

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

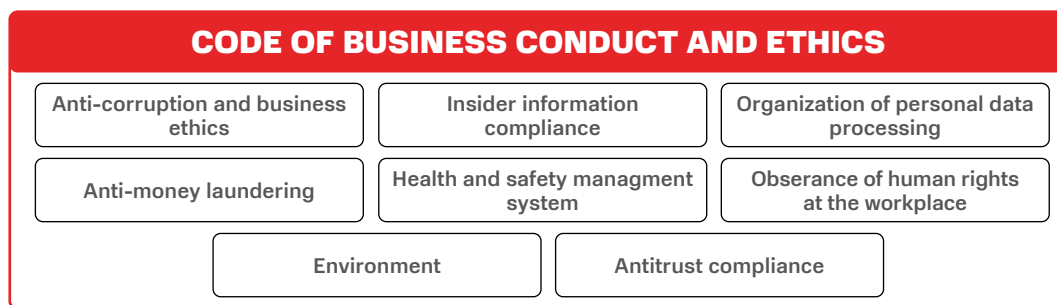
MTS'S CORPORATE RESPONSIBILITY PRINCIPLES

\\ 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.

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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.



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

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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).

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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 Conducting activities without registering a facility with an adverse environmental impact Breaches of environmental control and monitoring standards 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. 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). Changes in the requirements of environmental laws are monitored at the Corporate Center level and in the regions. 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. 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. 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. 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. 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>