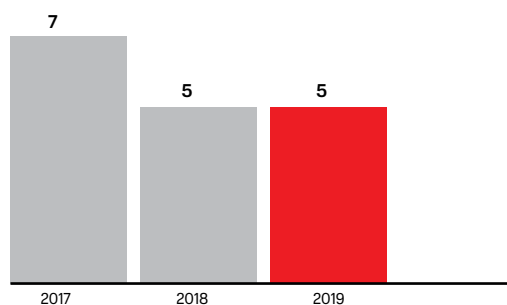
Region Director

Another succession program is a project to build a region director candidate pool. To qualify, the candidates have to meet the relevant competency requirements and be willing to relocate to any branch of the Company. The project targets department heads with a length of service in a region or a separate business unit of at least two years.

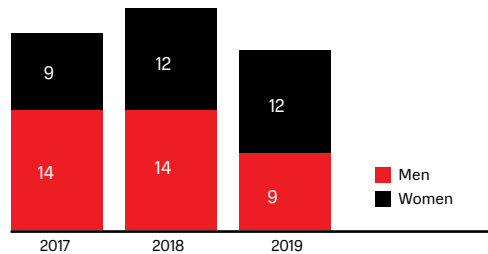
WORKPLACE SAFETY AND OCCUPATIONAL HEALTH & SAFETY

MTS pays particular attention to work-related injury and occupational disease prevention. One of the key mechanisms for the prevention of occupational injuries is the accurate, timely assessment and smart management of potential workplace risks. In 2019, the Company developed a relevant standard used by its branches in implementing preventive measures. MTS also held a series of events for contractor managers on safe working at height.

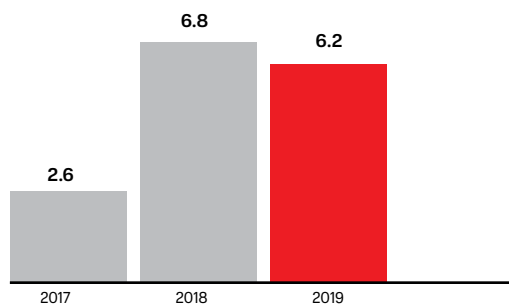
Division heads and employee representatives are involved in the monitoring and development process for annual branch-specific occupational health & safety plans for the forthcoming year, as well as in the identification of initiatives to improve working conditions and occupational health & safety based on the results of special assessments of workplace conditions.

\\Number of joint management-worker health & safety committees

\\ Workplace accidents in MTS Group



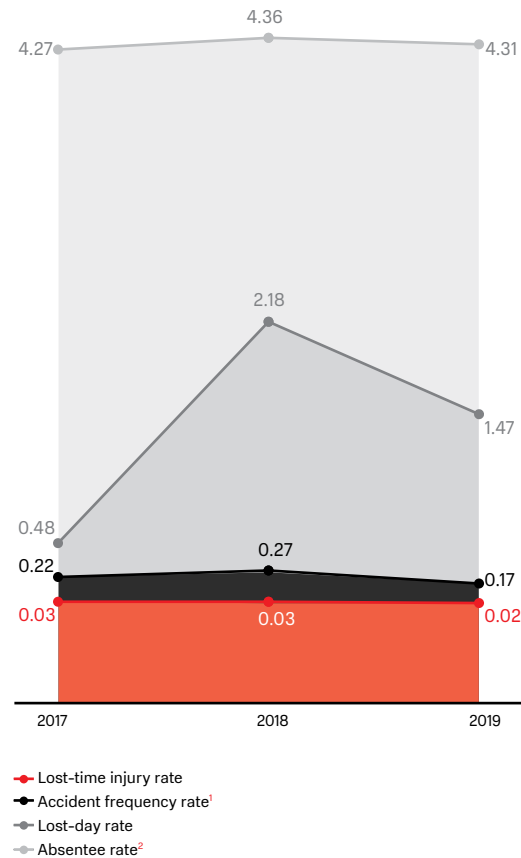
Lower accident rates were due to improved safety culture among the Company employees.

\\ Prevention spend by SIF Russia
(RUB million)SIF Russia provided funding
for the following activities:

- › medical examinations
- › procurement of protective clothing, footwear and other PPE items
- › special assessments of workplace conditions.

Every year, the Company assesses the effectiveness of its occupational health & safety (OHS) management system through quantitative measures enabling objective evaluation of the OHS policy implementation. Each region is assessed individually. The assessment results are then reviewed to identify specific measures to improve and enhance OHS management.

\\ Occupational health & safety performance

No occupational diseases were diagnosed
in 2019.

Every year, MTS PJSC works with the Social Insurance Fund of the Russian Federation (SIF of Russia) to secure funding for the work-related injury and occupational disease prevention, health resort treatment of employees exposed to health hazards and obtain discounts on compulsory occupational accident and disease insurance rates.

¹ Accident frequency rate: number of accidents for the reporting period per 1,000 workers.

² The increases in the accident severity and lost-day rates was due to longer sick leaves of employees injured in 2017.

GRI 103-1



MTS FOR LOCAL COMMUNITIES



MTS Group – its offices, products and retail stores – are present across Russia and in a number of CIS countries. The Company cares about the everyday needs of people living not only in major cities offering much wider opportunities for personal fulfillment and mutual support but also in remote, sparsely populated towns and villages. Therefore, MTS runs multiple social projects to provide equal conditions and opportunities for people in remote areas. In doing so, the Company seeks to build partnership teams comprising both MTS employees and local people and support longer-term projects addressing pressing social problems, improving life quality and reaching a wider population and aligned with the national social policy priorities.

At the same time, MTS actively expands its social product lines for security, health, education development and other areas.

MTS runs multiple social projects to provide equal conditions and opportunities for people in remote areas.

GRI 103-2



GRI 412-1

PRODUCTS DRIVING REGIONAL DEVELOPMENT

SMART CITY CENTER PROJECT

MTS has established the Smart City Center to implement regional programs aimed at the digitization of cities and regions. The Center actively engages regions to roll out digital solutions by MTS in order to improve life quality and urban environment management, offering various solutions: a monitoring system to improve municipal solid waste removal, the digital Active Citizen platform to facilitate communication between citizens and municipal authorities, a regional digital modelling system, and others. MTS also offers an IoT platform to manage smart city features and digital enterprises. The platform is an industrial-grade solution capable of monitoring device operation as well as ensuring the collection, storage and processing of data within MTS's resilient data centers with a Tier III certification¹.

>10 pilots

launched in 2019 within the agreements signed by the Company to digitize 28 Russian regions

In 2019, the Company signed digitization agreements with 28 regions and launched more than 10 pilot projects. In Vladivostok, MTS will participate in building the city's digital twin. In Yakutsk, a pilot will be launched for urban infrastructure digitization (smart collection of municipal waste and remote monitoring of urban infrastructure). Pilot projects for digital monitoring of municipal solid waste removal were launched in Samara and Nizhny Novgorod. The solution helps to monitor the quality and timeliness of waste collection services as well as keep track of prices and reduce costs. It also monitors municipal solid waste containers and vehicle condition, and tracks waste collection vehicle movements. The solution also allows equipping waste

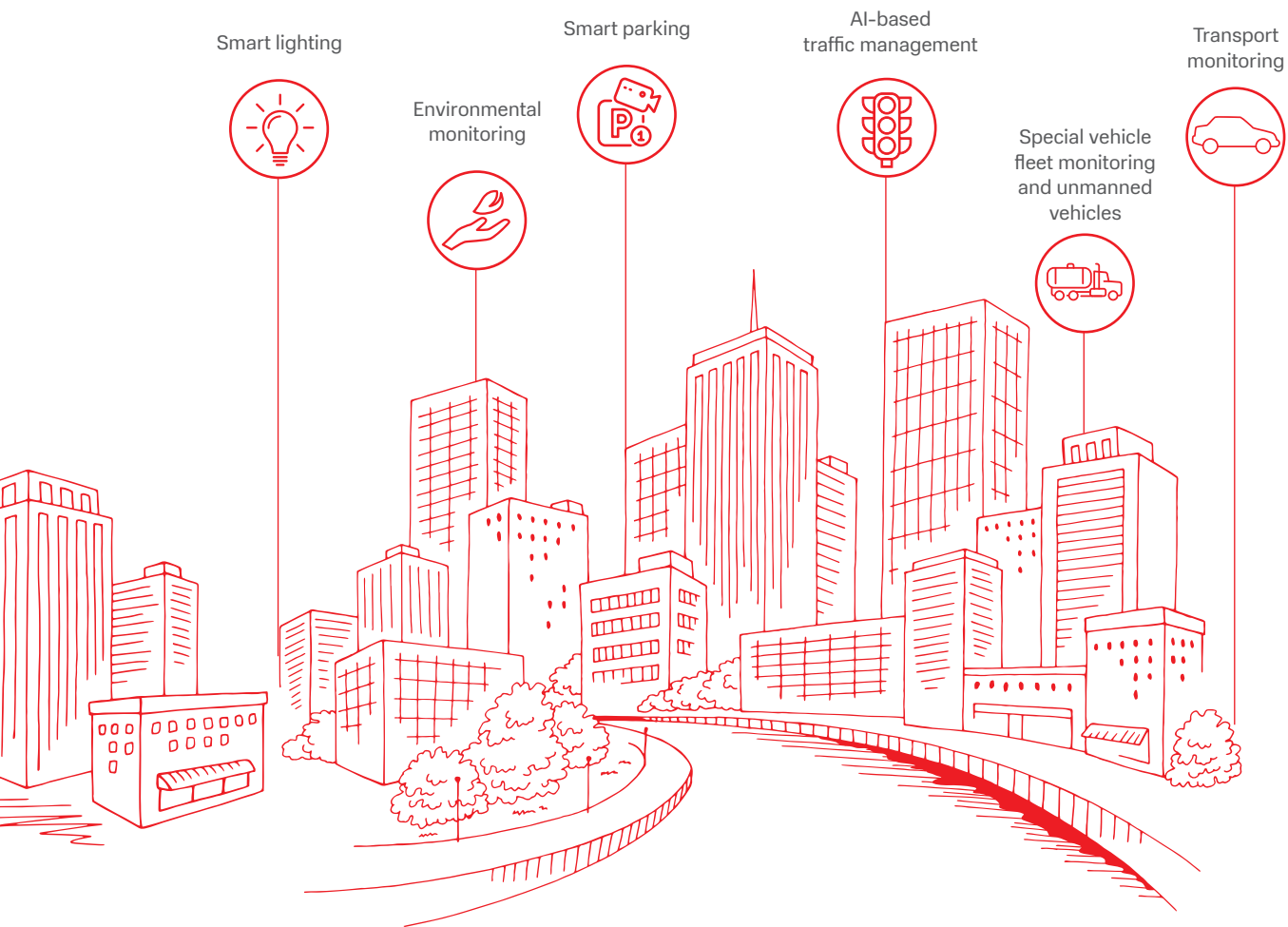
Smart City infrastructure



containers with special sensors to control filling, and installing navigational equipment and special onboard cameras on waste collection vehicles.

Russia's first multifunctional Smart City Pole with information display, environmental monitoring and smart parking systems and concealed telecoms equipment was installed in Innopolis, the Republic of Tatarstan in 2019.

¹ MTS has combined IoT solutions for various business industries within its new platform: <https://moskva.mts.ru/about/media-centr/soobshheniya-kompanii/novosti-mts-v-rossii-i-mire/2019-03-29/mts-obedinila-iot-resheniya-dlya-raznyh-otraslej-biznesa-v-novoj-platfome>.



REGIONAL DIGITAL MODELING SYSTEM

MTS's regional digital modeling system is a big data driven product for generating anonymized reports with up-to-date data on population size, density and movement as well as tourist and transport traffic. MTS has completed more than 15 projects to build digital models of regions with due consideration for their specific profiles.

Active citizen

This digital platform improves communication between citizens and municipal authorities as well as people's involvement in city management. The platform receives and handles citizens' requests and monitors follow-up actions.

The product fully complies with the requirements of the Ministry of Construction, Housing, and Utilities of the Russian Federation. The solution includes

services for population surveys, information modules with city news and urban development plans, a single customer service call center, as well as functionality to pay utility bills and fees for other services.

The platform helps collect people's views on matters important to their municipality, increasing the proportion of citizens involved in city management to 30%, and also boosts payment collection rate for utilities by 2 times on average.

Importantly, the platform can be integrated into regional and municipal information systems and other resources (Integrated Identification and Authentication System, electronic document management system, etc.), with a mobile app developed for citizens.

Smart transport

MTS puts SIM cards into telematics and multimedia systems of cars made by Toyota, Renault, Nissan and some other clients. In 2019, Geely began installing SIM cards on their assembly lines. MTS also offers its own telematics solutions for a number of insurance, car sharing, vehicle tracking and recovery system providers as well as car rental services.

An onboard computer, MTS | Yandex.Auto, was developed in collaboration with Yandex and commercially launched within Yandex's car sharing project. The computer is a car multimedia system with embedded services needed on the road, a single interface and voice control: Alice virtual assistant, Yandex.Navigator and Yandex.Music apps, as well as other MTS apps to listen to music/radio or watch TV/movies.

Smart water meters

Specifically for MTS, the Russian manufacturer BETAR has developed Russia's first water meter with an integrated NB-IoT module, with the Company starting supplying this solution to property management companies as early as 2020. The meters can operate even in areas that are challenging for other communications standards. The verification period of the new meters is six years. The meters can run the entire period on the same battery with automatic meter reading and billing by the system. Users can check readings in the VDome app. Smart meters cut average water bills by almost a half and reduce common charges by 10%.

SMARTMED

In 2019, MTS continued to actively develop its SmartMed service, a joint telemedicine project between MTS and the MEDSI chain of clinics. The service features online consultations with medical practitioners, appointments for in-person visits, calling in a doctor, and secure storage of the patient's medical records.

Thanks to the remote (telemedicine) functionality, patients from other regions can now be observed by Moscow- or Saint Petersburg-based doctors and be rehabilitated in home settings and at a much lower cost. In 2019, the number of online consultations grew by more than 20 times from the prior year. Repeat consultations accounted for 33% of the total, a sign that users find the service to be useful and convenient.

In April 2020, with the spread of the coronavirus pandemic and the imposition of lockdown, we made the service free.

SMART UNIVERSITY

The Smart University educational platform was designed for online lessons and targets the market for after-school training and private tutoring services. The Smart University teachers give lessons remotely via a video link using an iOS or Android app or the service website. The student communicates with the teacher in real time while performing tasks in an interactive textbook.

Each student is tested for their current knowledge, and an individual training program is then tailored for the student using special adaptive algorithms which improve training quality by up to 1.5 times. The program also provides for intermediate testing throughout the course and study progress monitoring using an embedded statistics solution. Progress can be tracked not only by students but also by their parents.

The initial focus area for the Smart University was preparation for the Unified State Exam in English. The team expanded the product line in 2019, which increased the number of registered users by 3.9 times. The Smart University now offers the following products:

- › General English course for adult learners (including corporate customers)
- › Courses in math, Russian and English for students in grades 5 through 11
- › Preparation for the Basic and Unified State Exams in math, Russian and English for high-school students.

In 2019, the Smart University partnered with Kazan Federal University, Peoples' Friendship University of Russia and the SKOLKOVO Moscow School of Management.



SOCIAL IDEA 2019

Social Idea is an international contest of social projects driven by digital technology. It continues the tradition of the Telecoms Idea international contest of innovative projects, held by MTS since 2011. The main goal of the project is to find, select and support projects improving the quality of life through information technology. 307 projects entered the 2019 contest across three categories:



Social Mobile

development of mobile apps and systems for social support of the population;



Social Big Data

building systems for big data collection and processing to address social issues;



Social Smart City

development of technologies for smart city urban platform management to address social issues.

The Social Mobile category had four winners:

- › MTS Volunteer mobile app to train volunteers
- › SOL mobile app for hearing impaired users with round-the-clock support
- › VR-movement program using virtual reality technologies for rehabilitation after musculoskeletal injuries
- › Donosearch.org project: blood donor community motivating and supporting people at all stages of the process, from the first blood donation to regular donations and award of the Honored Donor title.

An environmental monitoring project run as part of the Smart City project won the contest in the Social Smart City category. The program includes a number of measures for environmental monitoring and real-time mapping of atmospheric pollution.

Winner of the Innovation Time award in the Telecommunications Technology category's Best Project to Promote Innovation subcategory.

70 thousand
participants

7 countries

80 Russian regions

307 entries

5 winners



SOCIAL PROGRAM MANAGEMENT SYSTEM

MTS tops the social efficiency ranking of major Russian companies complied by Russia's AK&M rating agency.

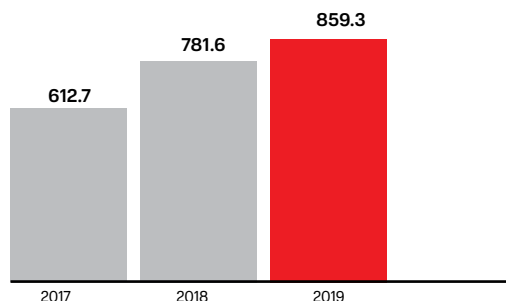
The Company operates in 83 Russian regions and considers long-term business sustainability and the development of these areas as deeply interconnected. Therefore, MTS is guided by its business strategy, CSR strategy and charity policy in pursuing its comprehensive social investment program to support local communities.

The key priorities of regional social investment planning are a tailored approach and focus on addressing the most pressing and acute problems faced by people in a particular area. Therefore, the MTS comprehensive social investment program is based on the principle of phased support and bottom-up initiative development, from meeting the needs of local communities to building tripartite partnerships between society, government and business, to maintain and develop the unique social and cultural profile of each region.

MTS conducts comprehensive post-project reviews involving the project participants and external experts, with the evaluation results and feedback discussed with all stakeholders. A key principle for social and charitable project evaluation is comparing the resources employed (human, material, etc.) to the outcomes achieved, measured in terms of social impact and positive change, project reach and target audience engagement.

A robust management system was put in place to run the program, including a federal-level team of employees dedicated full-time to social projects as well as regional specialists from across Russia and volunteer movements. Social initiatives directly involve the Company's top management and the directors of regional representative offices. Regional directors use their own social networks to invite volunteers to join in, actively respond to regional events and act as a single "entry point" for all initiatives, partners and authorities. The Company consistently allocates a budget for the social investment program based on the previous period spend and project plans for the next season.

\\ MTS Group's total spend on charitable and social projects (RUB million)



The social investment program planning and prioritization is done annually and driven by the MTS regional business development strategy, analysis of the social and economic situation in each particular region, stakeholder needs and the outcomes achieved in previous periods.

Awareness of the program is raised by addressing the current needs of people in a particular region as stories of helping ordinary people and supporting socially and culturally significant sites elicit strong emotional response from users of social media and messengers, as well as from the mass media.

TERRITORY DEVELOPMENT AND PRESERVATION OF REGIONAL CULTURAL VALUES

ASSISTANCE TO LOCAL COMMUNITIES

MTS has been running a comprehensive social investment program to support local communities since late 2016. Under the program, the Company interacts with independent groups of individuals which, while not being charitable foundations, act on their own to address social issues of importance to their local communities by forming interest groups. A distinctive feature of these groups is the social importance of their activities.

In 2019, MTS completed 480 projects to help local communities throughout the nation: collecting essential supplies for people in flooded areas, helping large and low-income families send their children to school, setting up sports grounds and cycling tracks, restoring old buildings, equipping search parties, helping to fit out sensory rooms, etc. A significant part of our community work involves MTS volunteers: the Company employees participate in voluntary cleanups, plant trees, renovate buildings, collect clothing and essential items for the homeless. Such social projects become an important part of the Company's dialog with local communities.

480 projects

to help local communities throughout
the nation were completed in 2019

Plans for 2020 include reinforcing volunteer activities through strategic partnerships with volunteer associations, B2B partners, non-profit organizations, government and businesses and expanding the program to other regions.

Flood in the Irkutsk Region

A natural disaster occurred in summer 2019 when a major flood struck several districts of the Irkutsk Region simultaneously. MTS announced a campaign to help the flood victims, run at its stores in the region. People actively responded by bringing warm clothes, footwear, bed linen, blankets, pillows, and other essential items. The collected items were sorted and handed over to a relief center supplying humanitarian aid to the victims.

In September 2019, MTS Bank announced its willingness to restructure the loans of victims of the Irkutsk Region flood. People were allowed to delay their principal payments for a six month period starting from the date the customer sent a relevant request to MTS Bank.

Fires in Siberia

MTS procured protective coveralls, fire-resistant boots and dirty-water pump units for volunteer firefighters. While an average fire truck has enough water for 15 minutes of continuous operation, a pump can be used to supply water from any nearby water body: a river, swamp or even a large puddle.



Eco-villages in Armenia (MTS Armenia)

VivaCell-MTS (MTS Armenia CJSC) and Foundation for the Preservation of Wildlife and Cultural Assets (FPWC) joined efforts to deploy energy-saving outdoor lighting with improved environmental and economic performance in Armenian villages.

The program was launched back in 2018, reaching over 10 villages. For example, a street lighting system consisting of 51 LED lights was installed in Chinari, on the main streets of the village, running north-south with a total length of 1.7 km. The LED lighting

system has also been expanded to side streets and the main part of the road entering the village. Several programs to supply drinking and irrigation water to Chinari were completed earlier. In addition, local two-year programs have provided lighting for a good part (about 3 km) of streets in Zaritap, with 83 LED lights installed. The Eco-Villages program not only creates a comfortable living environment for local communities but also provides an opportunity to more effectively manage the modest community budgets as the money saved following the system launches can be used for other purposes.



CULTURAL CODE

The Cultural Code volunteer initiative aims to preserve and support a territory's unique cultural values and initiatives.

At the end of 2019, the project covered 40 regions and involved over 2,500 volunteers. Volunteers, on their own, restored the historical garden of the Tsvetayev family in Tarusa, collected recipes for the national cuisine of the Evenki people in the Khabarovsk Territory, restored the Michurin summerhouse in the Tambov Region, helped to organize an exhibition of works by children with autism spectrum disorders in Rostov-on-Don,

supported unique Argun carving craftspeople in the Vladimir Region, provided the Solikamsk Regional Natural History Museum with modern multimedia services, supplied webcasting equipment to the world's only center for music antiquities (the Povetkin Center for Music Antiquities in Veliky Novgorod) and trained its staff in using the equipment, and much more.

>2,500
volunteers

40 regions
project cover



URBAN LEGENDS

The MTS Urban Legends project involves people in the creation of modern products for tourism: city audio-guides with a focus on lesser-known places which best reveal the spirit and local color of regions. The city audio guides are designed to let people learn about points of interest on their own with the help of voice-guided tours, available on the world's largest specialized platform for audio guides izi.TRAVEL and on the specialized mobile travel app Surprise Me. To begin a tour, all you need to do is download the free app on a smartphone and follow the guide's suggestions. Audio guides can be used any time even offline.



SOCIAL AND EDUCATIONAL PROJECTS



GENERATION M



MTS has been running its flagship social project Generation M since 2014 to provide equal opportunities for creative education and development to children from all across the country, regardless of their location or family finances. The project's online platforms are available to children from across Russia, offering multiple development opportunities, including competitions, online master classes and interactive activities with Russian celebrities on a variety of subjects. The project's educational videos have already drawn more than 30 million views.

The project is supported by over 200 partners, including creative organizations, large businesses, the media and non-profit organizations. The project is also actively supported by authorities, with whom more than ten agreements were signed to develop social and cultural environment in the respective regions.

>200 partners
supporting the project



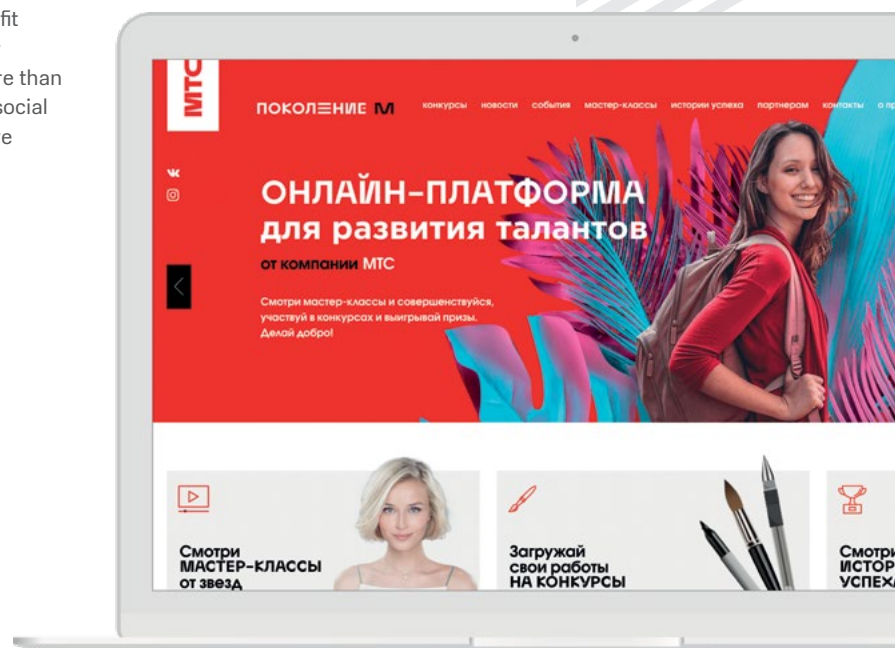
For more information
on the project see
the website



Winner of Effie Awards Russia 2019, a gold medal in the Positive Change – Contribution to Society and Sustainable Development. Brands category.

Laureate of the Corporate Philanthropy Leaders in the Sustainable Development Paradigm 2019 award, first place in The Best Program that Contributes to Sustainable Development and Achieving the Goals of Charity Work with the Help of IT category.

Laureate of the Digital Communications AWARD 2019 Award in the CSR Communications category.





Winners of Generation M competitions get ample opportunity, from internships with Russia's largest animation film studios and popular bloggers to taking to the big stage alongside stars and exhibiting their works in Russia's main museum of national arts. Since the project launch, 450 children from 67 regions of the country were selected as winners and laureates, with the project becoming their creative launchpad.

To support online activities and promote territory development, MTS arranges major free events with the project's star mentors as well as local creative associations in Russian regions with master classes on the same subject: performances by youth icon singers and popular bloggers Generation M: Blog & Voice with local star participation, photo exhibitions of World Press Photo winners, exhibitions of world-famous robots, educational tours for young designers FashionDay of Generation M, etc. This gives people living in regions an opportunity to meet world-class figures in person, provide inspiring and enriching experiences to kids, as well as preserve and promote local cultural heritage. A total of 25 major federal-level events involving

national stars were held in Russian regions in 2019 as part of the project. Over 2,500 volunteers took part in arranging the events.

Within the project, MTS develops a mass movement of young philanthropists in Russia, as all activities in groups and on the Generation M website are converted into actual money which MTS donates to provide treatment to seriously ill children. The unique charity mechanics have generated more than RUB 18 mln, spent to help 57 children.

25 federal events
held in 2019



CHILDREN ON THE INTERNET

In 2011, in order to protect children from unwanted content and fraudulent resources while teaching them to use the web for learning and development, MTS together with Moscow State University's psychologists developed the Useful and Safe Internet Lesson which was used as a basis for the Children on the Internet federal educational project. More than 400 thousand school students from over 40 Russian regions completed this program over the seven years of its existence. An entire range of measures were implemented over the period: interactive themed exhibitions, internet literacy lessons for elementary school students, workshops for teachers and parents, etc.

400 thousand

students in more than 40 Russian regions completed the program over seven years



In 2019, MTS employee volunteers played an active role in the project, training children both in large cities and small communities at their own initiative. In one year, our cyber security lessons reached 50 cities in 18 Russian regions.



MOBILE ACADEMY GRAMOTA.MTS.RU

The gramota.mts.ru special portal helps bridge the digital divide, introducing older generations to the capabilities of mobile devices and the internet and highlighting modern technologies and services that can be of great help to people in various life situations, from taking medications to sports and active lifestyle. The portal-based training is free, and thanks to its online format, people with reduced mobility and citizens in remote parts of Russia can now learn mobile technologies.



The Mobile Academy project was launched in 2012 to train senior citizens in the basics of internet literacy. The project had focused on classroom training until 2018, with more than 30 thousand pensioners in 30 regions of the Russian Federation completing the course over that period. In 2019, the project moved fully online.



Portal
gramota.mts.ru



MTS/MEDIA

The MTS/Media educational project is a unique media platform offering educational and helpful content available on the media.mts.ru and mts.ru websites, in the MyMTS app (in the stories format), and in the Yandex.Zen blog.

The goal of the MTS/Media publications is to explain difficult technology-related topics in a way that is simple and easy to understand for anybody. Incorporating materials into direct customer channels (bulk SMS and email messaging, welcome programs and others) allows us to promote MTS products and services and boost MTS's profile as a digital company offering a full range of innovative services to the mass and business markets.

In 2019, more than 2,000 posts were published in various VKontakte groups featuring MTS/Media materials which highlight the Company's digital products: lifestyle apps, media products and B2B services. Over 1,200 publications featuring the project's CSR content were also posted in social media. The stories discussed various topics such as paying taxes, social benefits that can be claimed by Russian citizens, what to do if one's social media account was hacked, safeguards against fraud, etc.

1,200 publications
featuring the MTS/Media's CSR content posted
in social media



PROFESSIONAL TRAINING IN SUSTAINABLE DEVELOPMENT

MTS is committed to sustainable business development principles in its activities and therefore seeks to share its experience in this area with its partners to ensure further successful cooperation.

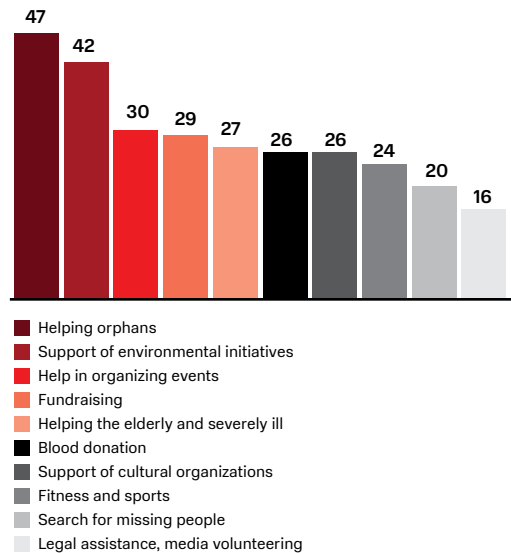
- > The Sustainable Business Development course uses the webinar format and comprises eight lessons. Its training program includes viewing video lectures and studying associated materials, small introductory homework and tests, and final knowledge testing. Upon successful testing, a course graduate is issued a certificate from the MTS Corporate University. The course is intended for general public and does not require any prior special training.
- > Sustainable development. Be better every day! is an annual practical conference for MTS Group partners and employees.



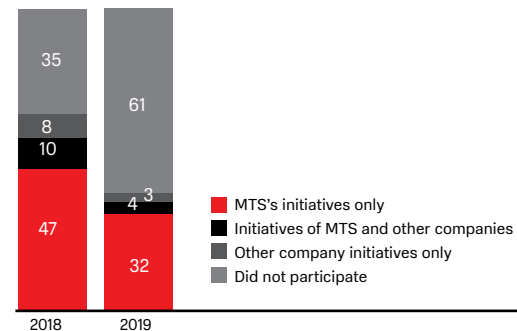
JUST GIVE GOOD! CORPORATE VOLUNTEER MOVEMENT

A large part of MTS's social initiatives involves the Company's volunteers.

\\Activities most popular with MTS volunteers (%)



\\Participation in volunteer initiatives in 2018–2019 (%)



Supporting the elderly and people with reduced mobility in self-isolation has been a challenging task for everybody including volunteers. MTS joined the #MyVmeste (we are together) campaign to support the elderly and people with reduced mobility: volunteers work in all regions of Russia to deliver medicines and food. Lawyers and psychologists provided free counseling and thousands of partners to the initiative helped with their services and products. MTS employee volunteers also joined the initiative working as the project hotline operators in their leisure time.

MTS actively interacts with federal and regional government bodies and local communities. Our volunteers train people in new professions, develop quality services, provide support to socially vulnerable groups, protect the environment and promote environmental education. In 2019, the Company completed a large number of partnership projects across the country involving employee volunteers of MTS.

The annual award ceremony for MTS volunteers, which is traditionally held on the Volunteer Day (December 5), is the pinnacle event for socially active employees of the Company. We celebrate the best social projects implemented by MTS Group volunteers in its regions of operation in the current year and award-winning teams and the project initiators. Over 190 MTS Group volunteers were awarded in 2019.

In 2019, our Just Give Good! movement totaled more than 7,500 volunteers with an offline coverage of more than 10 million people in 75 regions across the country. There are six categories of projects:

- > Environment
- > Education
- > Supporting children, including the disabled, and socially vulnerable groups
- > Blood donation
- > Preservation of cultural values
- > Sports development



SUPPORTING CHILDREN



MTS Mobile Fairytale Puppet Theater

In 2019, over 24 thousand children attended the MTS Mobile Fairytale Puppet Theater performances, including 15 educational plays. In total, volunteers delivered more than 100 events.

The theater actively participated in a festival held by the Children's Cinema May Charity Foundation in Rostov-on-Don, Smolensk and Nizhny Novgorod as well as international puppet theater festival Visiting Arlekin in Omsk and Moscow festivals Access is Open and Eco Life. Volunteers also took part in the international festival High Fest 2019 in Armenia and the Sistema FEST festival in Kostroma Region and Bashkiria organized by Sistema Charitable Foundation: the event attracted more than 12 thousand spectators.

Mobile Fairytale Puppet Theater and It's in the Bag won the System of Good Deeds 2019 grant contest held by Sistema Charitable Foundation.

24,000

children attended the MTS Mobile Fairytale Puppet Theater performances

>100

events delivered by volunteers

In December, MTS held the Puppet FEST volunteer festival of corporate theaters featuring 100 puppeteers from all companies of Moscow, Saint Petersburg, Ulyanovsk and Krasnodar theaters for over 900 spectators. Seven plays were shown in the Modern theater on the first day of the festival and a puppet show in sign language was performed on the second day in a cinema hall of the Victory Museum on Poklonnaya Hill.

Puppet shows Children on the Internet and New-year Detective Story with sign language translation and subtitles for hearing-impaired children aired on the Visiting a Fairytale and MTS Info TV channels over the year.

Performances of It's in the Bag Creative Laboratory became an integral part of all events of the theater. Volunteer magicians showed young spectators improvised sketches and magic performances and, before each show, applied colorful face painting and delivered balloon modeling workshops.

The Blue Arrow puppet opera

The Blue Arrow, a family puppet opera based on the eponymous fairytale by Gianni Rodari was staged in 2019. Due to a special nature of the opera, the play features both professional opera singers and volunteers from the MTS puppet theater. The results proved the importance of this collaboration: MTS volunteers learn acting from professional performers through working together on stage.

The premiere at Zaryadye Concert Hall was attended by children from social care institutions. A motion-picture version of the opera for hearing-impaired people is scheduled for release in 2020. The version will be a full-fledged film that can be shown both on TV and in a movie theater.

Road of Life

In 2019, MTS implemented a nationwide social project Road of Life to help children from social care institutions to start living on their own.



MTS corporate volunteer
fairytale puppet theater





Volunteers visited orphanages to discuss all sensible topics in detail with the kids. The children were teamed up and learned to write CVs, select proper clothes for, and present oneself in, an interview, plan personal monthly budget, and furniture one's flat after graduation. The project was implemented in 17 regions with volunteers visiting 28 institutions and extending training to over 400 children. The project involved 180 MTS employee volunteers from different departments.

Virtual Planetarium

In 2019, the Company launched educational project Virtual Planetarium, a new-generation mobile cinema based on Samsung equipment and looking like big 3D glasses. The technology creates not just a 3D effect to make the picture more realistic but a complete perception of being out in space. Medsi group specialists confirmed that the mobile cinema is safe for children.

By the end of 2019, the project covered 33 regions. Educational content featured by the planetarium includes virtual-reality films on the structure of Earth and other planets of the solar system which have been viewed by 1,700 children in MTS sponsored social care institutions thanks to the efforts of more than 150 specially trained MTS employee volunteers.



The opera can be viewed
on YouTube

1,700 children
from sponsored social care institutions
visited Virtual Planetarium



Going to School with MTS

Going to School with MTS, an annual nationwide educational project aimed at supporting children in social care institutions, is timed to coincide with the beginning of a school year. In 2019, the project covered more than 1,500 children in 40 regions of the Company operation. The project participants are not only MTS employees, but also their family members, our partners, as well as volunteers from MTS's retail network, MTS Satellite TV, MGTS, and Detsky Mir Charity Fund. The volunteers visit orphanages, conduct vocational guidance and workshops, donate stationery and books, organize cultural programs, sports competitions, and simply spend time with children.

Christmas Trees for Children!

A series of new-year events Christmas Trees for Children! is held every year for children in social care institutions. The project includes educational plays featuring puppeteers from the MTS Mobile Fairytale Puppet Theater creative volunteer association, a variety of workshops on how to make Christmas souvenirs and toys, outdoor sports, quests, contests, dressing up as Santa Clauses and Snow Maidens, gifts, and a flood of vivid impressions that help make the holiday unforgettable while offering companionship to children. Over 2,500 children and 300 MTS volunteers took part in the project in 2019.

1,500 children

take part in the Going to School with MTS project

2,500 children

participated in the Christmas Trees for Children! project

**Become a Star of Financial Literacy!**

Become a Star of Financial Literacy! is another project sponsored by MTS Bank, which educates schoolchildren, university students and children from social care institutions.

In 2019, MTS Bank sponsored a number of nationwide and regional initiatives for financial education: volunteers from the bank took part in the All-Russian Financial Literacy Project carried out by the Ministry of Finance of the Russian Federation. As part of the cooperation, MTS Bank arranged a series of offline and online events on financial literacy in a digital environment which attracted over 1.5 million people.

Also in 2019, MTS Bank continued its own educational project Financial Literacy for Everyone! which attracted about 500 children from all regions of operation. In 2019, a total of 3 million participants were involved in offline and online financial literacy activities of MTS Bank, five times more than in 2018.

Happiness to Bring Happiness

Happiness to Bring Happiness, a volunteer initiative launched by MGTS in 2018 to facilitate the social adaptation of children from social care institutions, was continued in 2019. Volunteers greeted kids with holidays, arranged pastime activities, tours, and educational events.

Operation Toys

Under the Operation Toys project sponsored by MTS Bank, Detsky Mir Charity Fund opened playrooms with a corner dedicated to financial education in healthcare institutions of the Republic of Bashkiria, Krasnoyarsk Territory and Nizhny Novgorod Region. MTS Bank also sponsored a charity program run by Lastochka Social Club for Children in the Republic of Karelia to help large families.

>3 million

participants in MTS Bank's offline and online financial literacy activities

350**MTS and MGTS donors**

in Moscow donated a total of over 140 liters of blood in 2019

BLOOD DONATION

Blood donation movement has been active in MTS since 2011: blood donor days are held in the Company's offices across Russia in cooperation with local blood transfusion centers. In Moscow only, 350 MTS and MGTS donors provided over 140 liters of blood in 2019, which is equivalent to saving at least 600 lives.



SUPPORTING VETERANS AND PRESERVATION OF HISTORICAL MEMORY



Tango of Victory

MTS's annual nationwide volunteer initiative Tango of Victory includes a number of events celebrating Victory Day. The project covers all of MTS's regions of operation. Voluntary cleanups in city parks and lilacs planting, cleaning of memorials and military glory museum territories, concerts for veterans in cultural centers, and targeted aid – these are just a few events our volunteers organize in remembrance of the Great Victory.



Memory of Victory

Large and small memorials to heroes of the Great Patriotic War were built in practically all settlements in the country after the war, however not all monuments are currently in decent condition. The nationwide project Memory of Victory aims to preserve regional Great Patriotic War monuments and memorials to heroes and to help their restoration. Areas around monuments are tidied, painted and plastered, trees are planted, flowers are laid, and ceremonial events are organized with the involvement of the local residents. The project is run in 30 Russian regions and involves 1,500 people.

Free calls for veterans

MGTS traditionally provides free unlimited calls for the Great Patriotic War participants during May holidays. Calls to fixed-line and mobile phone numbers in the Moscow Region under the initiative (from May 1 to May 14, 2019) totaled about 1.2 million minutes.

SPORTS

Transbaikal super marathon Around the World in Eighty Days is a project that caused 700 people living in the region to take up sports and “move around the Earth”. The participants were supposed to run 40,072 km in total, which is the largest circumference of the Earth along the equator, in 80 days. Project results in figures: 454 runners, 248 cyclists and 49 teams with 80,140 km covered.



INCLUSION



ACCESSIBLE EDUCATIONAL ENVIRONMENT

MTS sponsors training programs for hearing impaired escort interpreters and tour guides to work with the Russian sign language in museums in various regions of Russia as well as initiatives to build an accessible educational environment for children and young people with disabilities under the Notebook of Friendship international program. The program involves 8,300 children, their parents and teachers from 23 Russian regions and three other countries.

In 2019, MTS produced a video-guide for hearing impaired visitors of the Victory Museum on Poklonnaya Hill.

MTS also moderates the Path to Career contest for people with disabilities aiming at professional fulfillment and successful employment of ambitious and talented specialists with disabilities in leading Russian and international companies. 420 people with various disabilities from four regions took part in the contest with 70 reaching the final, 1 becoming an apprentice and 30 finding a job.

THEATER FOR ALL “BEYOND SILENCE”

This nationwide inclusive project is aimed at children with hearing impairments. Its goal is to create equal opportunities for all categories of audience. Thanks to the efforts of almost 380 volunteers, offline and online puppet shows in sign language were performed as part of the project in 20 Russian cities to more than 2,600 people.

GIVE GOOD!

Give Good! is MTS's charity program aimed at urgent help to severely ill children. Under the program, funds which were previously allocated for the procurement of souvenirs, are now donated to charity through federal charitable foundations with an impeccable reputation, which adhere to strict financial reporting standards. MTS cooperates with charitable foundations AiF, Good Heart, Sunflower, and Creativity. In 2019, the total budget of the Give Good! program amounted to RUB 10 mln. The raised funds were allocated to treating 40 children from Russian regions.

GRI 103-1, 103-2

MTS FOR ENVIRONMENT

ENVIRONMENTAL POLICY

MTS Group does not process primary raw materials and most of its processes do not harm the environment directly. Base station equipment does not contain or generates ionizing radiation sources. The Company uses equipment certified to international safety and energy efficiency standards. Regular measurements of electromagnetic energy flux from transmission and network equipment show that established limits are not exceeded.

Despite a relatively low environmental footprint, the Company is aware of global challenges and adopted an Environmental Policy¹ in order to control environmental risks. The document organizes environmental protection activities of different divisions of the Group.

OBJECTIVES OF MTS'S ENVIRONMENTAL POLICY



Compliance with the requirements of environmental laws and ensuring environmental safety at MTS's administrative facilities with a negative impact on the environment



Negative environmental impact mitigation and environmental protection risk management



Achieving financial and operational advantages that can result from environmentally-conscious solutions aimed at strengthening MTS's position

¹ Policy PT-030-1 Environmental Safety and Environmental Protection at Administrative Facilities.



GRI 103-2**PRIORITIES OF MTS'S ENVIRONMENTAL POLICY**

- > Introduction of a unified environmental management system of MTS in accordance with the national standard
- > Ensuring environmental safety at MTS's administrative facilities
- > Monitoring compliance with the requirements of environmental laws (including contractor services) in all MTS branches
- > Accounting pollutant emissions from stationary sources at the Company's facilities
- > Accounting and safe temporary storage of waste in accordance with environmental laws
- > Advanced training of MTS managers and employees responsible for environmental safety and continued environmental education of all MTS employees
- > Implementation of a set of preventive measures to rule out emergencies and environmental damage

RUB 146.2 mln
costs to purchase Euro-5 compliant vehicles

THE ENVIRONMENT COMPLIANCE PROGRAM

This compliance program was developed to ensure compliance with the environmental laws of the Russian Federation and is implemented by the Business Ethics and Compliance Department with dedicated operating divisions. Under the program, an environmental risk matrix was developed which will significantly reduce the probability of the Company being fined. Information on changes in effective laws is updated through quarterly monitoring.



In 2019, experts in environmental protection and safety analyzed all categories of products, work, services specified in the Procurement Policy to determine their impact on environmental systems. A system for separate collection of paper and municipal waste was introduced in the Company offices as new waste management requirements came into force.

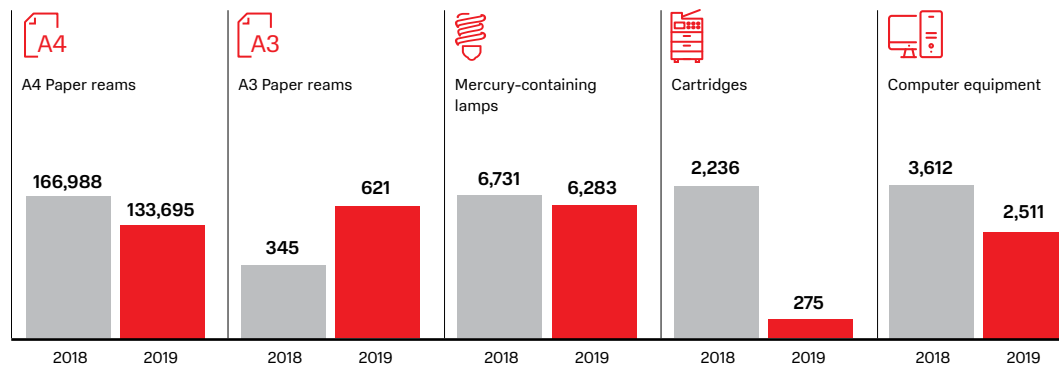
\\ Environmental protection investments and expenditures of MTS Group in 2018–2019 (RUB million)

Types of environmental protection expenditures	2018	2019
Charges for negative environmental impact	2.01	0.41
Preparation of environmental documentation (development of draft standards for waste generation and limits for their disposal, obtaining permits, etc.)	5.91	3.75
Solid waste removal to landfill	13.68	9.75
Recycling paper and paper waste	0.02	0.02
Disposal of mercury-containing lamps	0.19	0.20
Cartridge disposal	0.0020	0.0003
Disposal of computer equipment and IT equipment	0.0002	0.0100
Battery disposal	0.002	0.010
Installation of automatic energy consumption monitoring systems (indoor motion sensors, etc.)	–	0.02
Procurement of enhanced environmentally-friendly company vehicles (at least Euro 5)	100.74	146.24
Conducting supervisory certification audits of environmental management systems	–	0.06
Training of employees to introduce environmental management systems	–	0.15
Other	–	0.06

MTS ECO-OFFICE

\\ MTS PJSC pays particular attention to corporate culture development by letting its employees act in an environmentally conscious way. The Eco-Office project has been run at MTS's administrative facilities since 2012 with the aim of sustainable resource consumption by the Company employees and separate waste collection.

\\ Resource consumption



After the transition of the Company's regional branches to electronic document management and outsourcing of printing, office paper consumption decreased by 19.5% with cartridge consumption dropping by 87.7%. High reliability of equipment reduced electronic equipment procurement by 30.5%.

Environmental responsibility initiatives were highly appreciated by the professional community. In 2019, MTS took 2nd place in the Green Leader Office category during the Green Office annual environmental awareness campaign of the Moscow Department for Environmental Management and Protection.

MTS subsidiaries also implement their own environmental initiatives. For example, in 2019, MTS Bank arranged centralized collection of waste paper, including cardboard, in its headquarters and sent about 22 tonnes of waste for recycling.

19.5 %
reduction in paper
consumption

30.5 %
reduction in electronic
equipment spend



GRI 103-1, 306-2

SEPARATE MUNICIPAL WASTE COLLECTION PROGRAM



MTS pays particular attention to its separate waste collection program. The list of recycled or reused waste grows every year.

>93 tonnes
total waste sent for recycling

435 kg
of used batteries handed
over for recycling

Specially labeled containers for waste paper were provided in all offices of the Company in 2019. In the reporting period, 93,318.1 kg of waste were sent for recycling. 10 tonnes were collected in Moscow and the Moscow Region only, up 4.5 times year-on-year.

The environmental initiative for collection of used electric batteries in Moscow and regional offices of MTS is very popular with its employees. In 2019, AlterEco, the official partner of the program, collected 1,492 kg of batteries for disposal. Another 435 kg of used batteries were collected by volunteer activities and sent for disposal to public collection centers in shopping malls.

Presses and containers for transparent plastic bottles were installed in six Moscow offices of MTS in 2019. The presses cut the number of vehicle trips required to deliver waste to recycling facilities thus reducing the carbon footprint. MTS also actively participates in the Good Caps initiative, with over 400 kg of plastic caps from bottles of juice, milk, kefir and other drinks collected in 2019, a more than fourfold increase year-on-year.



\\ Total MTS waste in 2018–2019

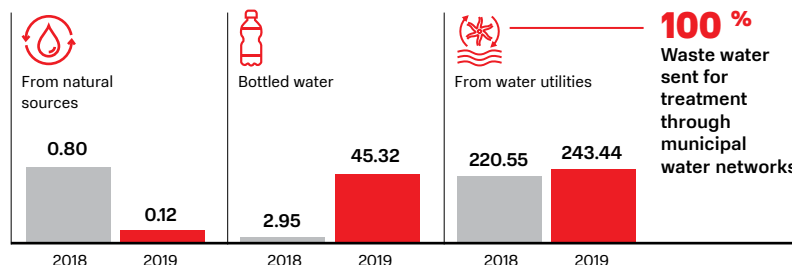
Waste type	2018	2019	Management method
Hazard Class I (extremely hazardous)			
Mercury waste (fluorescent lamps)	15,509	12,611	Disposal
Hazard Class III (moderately hazardous)			
Used cartridges	165	755	Landfilling
Computer equipment	570	1,315	Disposal
Batteries, kg	874	1,927	Disposal
Hazard Class IV (low-hazard)			
Mixed waste, tonnes	4,574.57	3,475.68	Landfilling
Non-ferrous metal scrap, tonnes	156.21	35.04	Recycling, disposal
Hazard class V (virtually non-hazardous)			
Mixed waste, tonnes	1,466.762	376.543	Landfilling/disposal/recycling
Ferrous metal scrap, tonnes	188.44	34.62	Recycling, disposal
Waste paper, tonnes	24.08	93.32	Recycling

GRI 302-4

WATER CONSUMPTION

Telecoms have no significant water-related impacts, but MTS promotes water stewardship. Water dispensers have been installed in the Company's offices, and empty bottles are returned

to the supplier for reuse. Waste water supplied by water utilities is sent for treatment through municipal water networks.

\\ Water consumption and discharge ('000 m³)

MTS branch premises in the Krasnodar Territory have an artesian well used to supply water for technical purposes.

ENERGY EFFICIENCY PROGRAM

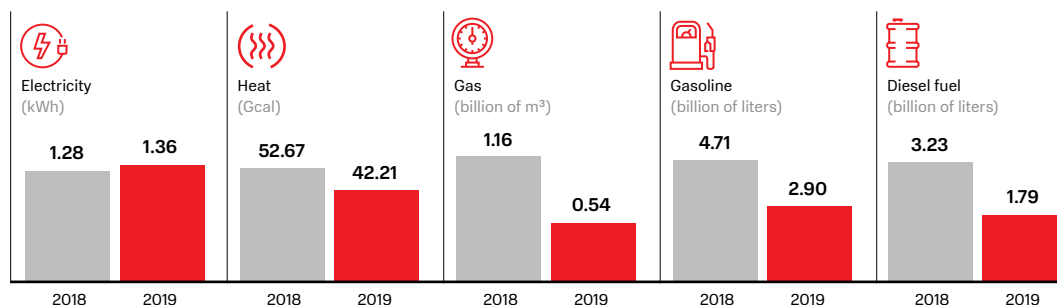
MTS's technology strategy includes regional energy efficiency programs comprising the following activities:

- > Replacement of fluorescent lamps with LEDs
- > Using air conditioning systems with a free cooling function and equipment with an energy efficiency class no lower than C
- > Activating software algorithms in MTS network to disconnect base station transceivers during low load periods
- > Using base stations with passive cooling of transceivers and locating distribution boards as close as possible to consumers to reduce losses in wiring
- > Using copper core cables

switching ventilation and air conditioning systems off on non-working hours. MTS uses diesel generators made by leading European manufacturers (Wilson, SDMO, Geko and Inmesol) with extremely strict requirements for fuel consumption efficiency and CO₂ equivalent emissions as backup power supply to base stations. The Company's data centers are certified to Tier III standards.

In 2019, the Company branches supplemented the above measures by installing motion sensors in office corridors and passageways and regularly

\\ Energy resource consumption by MTS



ALTERNATIVE ENERGY

MTS uses a broad range of power systems running on renewable energy. The first power supply system using solar energy was deployed in Kitovoye Rebro Pass on the Sea of Japan shore in the Far East in 2015. Afterward, wind turbines and solar panels were installed to supply power to MTS's base

stations on the shores of the Barents Sea and Lake Onega in the North-West and Lago-Naki Plateau in the western part of the Caucasus. A wind turbine is also installed in a mountain pass near the Titovka River, an area with stable wind loads year-round.



A base station with power supply from solar panels only was commissioned in the Far East in 2019. The station is located in a popular recreational area in Spokoinaya Cove.



A solar and wind power plant is currently being tested in Ryazan. The plant comprises a vertical twin-bladed wind turbine with airflow concentrators around the perimeter which additionally support solar panels. This design allows using both wind and solar energy.



Renewable energy sources proved to be effective in ensuring the stable operation of base stations in hard-to-reach areas thanks to their environmental friendliness and low operating costs. Moreover, this segment drives technological innovation and has high greenhouse gas emission reduction potential.

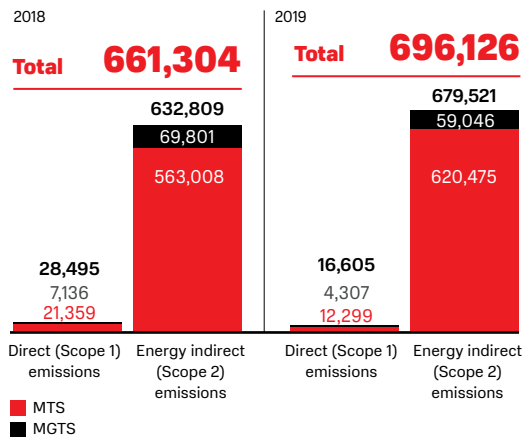
GRI 103-1, 305-1

CARBON MANAGEMENT

In 2019, the Company started disclosing environmental footprint data through CDP and joined the global GSMA-led initiative to develop a mobile industry climate action roadmap in line with the Paris Agreement, which is aimed at combating climate change.

A dedicated working group comprising representatives from 10 structural divisions of the Company was set up under the CSR Committee in 2019 to develop and implement MTS's Unified Carbon Management Program and assess climate change risks. One of the priority tasks set for the working group is to develop an integrated climate strategy for the Company, design business processes to carry out the strategy, map climate risks, and implement energy efficiency KPIs.

Greenhouse gas emissions¹
(tonnes of CO₂ equivalent)



A reduction in direct greenhouse gas emissions is due to vehicle fleet renewal with at least Euro-5 compliant cars and operation of diesel generators made by leading European manufacturers with strict requirements for fuel consumption efficiency and CO₂ equivalent emissions for backup power supply.

The year-on-year increase in energy indirect (Scope 2) GHG emissions in 2019 was due to the Company expanding its technology infrastructure – commissioning new base station sites and data centers in Nizhny Novgorod and Moscow (Avantage) – as well as increased traffic and retrofitting of existing sites (LTE).

MTS has scored among top 10 Russian companies in CDP climate disclosure – a reflection not only of our exceptional transparency in environmental disclosure but also of the Company's wider knowledge of own impact on climate.

VEHICLE FLEET RENEWAL

One of the main sources of negative environmental impact from MTS is company vehicles whose exhaust fumes contain more than 200 different components and compounds which are mostly toxic.

A large program to replace the corporate vehicles with Euro-5 compliant cars was completed in the reporting period.

¹ Information disclosed by MTS PJSC to CDP in Climate Change 2019 Report is available at: <https://www.cdp.net/en/responses?utf8=%E2%9C%93&queries%5Bname%5D=MTS>. Data for 2018 differ from data in the 2018 MTS Group Sustainable Development Report and the 2018 CDP questionnaire due to minor changes made to the greenhouse gas accounting methodology for more accurate results.

ENVIRONMENTAL EDUCATION

\\ MTS has been traditionally running projects for employees to promote care for natural resources, use of modern technologies to minimize negative environmental impact as well as projects involving the Company employees and partners to restore vegetation and preserve natural territories.

MTS ENVIRONMENTAL MOVEMENT

To keep employees informed and engaged, an environmental community – online space for communication between people sincerely concerned with the planet's well-being – was launched on the Pulse corporate portal in 2019. The website regularly publishes news on events held by the Corporate Center and branches, information and education materials on environmental issues, posts useful links, and covers environmental initiatives in Russia and abroad. Over 250 permanent subscribers and active participants represent the core of the movement.

>250

permanent subscribers and active participants at the core of the movement

ENVIRONMENT DAY WITH MTS

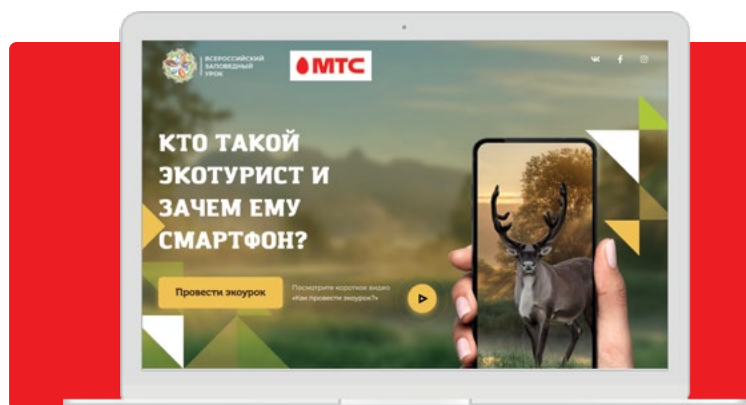
The Environment Day with MTS, a major environmental project, was launched in early June 2019 as part of the celebration of World Environment Day. All activities of the project focused on resource management. The Pulse portal featured a series of information materials on the subject including a unique lecture “Separate waste collection. Myths and reality”. The celebration was preceded by a creative online marathon with employee participants sharing ideas in three categories:

- > Kids Talking About the Environment
- > Reasonable MTS
- > Creativity

Over 1,500 employees from our five largest Moscow offices took part in an environmental quest and a creative workshop on making reusable bags. Mobile collection of polyethylene bags and plastic for recycling was provided during the celebration. The most active participants received valuable environmentally-friendly prizes.

OUR PLANET FOR KIDS PROJECT

In the autumn of 2019, MTS in partnership with EcoCenter Zapovedniki launched a new lesson “Who an ecotourist is and why they need a smartphone” for children of the elementary and middle school age. The project is aimed at describing the role of modern technology in communication with nature. Econeshka, the main heroine of all environmental lessons by MTS, introduces young travelers to interesting and beneficial ways to spend time with nature. Exciting and creative tasks help children understand how an ecotourist differs from an ordinary traveler, how to plan a trip properly, and what should be done to prepare your smartphone for an educative and, first and foremost, safe trip.



The environmental lesson and all of its supplementary materials are free and available at заповедныйурок.рф

As at the end of 2019, the project had

>3,500
participants

130
educational institutions
across Russia

PROSPECTS FOR MTS'S CSR PROGRAM DEVELOPMENT

\\ Social, environmental and economic development will remain the focus of MTS's CSR and sustainable development efforts over the medium term.

MTS conducted a survey of employees and subscribers on inclusivity, which showed the importance of inclusive social programs, particularly educational ones: 57% of the respondents believe that by implementing corporate inclusive programs, MTS will strengthen its brand's positive image.

During the first stage of the updated CSR strategy implementation, the Company will focus on developing inclusive programs, educational technologies, environmental initiatives and using innovations to address social issues in its regions of operation.

The results of these projects will be assessed based, among others, against the following UN Sustainable Development Goals (SDGs):



**GOAL 10.
REDUCED
INEQUALITIES**



**GOAL 4.
QUALITY
EDUCATION**



**GOAL 12.
RESPONSIBLE
CONSUMPTION
AND PRODUCTION**



**GOAL 9.
INDUSTRY,
INNOVATION
AND INFRASTRUCTURE**

\\ CSR target for 2020

Inclusion

Build a culture of tolerance to colleagues, customers (particularly older ones) and people with disabilities

Education

Bridge the digital divide by providing socially vulnerable groups with access to the Company's educational services, with the help of MTS employee volunteers

Environment

Incorporate responsible consumption in the Company's business processes, promote environmental values among customers and partners, implement and scale up environmental projects

Innovation

Use high-tech solutions to address social issues, including searching for and supporting socially significant projects in digital technology

**PRIORITY
AREA**

APPENDICES

MEMBERSHIP OF ASSOCIATIONS, NATIONAL AND INTERNATIONAL ORGANIZATIONS

- > Digital Economy, an autonomous non-profit organization
- > Competition Experts Association
- > National Payment Association, an association of entities of the national payment system
- > Corporate Counsel Association, a non-profit partnership
- > Association of Big Data Market Participants
- > Media Communication Union, a non-profit partnership for the development of the media industry
- > • GSM Association (GSMA)
- > Safe Internet League, an association of internet industry players
- > Moscow Confederation of Industrialists and Entrepreneurs (Employers), a regional association of Moscow employers
- > Joint Audit Cooperation (JAC)
- > LTE Union
- > Telecom Infra Project
- > Chamber of Commerce and Industry of the Samara Region
- > Chamber of Commerce and Industry of the Republic of Bashkortostan
- > Chamber of Commerce and Industry of the Nizhny Novgorod Region
- > Chamber of Commerce and Industry of the Kirov Region
- > Kirov Union of Industrialists and Entrepreneurs, a regional association of employers
- > Chamber of Commerce and Industry of the Smolensk Region
- > Chamber of Commerce and Industry of the Kaliningrad Region
- > Chamber of Commerce and Industry of the Lipetsk Region
- > Chamber of Commerce and Industry of the Republic of Mordovia
- > Association of Telecommunications Operators of the Ivanovo Region, a non-profit partnership
- > Regional Commonwealth in the Field of Communications
- > Forum for International Irregular Network Access
- > Public-Government Association of Electronic Document Communications
- > National Radio Association, an association of national radio frequency resource users
- > Russian Managers Association, an interregional public organization
- > Russian Association of Public Relations (RASO), a non-profit partnership
- > Donors Forum, an association of grant-making organizations
- > Non-Profit Partnership for Promotion of Navigation Technologies Development and Application (GLONASS Union)
- > UNISCAN/GS1 Russia, an automatic identification association
- > Eurasian Competition Association
- > German–Russian Chamber of Commerce

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102-32 Highest governance body's role in sustainability reporting	Pending approval
Stakeholder engagement	
102-40 List of stakeholder groups	3
102-41 Collective bargaining agreements	n/a
102-42 Identifying and selecting stakeholders	3
102-43 Approach to stakeholder engagement	54
102-44 Key topics and concerns raised	3
Reporting practice	
102-45 Entities included in the consolidated financial statements	
102-46 Defining report content and topic Boundaries	1
102-47 List of material topics	3
102-48 Restatements of information	None
102-49 Changes in the list of material topics and topic Boundaries	3
102-50 Reporting period	31.12.2018–31.12.2019
102-51 Date of most recent report	May 2019
102-52 Reporting cycle	Annual
102-53 Contact point for questions regarding the report	144
102-54 Disclosure level	This Report has been prepared in accordance with the GRI Standards: Core Option
102-55 GRI content index	135
102-56 External assurance	by RSPP
GRI 201: Economic Performance 2016	
GRI 103: Management Approach 2016	

GRI Disclosure	Page/note
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103-2 The management approach and its components	6
103-3 Evaluation of the management approach	8
201-1 Direct economic value generated and distributed	12
GRI 202: Market Presence 2016	
GRI 103: Management Approach 2016	
103-1 Explanation of the material topic and its Boundary	14, 20
GRI 203: Indirect Economic Impacts 2016	
GRI 103: Management Approach 2016	
103-1 Explanation of the material topic and its Boundary	12
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203-1 Infrastructure investments and services supported	20
GRI 205: Anti-corruption 2016	
GRI 103: Management Approach 2016	
103-1 Explanation of the material topic and its Boundary	45
103-2 The management approach and its components	45
205-1 Operations assessed for risks related to corruption	50
205-2 Communication and training about anti-corruption policies and procedures	45
GRI 302: Energy 2016	
GRI 103: Management Approach 2016	
103-1 Explanation of the material topic and its Boundary	124
103-2 The management approach and its components	124
302-4 Reduction of energy consumption	129
GRI 305: Emissions 2016	
GRI 103: Management Approach 2016	
103-1 Explanation of the material topic and its Boundary	131
103-2 The management approach and its components	56
305-1 Direct GHG emissions	131
GRI 306: Effluents and Waste 2016	
GRI 103: Management Approach 2016	
103-1 Explanation of the material topic and its Boundary	128
103-2 The management approach and its components	126
306-2 Waste by type and disposal method	128

GRI Disclosure	Page/note
GRI 401: Employment 2016	
GRI 103: Management Approach 2016	
103-1 Explanation of the material topic and its Boundary	86
103-2 The management approach and its components	84
401-1 New employee hires and employee turnover in 2018 by age, gender and region	86
GRI 403: Occupational Health and Safety 2016	
GRI 103: Management Approach 2016	
103-1 Explanation of the material topic and its Boundary	102
103-2 The management approach and its components	102
GRI 404: Training and Education 2016	
GRI 103: Management Approach 2016	
103-1 Explanation of the material topic and its Boundary	97
103-2 The management approach and its components	98
404-2 Programs for upgrading employee skills and transition assistance programs	98
GRI 405: Diversity and Equal Opportunity 2016	
GRI 103: Management Approach 2016	
103-1 Explanation of the material topic and its Boundary	91
103-2 The management approach and its components	92
405-1 Composition of governance bodies and major employee categories by gender, age group, minority group membership and other indicators of diversity	93
GRI 413: Local Communities 2016	
GRI 103: Management Approach 2016	
103-1 Explanation of the material topic and its Boundary	104
103-2 The management approach and its components	105
413-1 Operations with local community engagement, impact assessments, and development programs	106

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ESG METRICS¹

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E1. GHG emissions	131
E3. Total amount of energy consumed (directly and indirectly)	129
E5. Energy usage by generation type	130
E6. Water usage	129
E7. Environmental management system	124
E8. Climate oversight/board of directors and management board	56
E9. Climate oversight/mid-level management	51
E10. Climate risk mitigation	130
Social	
S3. Employee turnover	94
S4. Gender diversity	87
S5. Temporary worker ratio	86
S6. Non-discrimination	48
S7. Injury rate	102
S8. Occupational health & safety	102
S10. Human rights	92
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G1. Board diversity	Annual report
G2. Board independence	Annual report
G3. Incentivized pay	Annual report
G4. Collective bargaining	Annual report
G5. Supplier code of conduct	75
G6. Ethics & anti-corruption	46
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¹ ESG Reporting Guide 2.0 by Nasdaq.

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Economic indicators		
1	1.1. Main business conduct principles	22
2	1.2. Volume of sales (work, services)	12
3	1.3. Accrued taxes and other mandatory deductions	12
4	1.4. Payroll costs	84
5	1.5. Asset investment	Annual report
6	1.6. Payments to capital providers	Annual report
7	1.7. Community investment	104
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Environmental indicators		
Materials		
9	2.1. Share of materials used that are recycled input materials	Not applicable
Energy		
10	2.2. Energy consumption	129
11	2.2.1. Energy consumption per unit of production	129
Water		
12	2.3. Freshwater consumption for own use	129
13	2.3.1. Water consumption per unit of production	129
14	2.4. Share of recycled water consumption in total water consumption for own use	Not applicable
Emissions, effluents and waste		
15	2.5. Greenhouse gas emissions	131
16	2.6. Pollutant atmospheric emissions	131
17	2.6.1. Emissions per unit of production	131
18	2.7. Wastewater effluents	129
20	2.7.2. Pollutant effluents	Not applicable
21	2.8. Waste volume	128
22	2.8.1. Waste per unit of production	128
23	2.9. Number of significant emergencies with environmental impact	None
24	2.10. Recovered environmental damage	126
Products and services		
25	2.11. Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	130
Overall		
26	2.12. Environmental protection investments	126
Social indicators		
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Employment		
27	3.1.1. Total workforce by region	86
28	3.1.2. Employee turnover	94
29	3.1.3. Rate of employee turnover caused by whatever reason	86
Labor/management relations		
30	3.1.4. Coverage by collective bargaining agreements	n/a
31	3.1.5. Rate of occupational injuries	102
32	3.1.6. Number of work-related fatalities	No
33	3.1.7. Number of occupational diseases	103
34	3.1.8. Loss of working hours due to diseases of any origin	103
35	3.1.9. Labor safety costs	103
36	3.1.10. Number of training hours per employee	97
37	3.1.11. Training costs	97
38	3.1.12. Participation of women in management bodies	87
Human rights performance indicators		
Non-discrimination		

39	3.2.1. Labor disputes	96
40	3.2.2. Discrimination cases	None
41	3.2.3. Number of violations involving rights of indigenous people	None
Community relations performance indicators		
Community		
42	3.3.1. Interaction with authorities on socially significant matters (social and economic development in the regions of operation)	80
43	3.3.2. Interaction with non-profit and non-governmental organizations on socially significant matters	104
44	3.3.3. Assessment of contribution to the social and economic development of local communities	110
Public policy		
45	3.3.4. Participation in external initiatives, including in public policy development	80
46	3.3.5. Participation in non-profit organizations (for example, industry ones) and/or national and international organizations whose activities lie within the company's area of interest	134
Product responsibility performance indicators		
Product and service labeling		
47	3.4.1. Information and labeling	62
48	3.4.2. Product quality management	60

ADDITIONAL MATERIALS



2019 MTS PJSC
Annual Report



MTS Corporate
Social Responsibility
Strategy
for 2017–2022



Anti-Corruption
Policy

Requirements for suppliers



MTS PJSC Anti-
Corruption Laws
Compliance Policy



MTS PJSC Code
of Corporate
Conduct
and Business Ethics



MTS PJSC Supplier
Code of Business
Conduct



MTS Caring
for the Environment



Charity Policy



Strategy
presentation
at the Investor
Day

MTS AWARDS IN 2019

Ranking/Competition/ Award	Achievement	Hosting organization
Corporate awards		
Russia 50 2019 ranking of the most valuable and strongest Russian brands	MTS was ranked the ninth most valuable brand overall and recognized as the country's top telecoms brand	Brand Finance consultancy
Russia's top 500 largest companies	MTS topped the list of the most profitable telecoms	RBC
Social efficiency ranking of the Russian companies which contribute the most to society while minimizing their environmental impact	MTS took first place	AK&M Rating Agency
Top 1000 Russian managers	MTS won six categories and became the only Russian telecoms operator with its top managers included in all twelve categories	Russian Managers Association, Kommersant publishing house
Awards in marketing and communications		
No. 1 Brand in Russia national consumer confidence award	Winner in the mobile operator services category	Organizing committee
All-Russian Ranking of Directors for Corporate Communications and Corporate Relations TOP-COMM	MTS topped the ranking of companies with the best corporate communications and relations system	Russian Association of Communication Directors and Corporate Publishing
Effie Awards Russia 2019	MTS won first place in three categories The Generation M project became first in the Contribution to Society and Sustainable Development: Brands category and received a special acknowledgment for the effective integration of the UN SDGs in corporate communications Gold in the Retail category went to the Changes in the Communication Approach to Device Promotion project The Access project was third in the Youth Marketing: Teenagers and Young People Under 25 category	Effie Russia
PROBA Awards 2019	The Cultural Code project was the winner in the Effective Grand Prix and the Corporate Communications categories	North-West Branch of the Russian Association of Public Relations
Recognition & Influence award	MTS won the award by the St. Petersburg publisher in the Best Telecoms and Internet Operator category	Fontanka.ru
CX WORLD AWARDS for customer experience excellence	MTS's retail network was the winner in the Best Employee Engagement Practice and Best Customer Experience Team categories	CX World
Loyalty Awards Russia in marketing, loyalty and CRM	MTS Cashback was recognized as the Best Telecommunications Loyalty Program	RuMarTech community of marketing, IT and innovation experts
Digital Communications Award	MTS's Generation M project was named a winner in CSR Communications. The MTS Flash and Start internship programs were named winners in the category of Company Recruiting	Russian Association of Communication Directors and Corporate Publishing
Russia's Best Social Projects Award	MTS's "A Company for All/Social Battle" project was named an award winner	Organizing committee

Ranking/Competition/ Award	Achievement	Hosting organization
HR awards		
HR Brand Award	MTS's Cultural Code volunteer initiative was recognized as the best socially-oriented project in the Big Heart category. The WorkForce Management (WFM) retail system and MTS Fountain Challenge, a street fountain programming competition, were among the winners in the Federation and Region categories	HeadHunter
Ranking of the Best Companies for Work and Career	MTS was awarded in the Leadership Index category	Rabota.ru
Crystal Pyramid HR award	MTS's retail network won Grand Prix in the Best HR Tech Solution category for its Virtual World for MTS Employees app	Organizing Committee of the Crystal Pyramid HR award
Industry awards		
Champions of Good Deeds national contest of corporate volunteer projects	The Cultural Code project won in the Local Communities category	Russian Managers Association
Corporate Philanthropy Leaders award	The Generation M project became the Best Program that Contributes to Sustainable Development and Achieving the Goals of Charity Work with the Help of IT	Vedomosti and Donors Forum
Best Legal Departments contest	MTS won in the Effective Intellectual Property Management category	Legal Insight magazine
Russia's most reliable banks ranking	MTS Bank ranked among Russia's top 100 banks	Forbes
National Corporate Governance Index	MTS took a top-5 spot among companies with best corporate governance practices	National Corporate Directors Association
RETAIL FINANCE AWARDS 2019	MTS Bank won the Creative Idea of the Year and Breakthrough of the Year in Retail Banking categories	The Retail Finance magazine
Best Supplier of the Year contest	MTS became first in the Best Telecoms Services Supplier category	Chamber of Commerce and Industry of the Russian Federation, Moscow Association of Entrepreneurs
Innovation Time international award	Our #CloudMTS cloud service provider topped the Best Project on Implementation of Innovations category	Organizing committee
CDO Award 2019	MTS was recognized for the effective use of big data	Open Systems Publications
IP Russia Awards	MTS won the special Best Automation of a Trademark Protection Strategy category	infor-media Russia in collaboration with the Intellectual Property Council of the Chamber of Commerce and Industry of the Russian Federation and Russian State Academy of Intellectual Property
Artificial Intelligence in the Banking Sector ranking	MTS Bank was recognized as the leading financial and lending institution in deploying artificial intelligence and machine learning solutions	Expert RA and RAEX (RAEX-Analytics) rating agencies
IoT Awards	MTS named Russia's IoT operator of the year	The Internet of Things Association, iot.ru media platform
National VC Awards 2018	MTS won the Best Syndicated Venture Deal category	Russian Venture Capital Association
Research by NAUMEN	MTS Bank was recognized as a leader in customer servicing via social media among banks	NAUMEN Group
Innovation Time international award	MTS's projects "MTS – A Company for All" and Social Idea were recognized as the Social Innovation of the Year and Best Project to Popularize Innovation in the Telecommunications Technologies category	Organizing committee

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Ranking/Competition/ Award	Achievement	Hosting organization
EcoBest Award in ecology, energy, and resource conservation	The MTS Environment Day and Our Planet for Kids projects were named the Best Educational Project and Best Internal Project	Organizing committee
Corporate reporting awards		
Annual report competition	MTS's Annual Report was among the winners in the Best Annual Report in the Consumer and TMT Sectors category and Best Information Disclosure on the Corporate Website category	Moscow Exchange
MarCom Awards (international)	MTS Group Sustainable Development Report was a platinum winner in the Print Media Annual Report category	Association of Marketing and Communication Professionals (AMCP)
MarCom Awards (international)	MTS's Annual Report won in the Digital Media/E-Communication category	Association of Marketing and Communication Professionals (AMCP)
LACP Vision Awards international annual report competition	MTS won a bronze medal in the Annual Report category among companies with revenue of USD 1–10 billion and the report was named a top-100 corporate publication	League of American Communications Professionals LLC (LACP)
Individual awards		
Data Lawyer of the Year	Ruslan Ibragimov, Vice President for Government Relations and Public Relations, became the winner in the Digital Transformation Leader category	Russian Association for Electronic Communications (RAEC), Moscow branch of the Association of Lawyers of Russia
All-Russian Ranking of Directors for Corporate Communications and Corporate Relations TOP-COMM	Elena Kokhanovskaya, Director of External Communications and Public Relations at MTS, became the best director for corporate communications and corporate relations	Russian Association of Communication Directors and Corporate Publishing
Internal Auditor of the Year 2019 national award	Ekaterina Lobova, Internal Control and Audit Manager, was named the Internal Auditor of the Year	Institute of Internal Auditors
CDO Award 2019	Leonid Tkachenko, Head of Big Data, became the winner in the Improving Business Efficiency category	Open Systems Publications

- MTS is the leader in the social efficiency ranking of the largest Russian companies compiled by AK&M Rating Agency
- MTS joined the top 5 in the Corporate Philanthropy Leaders in the Sustainable Development Paradigm compiled by Vedomosti newspaper and Donors Forum
- MTS is recognized as the company with the best approach to sustainable development management, according to PwC Russia
- MTS entered the top 10 Russian companies with the best practices of climate change disclosure under CDP
- 2018 MTS Group Sustainable Development Report became a platinum winner (the top prize) of MarCom Awards 2019¹, a prestigious international competition
- MTS entered the top 15 in the sustainable development ranking of 100 largest Russian companies by Expert Media Holding and became the leader among IT and telecom companies
- MTS's projects, "MTS – A Company for Everyone" and Social Idea, won two prizes, Social Innovation of the Year and Best Project to Popularize Innovation, in the Telecommunications Technologies category of the Innovation Time award

¹ <https://enter.marcomawards.com/entry/2018-mts-group-sustainable-development-report/>

CONTACTS

\\Full trade name

RU

In Russian:

Публичное акционерное общество «Мобильные ТелеСистемы»

EN

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