

## SETTLEMENT OF POSSIBLE CONFLICTS OF INTEREST OF MANAGEMENT BODIES AT MTS PJSC

For the purposes of non-admission of conflicts of interests, the Company holds an annual knowledge testing and certification of compliance with norms of the Code of Business Conduct and Ethics for executives and top management, the result of which are reviewed at the Auditing Committee at the Board of Directors of MTS PJSC.

Members of the Management Board and employees are not entitled to participate in the approval, agreement, or other decision-making in respect of transactions concluded by the Company if they are or may be under the influence of the conflict of interests.

During managing a conflict of interests the Company is guided by the principles of lawfulness, confidentiality, impartiality, objectiveness and reasonable sufficiency, obligatory immediate disclosure of information by Company's employees about an actual or potential conflict of interests or likelihood of such a conflict.

Procedures preventing a possible conflict of interests of directors are also established at our Company. Members of the Board of Directors must refrain from actions which may result in appearance of a conflict of interests and, if such a situation exists or arises, disclose information about it to the Board of Directors and not participate in voting on conflict agenda items.

Members of the Board of Directors, who have interest in agenda items of the Board of Directors, do not take part in discussion and voting on the specified agenda items.

During 2020, no conflict of interests of members of the Management Board of MTS PJSC was found.

## RISK MANAGEMENT

### RISK MANAGEMENT SYSTEM

Risk management is carried out at the MTS Group within the accepted conceptual risk management frameworks<sup>1</sup>. The integrated risk management process is functioning efficiently in accordance with the needs of the Group and international standards. Risk management policy aims to minimize unexpected losses from risks and to maximize capitalization, taking into account the relation between risk and return on investments acceptable to the shareholders and the management of the MTS Group.

The Integrated Risk Management Policy is approved at the MTS Group<sup>2</sup>. Integrated risk management is aimed at ensuring reasonable guarantee of achievement of strategic objectives of the Company and maintenance of risk level of the MTS Group within limits acceptable for the Company management.

### ∞ The main principles of the risk management process are as follows:

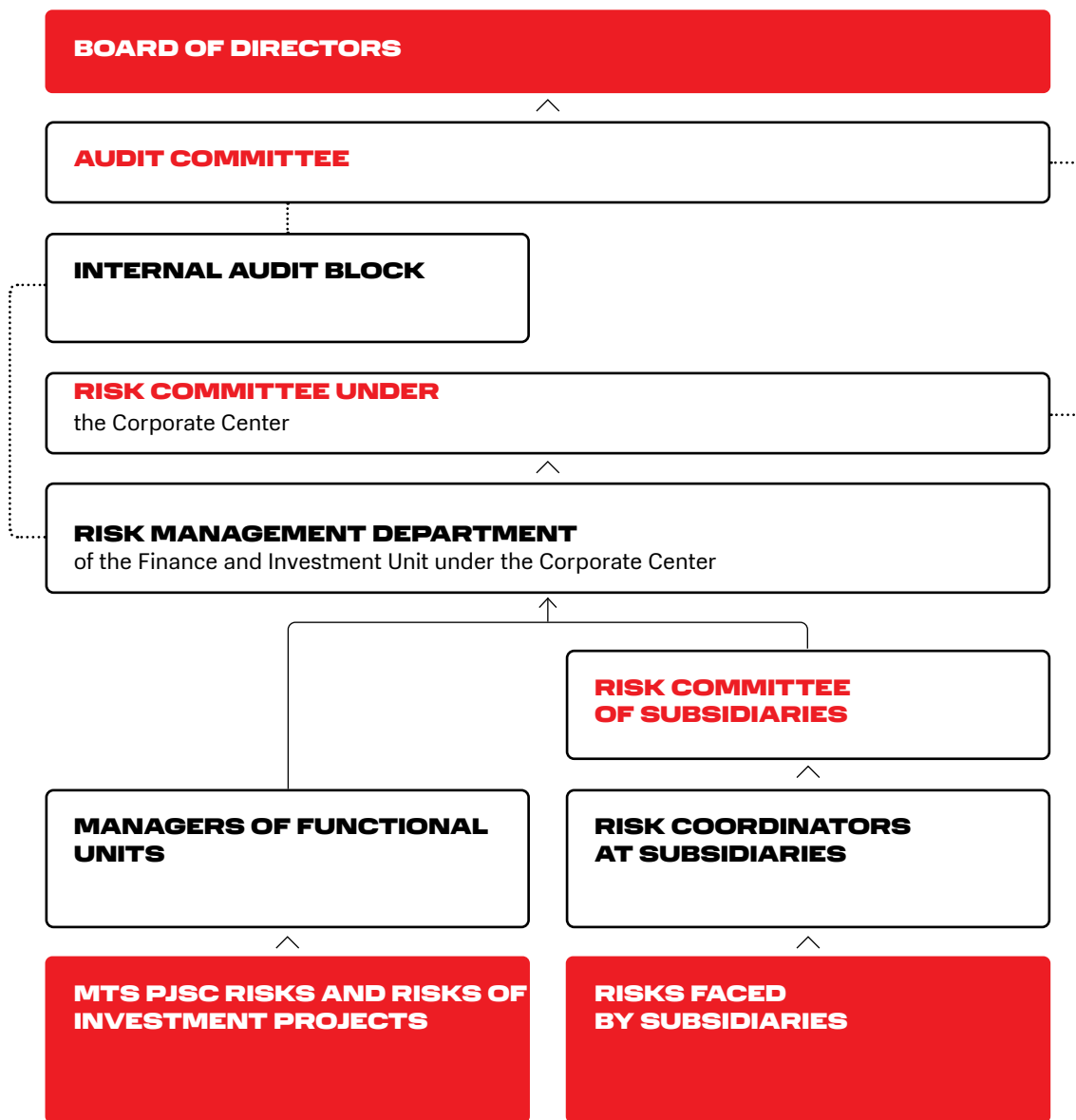
<b>integration principle</b>	envisions a systemic approach to management of all types of risks inherent in MTS business, in all organizational structure and geography of MTS Group presence. Cross-functional collaboration and coordination of business units is maintained to manage risks outside the framework of their specialization, as well as accounting of mutual effect of risks from various units. A single company management notification channel is provided for the whole risk spectrum to guarantee the completeness, quality and comparability of the information provided for each level of decision-making;
<b>continuity principle</b>	consists of the implementation of a set of ordered risk management procedures on a regular basis;
<b>justification principle</b>	envisions an analysis of the ratio between costs for risk assessment reduction and potential damage from their occurrence.

<sup>1</sup> Organization risk management. Integrated Model "Committee of Sponsoring Organizations of the Treadway Commission, COSO.  
<sup>2</sup> Approved by the resolution of the Board of Directors of MTS PJSC on December 15, 2017, Minutes No. 265; <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenti-pao-mts/politika-integrirovannoe-upravlenie-riskami>.

**an efficient system of integrated risk management makes it possible to solve the following tasks**

- > Identification and systematic analysis of the risks faced by the Company,
- > Obligatory consideration of significant risks when making management decisions,
- > Distribution of responsibility for risk management,
- > Development of additional measures and plans for responding to significant risks and monitoring their implementation,
- > Monitoring of risks and their management effectiveness,
- > Accumulation of knowledge in the field of integrated risk management.

**ORGANIZATIONAL RISK MANAGEMENT SUPPORT**



———— information flows  
 ..... control over risk management efficiency

The Risk Management Department of the Corporate Center (RMD CC) assesses the most significant risks based on a long-term financial model and regularly conducts simulation modeling to obtain the main financial indicators, taking into account the risk and probability distributions of these indicators. To analyze individual risks the RMD CC applies econometric methods.

The report on the state of risks of the MTS Group is quarterly reviewed by the Risk Committee, which discusses the key risks of the Company and makes collective decisions on the development of measures to mitigate them. The Chairman of the Risk Committee is the President of MTS. The Committee includes members of the Management Board, Vice Presidents and other executives. The competence and responsibility of the Committee includes consideration and approval of: development goals for the integrated risk management process of MTS; risk management methodologies; MTS risk portfolio and priorities of risk management measures, taking into account the feasibility of their costs and limited resources; MTS risk portfolio management strategies, etc.

MTS Group management is informed across the entire spectrum of risks to ensure the completeness, quality and comparability of the information provided for each of the decision-making levels.

Based on the results of the assessment of the effectiveness of the internal control systems of MTS Group, carried out in 2020, the risk management process was recognized as effective.

Risk management activity is distributed among the functional units of the Company.

- › RMD CC is responsible for developing a risk assessment methodology, regular collection of information and reporting the results of this

assessment to the Risk Committee and the company executives. The Department also carries out operational control of the process and provides cross-functional interaction between units within the integrated risk management at the Company. Cross-functional interaction with the risk owners at subsidiaries is provided by the risk coordinators at such subsidiaries.

- › The risk owners are the heads of functional units, whose achievement of goals is affected by the risks. The owners are responsible for the analysis, evaluation, implementation of risk management measures and reporting on the activity within the process of integrated risk management.
- › The Risk Committee makes collective decisions in the field of integrated risk management.
- › The efficiency of the risk management process is estimated by the Internal Control Block, this information is also presented to the Audit Committee for consideration.
- › The Audit Committee monitors the risk management efficiency, as well as the assessment of procedures used by MTS Group to identify the principal risks and evaluation of appropriate control procedures (including the procedures for loss control and risk insurance) in order to determine their adequacy and efficiency.
- › The Board of Directors operates directly or through its committees within its competences and resolves the issues of assessing the political, financial and other risks affecting the Company's operation. The MTS Board of Directors delegates monitoring of risk management efficiency to the MTS Audit Committee, and also reviews the Audit Committee's reports.

## INTEGRATION OF RISK MANAGEMENT INTO DECISION-MAKING PROCESSES

business, budget and investment planning, change management, and procurement procedures.

Risk management is an integral part of all processes of the Company: policy development, strategic,



### Strategic planning

- › Identification of risks associated with various states of the external environment.
- › Analysis and accounting of key risks within the selected macro scenario.
- › Identification of significant risks affecting strategic goals, but not leading to their revision, and development of measures to manage these risks.



### Business planning and budgeting

Analysis and accounting of risks associated with failure to achieve key financial KPIs.



### Investment planning

Analysis and accounting of project risks associated with non-achievement of NPV and other project indicators.



### Purchasing procedures

Analysis and consideration of risks when choosing suppliers.

The risk management process passed all stages of implementation, automation and integration into the company's business processes (into strategic and investment planning, as well as into the cross-functional projects and the preparation of external reporting), which now makes it possible to identify and consider the risks when making key decisions for the guaranteed achievement of goals and strengthening of business leadership.

- › A new IT risk management system was introduced.
- › The Risks Section of the Climate Change Report, Carbon Disclosure Project (CDP), was prepared. The CDP rating was raised in the following areas: Risk management processes and Risk Disclosure.

## 2020 KEY ACTIVITIES

- › Risk Committees of the MTS, MGTS and RTC CCs were held based on the results of quarterly risk monitoring in each quarter of 2020. Risk reports for the first half of 2020 and for 2020 were also submitted for consideration by the Audit Committee and the Board of Directors.
- › The 20-F risk section for the New York Stock Exchange has been updated, in which the risk descriptions, including those associated with the influence of the coronavirus, regulatory changes, the development of 5G networks, etc., have been updated.
- › CC RMD assessed the main risks in the framework of the MTS Group's strategic session, including assessing the impact of risks on the MTS Group's financial figures over a five-year period. The results were reviewed by the MTS PJSC Board of Directors.

## PLANS FOR 2021

In 2021, there are plans to update the risk section for external reporting (20-F for the New York Stock Exchange, Quarterly reports of the issuer for the Central Bank of the Russian Federation) and regularly hold Risk Committee meetings. Assessment of climate risks is also planned within the framework of operation of the working group on ecology and responsible finance.

## KEY RISK FACTORS

The most significant risk factors that may potentially influence MTS PJSC business results are provided below. Details on these and other risks see in the section "Item 3 – Key Information – D. Risk Factors" of the Annual Report according to the form 20-F<sup>1</sup>, and in quarterly reports of MTS PJSC<sup>2</sup>.

<sup>1</sup> <http://ir.mts.ru/investors/financial-center/annual-reports-and-form-20-f/default.aspx>.

<sup>2</sup> <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/raskritie-informacii/ezhekvertalnie-otcheti>.

## STRATEGIC RISKS

Risks	Mitigation Measures	Impact on Objectives
<p><b>Depreciation of services provided by the Company and loss of competitiveness, difficulties in developing additional sources of income</b></p> <p>Continuous improvement of technology, development of new products and services, increased competition associated with the emergence of new players in the market, in particular, new mobile operators, government-backed operators, mobile virtual network operators, alternative fixed-line and satellite TV operators, as well as strengthening of existing companies and increased use of IP-telephony and other services provided via the internet, may adversely affect the ability to maintain subscriber base, lead to a reduction in market share and operating margin.</p>	<p>To ensure the highest level of quality of our basic communication services, MTS is systematically increasing the capacity and bandwidth throughput of the network, which is extremely important in the context of the observed continuous increase in the volume of data traffic consumption. The company is comprehensively approaching the issue of network development, making the necessary investments in 3G and 4G infrastructure, ensuring the possibility of further network evolution in the direction of the fifth generation, including deployment and operation of 5G test zones, and carrying out pilot projects in the NB-IoT area.</p> <p>From the point of view of marketing activity, an effective method for leveling the adverse impact of VOIP-solutions are integrated V&amp;D rates that combine voice and data services. The key tool to maintain direct contact with the end user and increase the average level of income from the subscriber in the near future will be a gradually developing portfolio of high-level digital services aimed at meeting various customer needs. Both our own developments and high-quality partner products will participate in the formation of such a digital environment.</p>	<ul style="list-style-type: none"> <li>› Retention of basic mobile revenue;</li> <li>› Compensation for traditional telecoms revenues decrease caused by active development of digital products portfolio;</li> <li>› Leadership in the mobile internet and data services segment</li> </ul>
<p><b>Loss of control over activities and assets in the countries of operation</b></p> <p>The risk of termination, suspension of operation or claims by regulators may adversely affect business, financial state and results of operations.</p>	<p>MTS is monitoring the political situation in the markets of operation of the Group of Companies, striving to respond quickly to changing conditions in the markets.</p>	<ul style="list-style-type: none"> <li>› Achievement of sustainable business development</li> </ul>
<p><b>Risks of acquisitions, investments and mergers with other companies</b></p> <p>New acquisitions make it possible to diversify the business of MTS PJSC. At the same time, there may be additional risks associated with the obligations of the acquired companies, as well as risks of failure to achieve the initial financial and operational goals, problems with the integration of acquired assets, risks associated with a lack of experience in new markets, including political, economic, social, legal and regulatory risks, competition risks, etc.</p>	<p>MTS sees opportunities for growth through the participation in promising new businesses in the digital economy, which enables the company to significantly expand the range of services provided and to enter new markets. When closing transactions in the field of M&amp;A, MTS conducts a thorough audit of companies, where the company plans to participate as a shareholder. Assessment of the feasibility of investments occurs with the involvement of independent consulting companies and takes into account the strategic position, financial results and features of the operating activities of such companies. Further implementation of MTS rights as a shareholder in them corresponds to the best practices of corporate governance. Integration of the acquired business into the management structure of MTS (if such decision is made) is carried out by a special unit with a wealth of experience of this kind.</p>	<ul style="list-style-type: none"> <li>› Expansion of the Company's business and faster entrance into new markets;</li> <li>› Product line expansion;</li> <li>› Achieving operational synergies between different business areas;</li> <li>› Mutual exchange of best practices in management and operations</li> </ul>

Risks	Mitigation Measures	Impact on Objectives
<p><b>Inability to successfully develop the network</b></p> <p>Due to the development, construction and maintenance of the communications network, MTS needs to make purchases of equipment and software, which is associated with significant capital investments. In addition, limitation of the frequency spectrum available for the development may prevent gaining all the expected benefits from network construction and weaken expansion effect. Network deployment may be connected with difficulties to obtain sites for base stations on commercially viable terms, to collect permits and certificates for telecommunications equipment and/or import and export permits for certain network equipment, which may delay procurement and interfere with network development plans.</p> <p>Starting from 2017, the issue of frequency resource allocation for the deployment of next-generation (5G) networks has been actively discussed in the telecommunications environment of Russia (including the relevant state authorities). The regulator's final decisions on spectrum distribution paths for 5G networks will significantly affect the development of the entire mobile communications market and may lead to a number of risks, including (but not limited to) increasing the time required for putting 5G networks into operation, increasing the level of capital and operating costs, the inability to exploit all the technological advantages of 5G due to the separation of 5G infrastructure and networks of earlier generations, the exploitation of market advantages by individual players due to the non-equal distribution of frequency resource or receiving other technological advantages associated with its distribution.</p>	<p>While further investing into the development of infrastructure, the Company sees the opportunity for gradual reduction of our capital expenditures with maintained quality of the services provided. MTS with a number of partners conducts joint procurement procedures, as well as carries out joint construction and operation of network infrastructure elements. In addition to the economic benefits, within the framework of cooperation, technical and functional requirements, approaches and methods are unified.</p> <p>The company maintains ongoing contacts and closely interacts with representatives of regulatory bodies, industry associations, manufacturers of network equipment and other participants in the telecommunications market. Such interaction on the part of MTS is aimed at upholding the interests of the Company, maintaining an atmosphere of healthy market competition, dynamic and timely development of the state-of-the-art technological solutions and, as a result, at the formation of advanced and diverse customer experience. MTS PJSC is confident that all actions of the regulating authorities, in particular making decisions on the mechanism for deployment of 5G networks, shall be aimed at maintaining the long-term sustainability of the industry and take into account the interests of all parties, including consumers of services and operators.</p>	<ul style="list-style-type: none"> <li>› Increasing network capacity and data rates to meet growing demand;</li> <li>› Effective network planning and investment optimization;</li> <li>› Upholding the interests of the company in matters of frequency resource allocation</li> </ul>
<p><b>Inability to realize the benefits of investing in radio communications systems</b></p> <p>Key risks:</p> <ul style="list-style-type: none"> <li>› impossibility to build 4G networks (including NB-IoT) and 5G networks in accordance with the planned terms or in accordance with the terms stipulated by the license conditions;</li> <li>› difficulties in ensuring quality and required level of service;</li> <li>› demand for 4G services (including NB-IoT) and 5G services in the markets of operation of MTS PJSC and its subsidiaries will be lower than expected.</li> </ul>	<p>MTS has significant experience in dealing with hardware and software vendors, as well as with regulatory authorities. This enables us to reach agreements under the most comfortable conditions for us, including in terms of delivery times and construction. The Company takes all necessary measures to comply with licensing conditions and other regulatory requirements, as well as carry out timely renewal of licenses and permits.</p> <p>MTS conducts regular monitoring of communication quality parameters and promptly reacts in case of identifying the need for additional capacity and bandwidth throughput in local areas of the network, which enables the company to maintain a consistently high level of service quality. With the help of marketing tools, MTS stimulates usage of data transfer services, thus increasing the degree of network resource utilization.</p>	<ul style="list-style-type: none"> <li>› Ensuring the best compliance with IoT technology requirements and infrastructure readiness for 5G implementation</li> <li>› Efficient capital expenditures planning</li> <li>› Increased operational efficiency by optimizing the operating costs associated with network operation</li> </ul>

## EXTERNAL ENVIRONMENT RISKS

Risks	Mitigation Measures	Impact on Objectives
<p><b>Economic and social instability</b> Economic and social instability, just like possible future downturns or a slowdown of economic growth in the countries where we operate may lead to a decrease in demand for the provided services, and have a negative impact on the financial condition of our corporate customers and partners, including financial institutions, which could lead to a decrease in our revenues and performance indicators and adversely affect the security of our assets.</p> <p>For example, an outbreak of a previously unknown strain of coronavirus (COVID-19) negatively affected the global economy, disrupted supply chains, created significant volatility in the financial markets and destabilized them. A coronavirus pandemic, among other things, can lead to a decrease in demand for MTS PJSC products and services, including international roaming services, higher prices from suppliers, as well as their refusal to finance purchases, reduction in production or untimely supplies of equipment, subscriber devices and the delays in provision of services. Given the high uncertainty due to the current epidemiological situation, including measures to counter the spread of the virus, we are not able to reliably and fully assess its potential impact on business of MTS PJSC, however, we admit that the current situation may negatively affect business, financial standing and performance of MTS PJSC.</p>	<p>MTS is monitoring the macroeconomic situation in the markets of operation of the Group companies, promptly and effectively responding to changes in the general economic background with the help of, first and foremost, rate tools. The Company is aimed at ongoing expansion of the range of services provided and is stimulating consumption, increasing the level of satisfaction of our customers in the corporate and mass segments. MTS pays great attention to ensuring optimal conditions for raising outside financing for the company, controlling the level, cost and structure of debentures, which makes it possible, in particular, to neutralize the negative effects of currency exchange rates variations under conditions of high volatility of foreign exchange markets.</p>	<p>› Achievement of sustainable business development</p>

Risks	Mitigation Measures	Impact on Objectives
<p><b>Regulatory risks</b></p> <p>Our business in the countries where we operate is regulated by governments; in particular, through licensing and laws. Legislation in the field of communication services is constantly changing. For example, the Ministry of Communications of the Russian Federation is currently considering the possibility of changing the concept and regulation of inter-operator interaction. In addition, an issue on changes in the existing approaches and rules in the field of regulating prices for the services of interconnection and traffic transit is being considered.</p> <p>On November 1, 2019, the Federal Law dated May 1, 2019 No. 90-FZ "On Amending the Federal Law "On Communications" and the Federal Law "On Information, Information Technologies and the Protection of Information" (Law on Sovereign Internet) entered into force; its purpose is to ensure sustainable, safe and holistic functioning of the internet in the Russian Federation. Within the framework of the implementation of this law, operators will be required, among other things, to install new equipment on the network, which can affect its stability and the quality of the communication services provided. The provisions of the Sovereign Internet Law are general in nature, and although most of the significant by-laws have already been adopted by the Russian authorities, practical implementation may require the adoption of additional by-laws to clarify the provisions of the law. Furthermore, the operators incur additional expenses required to maintain and operate this equipment.</p> <p>According to the order of the Ministry of Communications of the Russian Federation No. 148 dated March 31, 2020, an experiment to provide citizens with free access to socially significant information resources on the internet will be conducted from April 1 to July 1, 2020. By order of the Ministry for Digital Development, Communications and Mass Media, this experiment was extended until the end of 2021. The list of the socially significant information resources and sites includes, among other things, social networks, websites of news and information agencies, online stores, websites of banks and delivery services. At the moment, it is not clear what consequences the implementation of this order will have, including possible expenses for operators; there is no understanding when and in what form free access to the socially significant information resources will be realized in the future, however this initiative could potentially have negative consequences for our business, financial standing and the results of our activities.</p> <p>These and other potential regulatory changes in the future may result in lower revenues / additional costs on the part of the operator, which could negatively affect the financial position and results of operations.</p>	<p>MTS conducts regular monitoring of the legislation in order to meet the requirements set.</p> <p>As market representatives, the Company participates together with the regulatory authorities in working groups on the optimization of the regulatory framework in the communication industry. Regulatory risks are given special attention within the framework of strategic planning.</p>	<ul style="list-style-type: none"> <li>› Achievement of good operating indicators</li> <li>› Ensuring compliance with regulatory requirements</li> </ul>



## OPERATIONAL RISKS

Risks	Mitigation Measures	Impact on Objectives
<p><b>Financial risks</b></p> <p>A considerable part of the Company's expenses, costs and financial obligations, including capital expenses and loans (credits and Eurobonds) may be denominated in USD and/or EUR, while a large portion of income is denominated in the local currency of the countries where the Company operates. The situation in the Company's markets, including stability of the banking system, inflation, changes in the exchange rates of local currencies against USD and/or EUR, and the possibility for free conversion of currencies and making currency payments impacts the Company's operating performance and business results. For example, at the beginning of 2020, the ruble depreciated from 61,91 rubles for 1 US dollar as of January 1, 2020 to 80,88 rubles for 1 US dollar as of March 24, 2020 as a result of the COVID-19 outbreak and a drop in oil prices.</p> <p>The rate of the Company's development and its financial standing, among other factors depend on debt financing. Crises on financial markets, external limitations and sanction may restrict the ability of the Company to raise debt financing.</p>	<p>A number of portfolio structuring measures have been taken in order to reduce dependence on exchange rate fluctuations, including implementation of currency risk hedging program with the use of swaps (Eurobonds) as instruments</p>	<p>› Maintaining investment attractiveness by ensuring investment and operational efficiency growth</p>
<p>The contracts related to certain issues of MTS PJSC bonds and the bonds of the controlling shareholder, and also some loan agreements include restrictive provisions that limit the opportunities to raise loans and engage in various activities. Failure to comply with these contractual provisions could have resulted in default and, as a result, in a request to immediately repay the debt, which could have negative effects on business of the Company.</p>	<p>MTS is monitoring the implementation of the provisions of contracts and agreements for granting loans in order to comply with the financial covenants contained in the loan documentation.</p>	<p>› Maintaining investment attractiveness by maintaining an optimal level of debt</p>

Risks	Mitigation Measures	Impact on Objectives
<p><b>Risks of technological failures</b> The ability to continuously provide communications services is one of the basic conditions of licenses and subscription contracts. An occurrence of process failures on our network and information resources due to a system malfunction, accident, or a violation of the network's security or information systems can adversely affect the ability to provide services to subscribers or affect other business processes, which can lead to significant negative consequences for the business, performance results and reputation of MTS PJSC.</p>	<p>In order to ensure stability of the network and continuity of communication services rendering, the network management system is centralized, and the telecommunication network operation system provides for regular maintenance and use of the backup telecommunications equipment.</p> <p>In order to protect and be able to restore data from information resources for critical facilities, the use of backup equipment is ensured, including that with a geographical distribution, and procedures for data recovery testing. Processes and systems for ensuring quality of information systems, as well as change monitoring and control are used in order to protect integrated information systems under the conditions of continuous changes.</p> <p>Information security in network management is provided by a complex system of technical and organizational information-security measures.</p> <p>Processes and systems for ensuring quality of information systems, as well as change monitoring and control are used in order to protect integrated information systems under the conditions of continuous changes.</p> <p>In 2020, test scenarios were developed for critical projects, integration testing of release changes was arranged</p>	<ul style="list-style-type: none"> <li>› Achievement of good operating indicators</li> <li>› Achievement of sustainable business development</li> <li>› Ensuring compliance with the requirements of FZ-126, FZ-152 and other.</li> </ul>

## COMPLIANCE WITH REQUIREMENTS

Risks	Mitigation Measures	Impact on Objectives
<p><b>Compliance risks</b></p> <p>MTS securities are traded on the U.S. stock market, and we are subject not only to Russian, but also to American anti-corruption legislation (US Foreign Corrupt Practices Act), and potentially to the anti-corruption law of the UK (UK Bribery Act). If an inconsistency of our actions or actions of third parties acting on behalf of or in our interests with these requirements is revealed, this may result in criminal and/or civil law sanctions against us. In March 2014, MTS PJSC received a request for information from the US Securities and Exchange Commission and the US Department of Justice regarding the investigation of the former subsidiary in Uzbekistan. In February 2019, the MTS Group reached a settlement with the US Department of Justice (DOJ) and Securities and Exchange Commission (SEC) in relation to the previously disclosed investigation into the activities of the former subsidiary of the Group in Uzbekistan. The Group agreed with a restraint order issued by the US Securities and Exchange Commission ("Order").</p> <p>The district court of the Southern District of New York, USA, approved the deferred prosecution agreement (the "Agreement") concluded by the Group and the agreement on admission of guilt concluded by the Group subsidiary company in Uzbekistan. According to the terms of the agreements with the US Department of Justice, we agreed to pay the United States a fine of \$ 850 million (59,1 billion rubles as of December 31, 2018). The Group has accrued a provision for payment of the fine in the amount of USD 850 million (55,8 billion rubles as of the date of accrual) reflecting it as a loss caused by ceased operations in the consolidated profit and loss statement for the year ending on December 31, 2018.</p> <p>In accordance with the terms of the Agreement and the Order, the Group agreed to introduction of independent supervision (monitoring) over compliance with their requirements. According to the terms of the Agreement and the Order, monitoring will be conducted for three years from the date of its establishment and the monitoring period may be reduced or extended depending on certain circumstances. The final decision in this regard shall be made by the United States Department of Justice and the United States Securities and Exchange Commission</p>	<p>Starting from 2012, when a separate compliance division was established at MTS, the Company has been systematically developing a system for anti-corruption compliance in accordance with the best international practices.</p> <p>The Company has special rules and procedures in place for the prevention of corrupt practices, both on the part of employees and with respect to contractors. The main documents governing anti-corruption requirements within MTS are the Code of Business Conduct and Ethics, Policy "Compliance with anti-corruption legislation"<sup>1</sup>. Besides, procedures for assuring compliance with anti-corruption legislation are fixed in the regulations of the company's business processes.</p>	<p>› Support of fair and ethical business conduct and abuse prevention</p>

<sup>1</sup> For more information, see the section "Compliance and Ethical Culture".

Risks	Mitigation Measures	Impact on Objectives
<p><b>Tax risks</b></p> <p>The system of taxation in the countries where MTS operates is undergoing constant changes; legislation in this area may be interpreted ambiguously. For example, poorly drafted Russian transfer pricing rules may increase the risk of price adjustment by tax authorities and lead to additional tax burden within transfer pricing control. This may complicate tax planning and related business processes, and may also have adverse material impact on MTS PJSC business, financial standing and operating results.</p>	<p>MTS meets the requirements of tax legislation in the countries of the Group's presence, is responding quickly to any changes and following the current trends in law-making, as well as the tax laws of Russia and foreign jurisdictions, which allows us to make timely integrated decisions in the field of tax planning and customs regulation. The Company regularly uses the experience of qualified consultants</p>	<ul style="list-style-type: none"> <li>› Achievement of sustainable business development</li> <li>› Compliance with requirements</li> </ul>

## SYSTEM FOR MANAGING THE KEY RISKS ASSOCIATED WITH THE SOCIAL ASPECTS OF BUSINESS

The ability of MTS PJSC to maintain its position in the competition and implement its business strategy largely depends on the work of its employees. Care for employees is one of the main priorities of the Company, determining the success of its activities in the contemporary market. The Company is constantly improving social and labor relations in the following areas: occupational safety and health of employees, social support, opportunities for career and personal growth.

For effective communication with personnel, a number of opportunities are provided to enable any employee of the Company to contact the management, as well as express their views on the prospects and plans of MTS development, to submit proposals for optimizing certain business processes and services, and introducing new services. To assess the internal climate of the Company, we regularly conduct sociological studies that enable us to verify the strategy and tactics of HR work with the actual expectations of our employees.

The safety of employees and ensuring compliance with their rights at the workplace are the main components of the corporate social responsibility of the Company

Labor protection activities carried out by MTS PJSC are aimed at:

- › ensuring the priority of preserving life and health in the workplace;
- › improving the OSH management system;
- › training managers and specialists in a timely manner on labor protection;
- › organizing preventive and periodic medical examinations of employees;
- › promptly providing employees with special clothing and other personal protective equipment;
- › organizing production control and assessment of the special conditions of employment.

The Company strictly adheres to the requirements of labor legislation and tries to take into account the interests of personnel as much as possible. The H&S management system at MTS PJSC has been recognized at the regional and district levels.

## RISKS RELATED TO VIOLATIONS IN THE FIELD OF HEALTH AND SAFETY

Description of Risks	Mitigation Measures
Possible risks of violations in the field of health and safety associated with training of employees, medical examination, provision of personal protective equipment, compliance with sanitary and epidemiological requirements, special assessment of working conditions, etc.	<p>MTS PJSC operates an OHSAS 18001:2007 certified Occupational Health and Safety Management System (OHSMS). OHSMS includes the following: organizational structure; planning; distribution of responsibility; procedures; processes and resources for developing, implementing goals, analyzing the effectiveness of health and safety policies and measures. The main objectives of OHSMS include monitoring compliance with laws and other regulatory legal acts on health and safety. Health and safety specialists are regularly trained. In 2020, MTS PJSC organized testing of employees for coronavirus; employees were regularly provided with protective masks, gloves, disinfectants; interaction with the bodies of Rospotrebnadzor was carried out.</p> <p>MTS adopted a number of local regulations governing the main issues in the field of health and safety. The documents contain all the basic requirements and instructions in the field of health and safety, including the procedure for conducting internal control over status of working conditions.</p>

The company strictly adheres to the requirements of labor legislation and tries to take into account the interests of the personnel as much as possible. The

occupational Safety and Health management system at MTS PJSC has been recognized at the regional and regional levels.

## RISKS ASSOCIATED WITH HUMAN RIGHTS VIOLATIONS

Description of Risks	Mitigation Measures
Possible risks of human rights violations related to compliance with labor laws, non-discriminatory and ethical conduct, public statements, insurance deductions, observance of the rights of socially vulnerable groups, etc.	<p>MTS recognizes that a person, its life and health are the highest value. MTS services help to provide equal opportunities for education, development and self-fulfilment.</p> <p>MTS does not bear with discrimination in any form and manifestation, strives to create an inclusive and diverse environment and tries to adhere to the best world practices. Therefore, in 2020:</p> <ul style="list-style-type: none"> <li>&gt; the company increased the number of offers for pensioners and disabled people with the functionality of the eHealth line;</li> <li>&gt; a new type of volunteering activity — Digital-volunteerism — was established as an important mechanism in the implementation of socially responsible actions under the conditions of COVID-19 pandemic.</li> <li>&gt; the company scaled up the program for working with disabled persons, MTS Inclusion;</li> <li>&gt; adaptation of employees and recruiters was carried out;</li> <li>&gt; employment of people with disabilities and middle aged persons for mass positions was started.</li> </ul> <p>Risks in the field of human rights observance are regularly digitized according to the recommendations received based on the results of the external annual audit of compliance programs and the results of assessment of compliance risks at the level of business processes.</p> <p>MTS adopted local regulations governing the main issues of observance of human rights in the workplace. The documents consolidate key principles of respect for human rights and conduct of the Company's employees.</p>

MTS has a single hotline through which employees can submit an appeal regarding difficult work situations.<sup>1</sup>

<sup>1</sup> Information on calls received by the hotline is presented in the section "Unified compliance system of MTS PJSC".

## SYSTEM OF MANAGING THE KEY RISKS ASSOCIATED WITH THE ENVIRONMENTAL ASPECTS OF BUSINESS

For the purposes of compliance with the requirements of nature-conservation legislation and ensuring environmental safety at MTS facilities, the Company developed the Policy of Environmental Safety and Protection, the fundamental principles of which include:

- › compliance with the requirements of the nature-conservation legislation of the Russian Federation;
- › compliance with the requirements of national and international standards in the field of environmental protection;
- › improved level of environmental awareness and education among all company employees;
- › implementation of environmental socially significant projects;
- › openness and availability of environmental information;
- › reduced level of negative impact at environment and aspiration for sustainability.

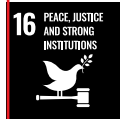
The principle of respect for nature forms the basis of social responsibility of the MTS business: The company strives to have a minimal impact on the environment and reduce it as much as possible<sup>1</sup>.

The work on environmental protection is aimed at the implementation of measures of an organizational, technological and sanitary-hygienic nature with the aim to prevent and reduce the harmful effects of economic activities on the nature and health of people.

## COMPLIANCE AND ETHICAL BEHAVIOR CULTURE

### CODE OF CORPORATE CONDUCT AND ETHICS OF MTS PJSC

The Code of Business Conduct and Ethics of MTS PJSC (hereinafter referred to as the Code) includes key principles, a minimum set of standards and requirements accepted at the Company with the purpose of maintaining fair and ethical business of MTS PJSC and preventing abuse. The Company complies with legislation and generally accepted standards of business ethics and does not accept any other ways of doing business which are contrary to these rules.



## \\ Risks related to violations in the field of ecology

Description of Risks	Mitigation Measures
<ul style="list-style-type: none"> <li>› Failure to meet the requirements of environmental reporting provision.</li> <li>› Doing business without state registration of a facility with a negative environmental impact.</li> <li>› Failure to meet the requirements in the field of environmental control and monitoring.</li> <li>› Doing business without permits issued in accordance with the established procedure for emissions of pollutants into the atmosphere, waste handling.</li> </ul>	<p>The Environmental Safety and Environmental Protection Policy has fixed/provided for a set of processes that ensure compliance with environmental legislation. Namely: the need for issuing permits and updating data, objectives for planning, financing and logistical support for implementation of environmental programs and environmental protection (EP) measures, the need to undergo training in the field of environmental protection, conducting industrial environmental monitoring (a set of preventive actions aimed at eliminating the possibility of an emergency and damage to the environment).</p> <p>At the level of CC and the regions, changes in the requirements of environmental legislation are monitored.</p> <p>MTS regularly bears the costs associated with waste management and atmospheric air protection, as well as with the reduction of risks associated with government regulation in the field of environmental protection and maintaining the image of the company's environmental sustainability.</p> <p>Regular reporting on the activities of MTS Group of Companies in the field of environmental responsibility and safety at the level of the Committee for Sustainable Development and CSR under the President of MTS and within the framework of the working group on environmental issues and responsible finance.</p>

<sup>1</sup> Detailed information is presented in the section "Sustainable Development", as well as in the MTS Sustainable Development Report for 2020.