

XX / XX

2020

MTS PLAY FORWARD

Proactive play

Annual report

www.mts.ru

INFORMATION ABOUT MTS¹

Public Joint Stock Company "Mobile TeleSystems" (PJSC "MTS") is a leading company in Russia and the CIS countries providing services for mobile and fixed communications, Internet access, cable and satellite TV broadcasting; digital services, including fintech and media within the ecosystem and mobile applications, converged IT solutions in the system integration, Internet of Things, monitoring, data processing and cloud computing. By providing innovative services and solutions, MTS makes a significant contribution to economic growth and improving the quality of life of tens of millions of people in the countries of presence the quality of living of tens of millions of people in its countries of operation.



For details, please visit the website

MTS is an innovative and constantly developing company, that makes everyday life more convenient richer and brighter.

¹ In this Annual Report, the terms "MTS PJSC", "MTS" and the "Company" should be understood as Mobile TeleSystems Public Joint Stock Company, and the term the "MTS Group" should be understood as a group of companies consisting of MTS PJSC and its subsidiaries. The figures contained in this Annual Report are as of December 31, 2020, unless other periods or dates are expressly indicated.

WELCOME TO THE 2020 ANNUAL REPORT OF MTS PJSC!

\\ We would like to bring to your attention the Annual Report of MTS PJSC following the results of 2020. This is the 20th report — we have been preparing them for you, starting from 2001. Today, MTS is a digital company that develops innovations in education, healthcare, financial services, entertainment, and many other spheres. Our solutions using big data, artificial intelligence, virtual and augmented reality are aimed at improving the quality of living of our subscribers, clients, and employees.

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We want to tell you about this. >>

PURPOSE OF THE 2020 ANNUAL REPORT

The annual reporting tool gives MTS the opportunity to maintain a high level of openness and transparency by making investors and shareholders, as well as clients aware of the advanced solutions and services that the Company implements in management processes and product lines, and of how sustainable development is integrated into the Company's business strategy and the activities of its key divisions.

The Report provides consolidated information on the main results of the Company's business in accordance with its strategic goals and objectives for the short, medium and long run.

ANNUAL REPORT STRUCTURE

The report is comprised of four main sections:

1. About the Company,
2. Management Report,
3. Corporate Governance, and
4. Sustainable Development.

STRATEGICALLY-ORIENTED REPORT

The report is focused on the strategic vision of the Company's management, and the results and key aspects of MTS business in accordance with the strategy. Special attention is paid to the completeness and quality of forecast/expert information on macroeconomics and regional telecommunications markets

DISCLAIMER

This Annual Report has been prepared by MTS PJSC solely for information purposes and may contain statements based on predicted data or forecasts. Such statements or forecasts relate to matters other than historical facts or statements, and reflect the Company's intentions, beliefs or current expectations concerning, inter alia, performance results, financial condition, liquidity, efficiency, prospects, growth rates, and strategies of the Company and the industry in which it operates. The nature of the statements based on predicted data and forecasts implies risk and uncertainty, as they relate to events and depend on circumstances that may, or may not arise in the future. The Company cautions that statements based on predicted data and forecasts do not guarantee future performance and that actual performance results, the financial condition and liquidity of the Company, as well as changes in the industry in which the Company operates may differ significantly from those stated or assumed in the statements based on predicted data or forecasts contained in this report. Factors that may lead to material differences between the actual results and the assumptions contained in statements based on predicted data or forecasts include general economic conditions prevailing in the markets in which the Company operates, competitive environment and risks associated with operating in such markets, market change in the industry and related industries, as well as other risks affecting the Company and its activities. Moreover, even if the Company's performance results, financial condition and liquidity and the changes taking place in the industry in which the Company operates match those set forth in the statements based on predicted data or forecasts presented herein, those results or changes may not be illustrative of the results or changes in future periods. The Company does not undertake any obligation to review or confirm expectations or estimates, or update any statements based on predicted data or forecasts to reflect the events or circumstances occurring or arising after the date of this report.

WHERE TO FIND THE ANNUAL REPORT



The Annual Report is available online (interactive version) and in PDF format.



In addition, MTS publishes sustainable development reports on an annual basis.

Preliminary approved by decision of MTS PJSC Board of Directors May 20, 2020 Minutes 313

Approved by the General Meeting of shareholders of MTS PJSC June 23, 2021 Minutes 52



KEY TOPICS OF THE REPORT

As part of the Annual Report, we inform shareholders, the investment community and all stakeholders as openly as possible about the condition and prospects of our business. We strive to provide comprehensive and unbiased information about the Company, the environment where we operate, a general situation in the markets of our presence and the trends that we observe there. Our primary goal is to help shareholders understand the specifics of our business, our strategic priorities and demonstrate the results of yearly operations in the context of the strategy implementation. Thus, we contribute to a correct assessment of the risks and benefits of investing in MTS and, as a result, to informed investment decisions by the market participants.

In addition to this general obligatory part, we focus on a number of separate topics in the 2020 Annual Report.

- The impact of the pandemic on the condition of MTS business, an external environment and society as a whole. How is the current situation affecting implementation of our strategic objectives, and what measures have been taken by the Company to mitigate risks, to protect its employees and clients and to ensure the continuity of its own activities, taking into account that the telecommunications component of our business directly affects the possibility of normal functioning of the country's entire economic system?
- Continuous improvement of our telecommunications network, including the development of up-to-date and advanced 4G and 5G technology solutions. Being essentially an infrastructure company, we are aware of our responsibility for maintaining a high level of communication standards (in terms of increasing data transmission rate, continuity, stability and overall reliability of all systems, among other things) and the role we play in enhancing the competitiveness of Russia and other countries of our presence in the global economic system.
- In addition to the telecommunications core, we are developing promising areas of digital services, which we refer to using the currently widespread ecosystem term in their totality. Such areas are becoming increasingly important for us; as we master them, we build up our own expertise, create appropriate technological platforms and acquire new competences. We believe that our participation in the digital component of the Russian economy has a positive effect on the overall development of a number of markets,

drives a healthy competition, opens up new opportunities for businesses and individuals, and ultimately contributes to an improvement in the quality of people's lives.

- MTS assumes obligations in the field of social responsibility and Ensuring sustainable development as one of the largest Russian companies, an employer for tens of thousands of people, a significant taxpayer, and a reliable asset for investors. We strive to follow the recommendations and standards of Russian regulators, as well as international organizations recognized by the world community, including the UN, and we comply with the principles of transparent and responsible business practice. We are focused on setting and achieving clear and specific objectives in the economic, environmental and social spheres, and we regularly and openly disclose information about the results of our relevant activities.
- Compliance with corporate governance standards at the highest level is an absolute priority for MTS. We are constantly improving our own corporate governance system, studying and applying the best world practices, providing appropriate training for our employees and creating a corporate culture whose integral parts include information openness and transparency, adherence to business ethics, understanding the need to monitor management activities and striving for comprehensive protection of the investors' rights and interests.

The Report has been prepared in accordance with the requirements of the legislation of the Russian Federation, as well as the regulatory requirements applicable to MTS.

- Federal Law No. 208-FZ "On Joint Stock Companies" dated December 26, 1995;
- Regulations on information disclosure by issuers of equity securities No. 454-P, approved by the Bank of Russia on December 30, 2014;
- Recommendations of the Corporate Governance Code approved by the Board of Directors of the Bank of Russia on March 21, 2014.

In addition, when preparing the Annual Report, the Company was guided by international standards and best practices in the area of public annual reporting.



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ABOUT THE COMPANY

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www.mts.ru

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COVID-19 and consequences
of the pandemic
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of the Board of Directors

MTS GROUP TODAY

MTS: LEADING DIGITAL PROVIDER IN RUSSIA



**LEADING
digital
provider**



Headquarters
in Moscow



494.9
billion rubles
revenue in 2020



>5,000
showrooms



>60,000
employees



11
data centers



At stock exchanges

NYSE
since 2000

MOEX
since 2003

CUSTOMER BASE

+ \\ Subscribers of the Group
>86
mln

+ \\ Users use minimum two services
of Telecom, Fintech and Media
>7
mln

+ \\ Users of fixed telephony
9
mln

+ \\ Clients of MTS Bank
2.5
mln

+ \\ clients of #CloudMTS/CMB
2,000

LEADER IN MOBILE COMMUNICATIONS

+ \\ Russian population having LTE networks available
>80%

+ \\ 2G/3G/4G coverage
>3
mln km²

+ \\ Regions having 4.9G communications
available
>20

+ \\ Fiber-optic networks
240,000
km

+ \\ communications quality assessment
>99%

+ \\ 5G-ready of the total number
of base stations
>35%

+ \\ regions with NB-IoT coverage
78

+ \\ **#1** nps
among the "Big Three"

ACHIEVEMENTS OF 2020 IN FIGURES AND FACTS

\\ Key achievements of the strategy CLV 2.0



BEST TELECOM

01

Infrastructure development

- + Mobile Internet traffic grew by 39%
- + 14.5 thousand of LTE base stations built

02

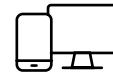
Development of client services

- + Double digit growth of convergent users growth in number of clients using MTS services for at least a year
- + Improved client experience both online and in conventional retail

03

Capacity for future improvements

- + Five active 5G/5G-ready pilot zones
- + First e-SIM launch in Russia with identification at Gosuslugi (State Services)
- + Two times growth of online sales



DIGITAL GROWTH

01

Development of ecosystem segments

- + Growth in net interest income of MTS Bank by 32.5%
- + More than 10 units of original media content
- + Double-digit growth of revenue in Digital B2B and Cloud

02

Increase in application users

- + 44% users of paid TV
- + +142% users of OTT
- + +17% users of My MTS

03

Growth in brand attractiveness

- + Stable leadership by NPS*
- + Keeping brand updated step by step
- + Common approach to design of the applications



CLV 2.0 strategy
on the Company's website

OPERATIONAL INDICATORS

\\ Five active 5G/5G-ready pilot zones

5

\\ First in Russia e-SIM launch with registration at Gosuslugi (State Services)

e-SIM

\\ Of paid MTS TV

6.6
million users
(+44% as compared with 2019)

\\ Growth in number of users of IoT-based solutions for business

+30%

\\ Growth in number of MTS Bank application users

+30%

\\ Cloud services for business #CloudMTS

No. 2
in Russia
by revenue in IaaS market

FINANCIAL FIGURES

\\ Consolidated revenue

494.9
billion rubles
+5.2% as compared with 2019

\\ OIBDA

215.2
billion rubles
+1.7% as compared with 2019

\\ OIBDA profitability

43.5%

+13.2%
as compared
with 2019

TOTAL NET INCOME

61.4
billion rubles

MTS BRAND

MTS was recognized as the most expensive Russian telecom brand for the third year in a row – Brand Finance estimated its value in 2020 at 14796 billion rubles (+21.8% by 2019).

BRAND FINANCE TELECOMS 150 2021¹

#2

MTS brand has retained the second place in the rankings of global telecom companies in terms of the strength of brand. Strength of brand is assessed using a balanced scorecard (Brand Strength Index, BSI) which takes into account marketing investment, net worth, and business performance.

#63

MTS brand is ranked 63rd in the global rankings of the most valuable telecom brands, ahead of other Russian operators.

BRAND FINANCE RUSSIA 50 2020

#3

In 2020, the MTS brand rose from fourth to third place in the Russian brand strength rating.

#8

In 2020, the MTS brand returned to its previously lost eighth place in the rating of the brand value of Russian brands.

Play Forward

2020 HIGHLIGHTS¹

CORPORATE NEWS

- › **In October 2020**, the MTS Board of Directors approved the expansion of the MTS Management Board from 12 to 14 members. Vice President for Artificial Intelligence Alexander Khanin and Vice President for Corporate and Legal Affairs Alexey Barsegyan became the new members of the Management Board.
- › **In November 2020**, MTS completed payment of interim dividends for the first half of 2020 in the amount of 17.84 billion rubles. The amount of dividends accrued per one ordinary registered share of MTS amounted to 8.93 rubles (17.86 rubles per one ADS).
- › **In December 2020**, the MTS Board of Directors approved the Company's updated policy in the field of managing conflicts of interest and complying with anti-corruption legislation. The Board of Directors also decided to set up a Special committee composed of independent members of the Management Board Thomas Holtrop, Regina von Flemming and Valentin Yumashev to oversee the project of joint placement of employees from various MTS units in a single office space in Moscow.

MERGERS AND ACQUISITIONS

- › **In November 2020**, MTS sold 100% of NVision Group shares to Sistema PJSC. The transaction amount was 369 million rubles, taking into account its adjustment according to the adjusted financial figures as of the date of the transaction completion.
- MTS sold the assets of NVision Group related to the system integration business, except for those involved in formation of the MTS product portfolio and the FORIS BSS/OSS billing system.

COVID-19 PANDEMIC

- › **A global event** that impacted the entire society. We are pleased to note that the pandemic, although it impacted MTS activities, at the same time allowed for speeding up the processes of society digitalization and became a driver for growth of business areas related to data transmission, storage, processing and protection.



Read more about the work of MTS and the impact of the COVID-19 pandemic on p. 19-21

BONDS AND LOANS

- › **In October 2020**, MTS announced refunding of the existing Sberbank PJSC loan for 70 billion rubles and attraction of a new loan from this financial institution for 15 billion rubles. The refunding of the existing 70 billion rubles loan opened in September 2018 provides for a reduction in the current interest rate, as well as for a change in the loan repayment schedule. The new loan for 15 billion rubles has been raised for general corporate purposes within the framework of a revolving credit line opened by the company with Sberbank in May 2018.
- › **In December 2020**, MTS received a five-year credit line from the State Development Corporation VEB.RF for up to 4.5 billion rubles with a preferential interest rate under the program of the Ministry of Digital Development, Communications and Mass Media of the Russian Federation, aimed at supporting a digital transformation of Russian companies using domestic IT solutions. The first funds from VEB.RF have been allocated to implement MTS projects in the field of artificial intelligence and to promote digital products of the MTS ecosystem.

MTS DIGITAL ECOSYSTEM

- › **In November 2020**, MTS Bank and Sistema Capital Management Company launched a joint brokerage and trading platform based on the MTS Investments mobile application. The platform enables private users of the application to invest in investment funds, open brokerage accounts and independently trade securities on the Moscow Exchange.
 - › **In December 2020**, MTS launched NUUM neobank, a platform for financial transactions with special bonuses that can be spent on additional opportunities
- in games for PCs, game consoles, tablets and smartphones. You can become a client of the neobank by downloading the NUUM application and issuing a NUUM Virtual card — all this is done online, without visiting an office or receiving documents from courier.
- › **In December 2020**, MTS presented the first ecosystem subscription "NETARIF" with the ability to fine-tune the number of minutes, gigabytes, additional options and to form a unique package of communication and digital services.

LEADERSHIP IN TELECOMMUNICATIONS

- › **In November 2020**, MTS launched into operation in Russia eSIM technology with identification capability using the "Gosuslugi" service. Virtual sim cards are available to connect to subscribers in all regions of MTS presence.
- › **In November 2020**, MTS will be the first from Russian mobile operators to implement support for RCS (Rich Communication Services) for the exchange of messages and media files on Android smartphones.

¹ Detailed information on key events in 2020 is available at: <https://moskva.mts.ru/about/obshchestvennosti-i-smi/soobshheniya-kompanii/finansovaya-otchetnost/>.

CREDIT RATING

- › In December 2020, the Expert RA rating agency raised MTS credit rating for non-financial organizations from ruAA+ to ruAAA. The rating outlook is stable. This

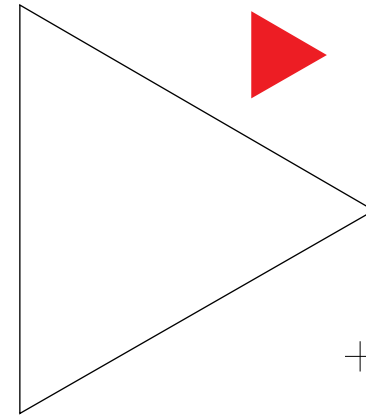
is the highest level on the national scale of the agency for creditworthiness, financial reliability and financial strength

CLOUD AND DIGITAL SOLUTIONS FOR BUSINESS

- › In April, MTS announced implementing a large-scale cloud project to deploy and launch a digital management platform based on SAP solutions for Segezha Group, one of the largest Russian vertically integrated forestry holdings. #CloudMTS provider made available infrastructure for the project and launched a digital platform in the cloud. The digital control platform will become a digital core of the company, replacing more than 100 production and management systems of the Segezha Group. The platform is hosted in a private cloud created in the Advantage data center of MTS
- › In November 2020, MTS announced expansion of #CloudMTS cloud service capabilities for high-speed data processing based on a supercomputer.

The computational power of the supercomputer has quadrupled, it got the ability to hyperscale computing and has become more affordable. This enables to dramatically accelerate data processing and analysis, to implement even more data-hungry projects for artificial intelligence training, to provide for multiple savings in smart city projects

- › In December 2020, MTS and Zyfra entered into a partnership agreement for MTS to develop industrial services for business clients based on the digital analytical Zyfra Industrial Internet of Things (ZIIoT) platform. The companies plan to deploy the ZIIoT platform in the MTS cloud infrastructure and integrate it into MTS digital industrial solutions for customers



PARTNERSHIPS

- › In November 2020, MTS, Telecommunication Technologies ANO, Kryptonite and Skoltech established the Open Network Technologies Association in order to develop promising technologies in the telecommunications industry based on open international standards. The Association's activities are aimed at supporting telecommunications equipment manufacturers and software developers in the development and application of open standards and technologies, which will enable new suppliers to enter the market and will enhance the efficiency of network development by operators.

- › In November 2020, MTS and the Russian Environmental Society launched a federal program for digitalization of waste collection and recycling. MTS has developed a solution that enables regions to control the removal and recycling of solid municipal waste using digital services. The first commercial projects were implemented in the Oryol and Sakhalin Regions.



PRIVATE LTE/5G ZONES

- › MTS started actively deploying the first in Russia dedicated industrial networks **Private Network** (Private LTE and Private 5G-ready) for the largest enterprises. Such networks combine various elements of industrial ecosystem and IT-infrastructure of an enterprise into a closed circuit. Solutions on the basis of dedicated networks are a part of a complex digital platform and serve as the basis for implementation of the entire spectrum of digital and cloud services of MTS and partners in the customer's enterprise

circuit for optimization of production, increasing its efficiency, safety and reliability

- › In 2020, MTS implemented some pilot pLTE/5G-ready pilot projects jointly with leaders of the energy, oil and gas, petrochemical, mining and other industries and signed several commercial contracts to deploy dedicated networks, including with SIBUR-Khimprom, Polymetal and EVRAZ

5G PROJECTS

- › MTS upgrades operating network of the fourth generation to 5G-ready, implements 5G solutions on it, launches pilot zones of the fifth generation, as well as conducts successful technology tests and 5G solutions.
- › In March 2020, MTS and Ericsson signed a deployment agreement for 5G-ready equipment and solutions from Ericsson for large-scale modernization of 2G / 3G / 4G MTS network in 16 regions of the Central federal district of Russia
- › In July 2020, MTS announced on obtaining the first license in Russia for provision of mobile communication services of the standard 5G / IMT-2020 in the range 24.25-24.65 GHz at 83 subjects of the country. License is granted by Roskomnadzor until July 16, 2025
- › In September 2020, MTS and Huawei announced the start of a large-scale modernization of mobile network in Moscow and Moscow region up to 5G-ready to increase network performance and implementation of innovative services
- › In October 2020, MTS and Skolkovo Institute of Science and Technology (Skoltech), one of the leading non-governmental educational research institutions in Russia, launched on the territory of Skolkovo the Innovation Center a pilot 5G network for development testing in the field of 5G technologies and creation based on them, of domestic promising industrial ICT solutions and services with the involvement of Skolkovo residents and industrial partners of Skoltech.

SUSTAINABLE DEVELOPMENT

- › In November 2020, MTS entered the Top 5 of Russian leaders in sustainable development according to the comprehensive ESG-ranking of Russian companies prepared annually by the independent rating agency Rating-Agentur Expert RA GmbH (RAEX-Europe). MTS also became a leader among IT and telecom companies that entered the ranking for the first time this year. The agency's analysts assessed Russian companies' sustainable development based on 200 indicators divided into three main blocks:

Environment — environmental impact, Social — work with personnel and local communities, and Governance — information disclosure and management.

- › In December 2020, MTS entered the top 7 Russian companies in terms of climate change disclosure according to the ranking of CDP, an international non-profit organization that operates the world's leading environmental disclosure platform. In 2020, MTS upgraded its rating from the last year's Awareness (C) to Management (B) in this ranking.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Corporate news

- **In February 2021**, Regina von Flemming, a member of the MTS member of the Board of Directors, was named the best independent director in Russia in 2020 as part of the country's annual Director of the Year award.

Mergers and acquisitions

- **In January 2021**, the MTS Venture Fund invested 60 million rubles in Airo, an online solution for rendering consumer services “on demand”. The investment will be allocated to carry out marketing activities, improve current services and test new areas. As a result of the transaction, the fund received about 10% in the startup.

Credit rating

- **In January 2021**, the Russian National Rating Agency assigned MTS an AAA.ru rating with a stable outlook, the highest possible credit rating according to the agency's scale, which reflects a number of positive factors, including the company's high operating profitability, low level of leveraged capital, sufficient liquidity and stable leadership positions in the Russian mobile communications market.

Bonds and loans

- **In January 2021**, the BRICS New Development Bank provided MTS with a \$300 million loan to develop the communications infrastructure and cloud services. The credit line has been granted for seven years and can be used in one of the three currencies: US dollar, euro or Chinese yuan. The loan funds will be used to develop mobile communications infrastructure and install cell towers in small settlements, as well as to deploy cloud services infrastructure.
- **In February 2021**, MTS continued optimizing its debt portfolio and paid several installments for a total of 1.6 billion rubles ahead of schedule under a three-year loan agreement with Cisco Capital entered into in February 2019.

Partnerships

- **In January 2021**, MTS and Vodafone Group announced an extension of the existing strategic partnership between the companies until 2023. The new agreement builds upon a successful experience of close cooperation between the companies in the areas of procurement, marketing and network development, which has continued since 2008. The strategic partnership also provides for implementation of a number of joint projects aimed at finding new opportunities for expanding MTS business activities, fostering technological innovations and strengthening the positions in the consumer and corporate segments.
- **In January 2021**, MTS launched a partnership program to search for startups for third-party companies. Scouts from the MTS StartUp Hub innovation and investment center will select projects which take advantage of the 5G technology to offer their developments to partner corporations. Projects from the sphere of entertainment, media, industry 4.0, e-health, as well as AR/VR services for business are eligible for the program. The chosen startups will undergo an incubation program at the MTS 5G Center at VDNKh (Exhibition of Economic Achievements), where they will have access to training, test sites, APIs and other development tools based on the company's infrastructure.
- **In February 2021**, MTS and RUDN University launched an online platform for learning Russian language as a foreign language. A special algorithm based on the level of knowledge and learning goals builds personal study plan of each student in applications and on the site
- **In February 2021**, MTS announced on partnership of esports team Gambit Esports and Monaco Football Club. Within the framework of cooperation, new team under the unified brand AS Monaco Gambit (ASM.GMB) will be created.
- **In February 2021**, MTS announced the start of #CloudMTS cooperation with 1C, one of the leading Russian developers of software for business. The #CloudMTS provider has launched a new direction, which will be engaged in hosting of 1C client systems in the cloud, their comprehensive support and individual customization.

MTS CONTRIBUTION
TO COMBATTING COVID-
19 AND CONSEQUENCES
OF THE PANDEMIC

MARCH 2020

MTS actions to mitigate business risks

1. Helping clients with problem resolution (more than 25 new products)
 - Free calls to hotlines and access to websites (Ministry of Foreign Affairs, Russian Federal Tourism Agency, Ministry of Health, Russian Agency for Health and Consumer Rights (Rospotrebnadzor), etc.).
 - Guaranteed client access to services (free incoming calls with a negative balance).
2. Access to entertainment and self-enhancement services — products for clients who spend time at home
 - Beneficial packages of ecosystem services (converged products in Moscow under quarantine conditions (the first month is free); MTS TV, MTS Library, MTS Music and other digital services without advertising for 1 ruble).
 - Zeroing of traffic to popular self-enhancement services and a selection of useful courses.
3. Helping businesses in solving urgent problems — discounts on local business services
 - Help and advice to stay in business (webinars on remote work organization; a set of products for remote work deployment)..
4. Interaction with external resources
 - Free calls to hotlines, access to websites, informing citizens about the epidemiological situation; organization of remote studying for Moscow schools using the Smart University service; free access of citizens from home subscriber devices (fixed telephony) to socially significant resources on the Internet.
5. Increasing availability of rates and SIM cards
 - Distribution in Russian Post offices, pharmacies, expansion of distribution in grocery stores, PickPoint collection points in Moscow and St. Petersburg.
6. Load management at call centers
 - Some of the employees were transferred to remote working; load and tNPS are monitored daily.

MTS measures to protect employees

1. Health and safety
 - All internal in-person events were forbidden, participation in external in-person events was forbidden, business trips abroad and within Russia were restricted.
 - Information about employees at risk was collected: who had contact with the infected, who arrived from abroad, etc.
 - Special cleaning conditions with the use of disinfectants were introduced, stations with a disinfectant solution for hands were arranged, all corporate canteens were closed.
 - A centralized supply of medical masks was organized for regions with large centers of competences and service, retail network offices and staff connecting subscribers to the fixed line in cities with a population of over a million people.
 - A plan was developed to mothball small offices in Moscow and subsequently redistribute deficit resources.
 - The largest offices of competence centers were equipped with air disinfection devices.
2. Remote work
 - Most of the employees were transferred to remote working.
 - Information systems experienced a significant increase in load and were expanded to provide for smooth operation.
3. Communications
 - Employees were regularly informed about the undertaken measures through the corporate portal, hotline, e-mail distribution on behalf of the company's senior executives.

APRIL 2020

MTS actions to mitigate business risks	MTS measures to protect employees
<div><div>1. Caring for clients in the current situation</div><div><div>› Access to fixed home telephony with a bill unpaid.</div><div>› Providing access to the network for subscribers over 65 years old with a zero and negative balance for the period of their self-isolation.</div><div>› Providing free communications to doctors who are combatting the coronavirus.</div></div></div> <div><div>2. Adaptation and promotion of MTS ecosystem products</div><div><div>› Launch of a new converged product in Moscow: inclusion of the IVI entertainment service in the unlimited Internet option.</div><div>› Updating the range of converged rates with a month of free access for new connections.</div><div>› Entertainment TV packages for clients (for 30 days).</div><div>› Launching VR concerts of celebrities: Chaif, The Hatters, Vyacheslav Butusov, Chizh&Co, Pelageya, Neschastny Sluchai, etc.</div><div>› Providing free access to online consultations with doctors in the SmartMed application and promoting this service.</div><div>› Enhanced promotion of remote banking services (virtual credit cards, cashback for important categories, mortgage refunding) at MTS Bank.</div><div>› Enhanced promotion of products in the MTS online store to increase the share of online sales.</div><div>› Providing an increased speed to the entire subscriber base in Moscow.</div></div></div> <div><div>3. FinTech initiatives</div><div><div>› Promotion of remote payment for housing and communal services, communications, loans, etc. (MTS Bank)</div><div>› Promotion of remote lending to clients through virtual MTS Cashback Digital cards.</div><div>› Small business support program introduced.</div><div>› Cashback promotion (in pharmacies, for delivery from supermarkets, food delivery, for taxis and car sharing, for books and videos, online cinemas and e-libraries).</div></div></div> <div><div>4. Retail activities — increasing availability of rates and SIM cards</div><div><div>› Inclusion of showrooms in the list of exceptions allowed to work during non-working weeks at the level of the Government of the Russian Federation and local authorities.</div><div>› Launch of online sales of self-registering SIM cards.</div><div>› Employees of the closed showrooms were reassigned for courier delivery of orders.</div></div></div>	<div><div>1. Health and safety</div><div><div>› All offices in Moscow and the regions complied with the requirements of the Russian Agency for Health and Consumer Rights (Rospotrebnadzor) in terms of the number of cleaning sessions and temperature measurement; coverage with safety products (masks, antiseptics, etc.) significantly increased as compared with the previous weeks.</div></div></div> <div><div>2. Remote work</div><div><div>› Information systems were expanded, and system reliability stabilized.</div></div></div> <div><div>3. Business and communication continuity</div><div><div>› All business processes (committee meetings, planning meetings, negotiations with partners, etc.) continued remotely using audio and video conferencing tools.</div><div>› Information was submitted to ITD of Moscow to issue passes for employees supporting critical business processes. Access control was introduced on April 15, 2020..</div></div></div>



MAY 2020

MTS actions to mitigate business risks	MTS measures to protect employees
<div><div>1. Helping clients resolve their urgent problems</div><div><div>› The tasks planned in early April 2020 were fully achieved: free calls to hotlines, access to websites, guaranteed client access to services, recommendations for protection against viruses, zeroing traffic to popular self-enhancement services, coronavirus hotline websites, healthcare websites, increased credit limit for subscribers over 65 years old and much more.</div><div>› Under the conditions of transferring a part of the contact center employees to remote working, availability of the service remained at the same level.</div></div></div> <div><div>2. Adaptation and promotion of MTS telecom products</div><div><div>› Offers for business</div></div></div> <div><div>3. New products were prepared and launched, including “Secure VPN connection for office and home”, “Fixed virtual PBX” for remote work of employees, services to combat the spread of coronavirus (Geoanalytics, SMS pass, 8800/call centers, communications, equipment).</div><div><div>4. The “Remote education” product was launched on the platform of the MTS Corporate University.</div></div></div> <div><div>› Offers for subscribers</div></div> <div><div>5. A single page with all MTS offers, partners' offers and valuable offers for MTS clients was implemented.</div><div><div>6. Increased share of online sales.</div><div>7. Optimization of work in all sales channels</div></div></div> <div><div>› Sales of self-registering sets using the MTS Subscriber mobile application were launched.</div><div>› Distribution of SIM cards in partner stores, post offices, etc. was organized.</div><div>› Showrooms where regular retail trade was impossible were redesigned into the format of pick-up points.</div><div>› A service for SIM card delivery was launched, and the delivery geography expanded.</div></div> <div><div>8. Marketing initiatives for client experience</div><div><div>› MTS LIVE VR concerts (Youth Rap, Secret, Uma2rman at Home, Noize Mc, Gosha Kutsenko).</div><div>› Quarantine concerts on MTS TV (Mummy Troll, Obe Dve, Yulianna Karaulova, WE, Uma2rman, LIZER, Gradusi, IOWA, Pompeya, Gosha Kutsenko, Sirotkin, Dolphin).</div><div>› MTS provided access for doctors to monitor patients' health in the MTS 120/80 system — https://a.mts.ru/cardiopro.</div><div>› 30 days of free subscription to Amedia TV series in the MTS TV application.</div><div>› MTS organized free communications for doctors involved in combatting coronavirus (Moscow, Tatarstan, Kirov, Irkutsk, Perm, Samara, Udmurtia, Altai Territory, Altai Republic).</div><div>› Extension of the main social activities of MTS during the coronavirus period (service package #stayathome for 1 ruble, access to TV channels and communication services without blocking, etc.).</div></div></div>	<div><div>1. Health and safety</div><div><div>› Employees kept getting a centralized supply of medical masks. Masks were supplied in a centralized manner with introduction of the gloves and masks mandate for the regions.</div></div></div> <div><div>2. Business and communication continuity</div><div><div>› All business processes (committee meetings, planning meetings, negotiations with partners, etc.) continued remotely using audio and video conferencing tools.</div><div>› Information was submitted to ITD of Moscow to issue passes for employees supporting critical business processes.</div></div></div>



MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear shareholders,

Today we are summing up the results of 2020, the year that has become a test of our ability to adapt and respond to changes in the external environment, unprecedented in the past year. I am happy to announce that MTS PJSC has coped with this challenge confidently. We managed to take advantage of the growing demand for mass telecommunications and digital services, which enabled us to raise and achieve the target levels of a number of key performance indicators during the year, including revenue and OIBDA. Despite the obvious difficulties with logistics and work organization, the company fully completed the capital construction program. And sales of some of the assets allowed us to increase the amount of dividends, so 2020 became a record year for us in terms of payments to shareholders.

I would like to thank the employees of the company for their hard work in the new environment, for the ability to achieve goals, despite the uncertainty, including uncertainty with regard to their own health and the health of their loved ones, and for the efficiency with no possibility of a direct interaction with colleagues and partners. I would like to note that the company's management took all the necessary measures to protect our clients and employees, ensured continuity of business processes and minimized a negative impact of the new conditions on the business. We succeeded in fulfilling our obligations towards partners and shareholders, preserving jobs and providing for employment, which is once again emphasizing that reliability is one of the key values that underlie the ideology and mindset adopted in our company. We have shown that we can adapt, restructure and achieve success even under critical conditions.

One of the strongest inherent abilities of a human being is the ability to find ways out of the most difficult situations, see opportunities in hardships and problems, and turn any circumstances in their favor. In the context of such a positive thinking, I would like to note that the past year became a catalyst for digitalization processes, gave a powerful impetus to the development of digital channels of communication, work interaction, consumption of services and entertainment, and accelerated the process of digital adaptation of society as a whole. Such changes open up additional opportunities

for us and enable us to implement our Customer Lifetime Value 2.0 strategy more intensively.

The foundation for a successful implementation of the strategy is laid in the organizational structure of the company, business processes, adopted regulations and conditions of interaction between units, as well as in the corporate culture. While adopting the CLV 2.0 strategy, we were simultaneously restructuring the company, bringing it to a state allowing its efficient operation in a variety of digital markets with simultaneous generation of a holistic ecosystem environment. During 2020, we had a pinpoint reinforcement of the functions related to promising digital areas, debugged the mechanisms of interaction between business lines, strengthened the ties between them, and shaped new data flows.

Thus, a significant part of our work in the past year was associated with fostering a new corporate culture. By referring to "culture" here, I mean more than a mechanistic declaration of certain values and a call for employees to follow them in their activities. Our objective is a profound, fundamental change in the principles of building relationships between units, in the methods used to solve problems, and in daily working communication between people. Pragmatism is our main ally in implementing such changes. We connect values with real needs, measure the level of engagement of management and employees through specific behavioral indicators, and provide clear and concise feedback. We demonstrate that the principles we propose are useful and that following them allows an efficient achievement of results. Not only we develop certain rules for interaction, but we also create new types of teams and actively fill them with people who bring new ideas, creative energy and alternative approaches to solving problems. Our company is currently undergoing the most radical cultural transformation in its history. In this regard, I would like to emphasize the tremendous work of the Personnel Management Block and thank the entire management team for their decisive support and acceptance of the ongoing changes.

It takes time to develop technology platforms, work out efficient mechanisms for interaction with partners and fill a market offer with high-quality digital services. We understand that we are facing years of hard and painstaking work on the way to creating a full-fledged digital ecosystem. Nevertheless, in 2020, our company launched the first comprehensive offers that we use to gradually provide the market with understanding of our future strategic positioning and to generate the perception of ourselves as a digital ecosystem.

All of the aforementioned is a direct result of managerial decisions jointly developed and adopted by the management and the Board of Directors, a key authority responsible for strategic management of the company. Expansion of the company's scope of activities inevitably leads to an increased burden on the management team and requires a deeper study of issues related to various industries and markets. At the same time, a significant part of the work aimed at developing high-quality managerial decisions falls on the Committees set up under the Board of Directors. Last year, within the framework of the Committees, our colleagues did a lot of work on preparation and approval of strategies for individual business lines, which I want to highlight separately. I believe that this work will ultimately enable us to achieve outstanding results in all areas of business.

Following the best corporate governance practices, in particular with regard to a regular rotation of members on the Board of Directors, as well as taking into account the need for the highest level of expertise in new areas of business, the Board decided on new appointments approved by the General Meeting of Shareholders in June 2020. Following these appointments, the number of independent directors on the Board has reached six out of a total of nine. I am happy to welcome Konstantin Ernst, Nadia Shouraboura and Shaygan Kheradpir in our ranks. I believe that their experience, proficiency and energy will become an important source of our knowledge and new ideas, to be eventually transformed into high-quality managerial decisions.

In conclusion, I would like to thank the shareholders for their trust and support. I believe that MTS performance results will delight you in the future and our new initiatives will lay the foundation for further progress and creation of new shareholder value.

F.V. Yevtushenkov,
Chairman of the Board of Directors of MTS

MANAGEMENT REPORT

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ADDRESS BY THE PRESIDENT

Dear Friends and Colleagues,

It is a great honor for me to present the results of MTS work for the first time. The previous 2020 has become a real proof test for the population of the whole world. The pandemic, the restrictions it brought to the lives of citizens and the temporary suspension in operation of entire segments of the national and global economies have become unprecedented challenges. The population and companies had to adapt to the new reality which caused the change in behavior patterns of almost all client segments of MTS. The world has become digital, finally and irrevocably.

For MTS, a mental digitalization of the society has become one of the key drivers that helped us successfully cope with the challenges of the previous year and achieve record high financial performance. Our core telecommunications business has shown strong growth in both mobile and fixed segments. 2020 operating results confirm the efficiency of the chosen development path within the framework of the general three-year MTS business strategy Customer Lifetime Value 2.0 focused on increasing the use of MTS ecosystem digital products by the customers and creating the best customer experience in the market. We went through the first year of CLV 2.0 strategy implementation at a good pace and achieved our intended results. All the above allowed us to demonstrate a decent level of profitability for our shareholders at the level of 26.51 rubles per ordinary share following the results of 2020.

Let me tell you more about the key areas of our work. First, we actively continued to strengthen our leadership in the telecom sector during the year. Provision of high-quality services in MTS networks remains the prime objective for the company, therefore MTS invested about 97 billion rubles in the development of communication network infrastructure in 2020.

We received the country's first license to provide 5G communication services, and are actively launching MTS 5G pilot zones in order to explore the possibilities of the new standard for the development of infrastructure projects based on artificial intelligence technologies, the Internet of Things, augmented and virtual reality. Nowadays, such digital-based solutions for automation, improved safety and efficiency in management of various types of production and urban environment are especially in demand among business clients. In the corporate digital solutions market, we have increased the number of devices in MTS networks for the Internet of Things by 30 percent and achieved a double-digit growth in the cloud business revenue.

In new business verticals, we saw an increase in the positive dynamics of KPIs. In the FinTech, MTS Bank's net interest income grew by 32 percent year-on-year. In the media vertical, the growth of new users of the OTT platform amounted to 1.5 million subscribers – this increase is more than the total number of users of the service at the beginning of last year. As part of the strategy for MTS ecosystem development in 2020, we launched the first "NETARIF" subscription with the opportunity for customers to form a unique package of communication and digital services of our ecosystem. Other definitive achievements of 2020 include an exclusive agreement with the world's most popular music streaming service Spotify and the launch of Russia's first cloud gaming marketplace uniting all platforms in the Russian market.

Understanding the social importance of the entire telecommunications and digital services industry, MTS shows its commitment to implementation of the 13 UN Sustainable Development Goals, the most complementary to the company's activities. The strategic objective of the company is to improve the quality of living of people and society, to increase safety through rendering a wide spectrum of services and to develop innovations in the area of health care, education, environment and urban infrastructure, as well as in other spheres. Sustainable development of MTS is provided by compliance with high ethical business standards and implementation of ESG principles in the policies and operational processes of MTS. A transparent corporate governance structure, combating bribery and corruption, a well-developed risk management and compliance system contribute to the promotion of cost-effective projects and the creation of responsible partnerships with the participation of MTS for the benefit of society, a wide range of stakeholders and the environment. I am especially proud to note that in 2020, MTS entered the TOP 5 of Russian leaders in to the comprehensive ESG-ranking prepared annually by the independent rating agency RAEX-Europe.

2020 became an important step in the company's internal transformation. Projects and programs initiated by MTS during the year were aimed at increasing both external competitiveness and internal efficiency of our business. For example, implementation of the iDA corporate program for using employee ideas to optimize business processes in 2020 allowed us to fully automate 294 processes with an effect of 1.6 billion rubles per year. The structure of the company has also been significantly updated, reflecting both ongoing changes in processes, taking into account new business objectives to develop ecosystem areas, and our efforts to attract the best professional staff on the market.

In conclusion, on behalf of the company's top management, I would like to thank the entire MTS team for the excellent results of work in 2020, dedication to their work, open-mindedness, courage and initiative in decision-making. It is the experience and professionalism of the colleagues that helped the company not only maintain its position in the market in the difficult conditions of the past year, but also show excellent financial and operational performance. We look into the future with confidence and together we will continue to make every effort to strengthen customer confidence in the MTS brand.

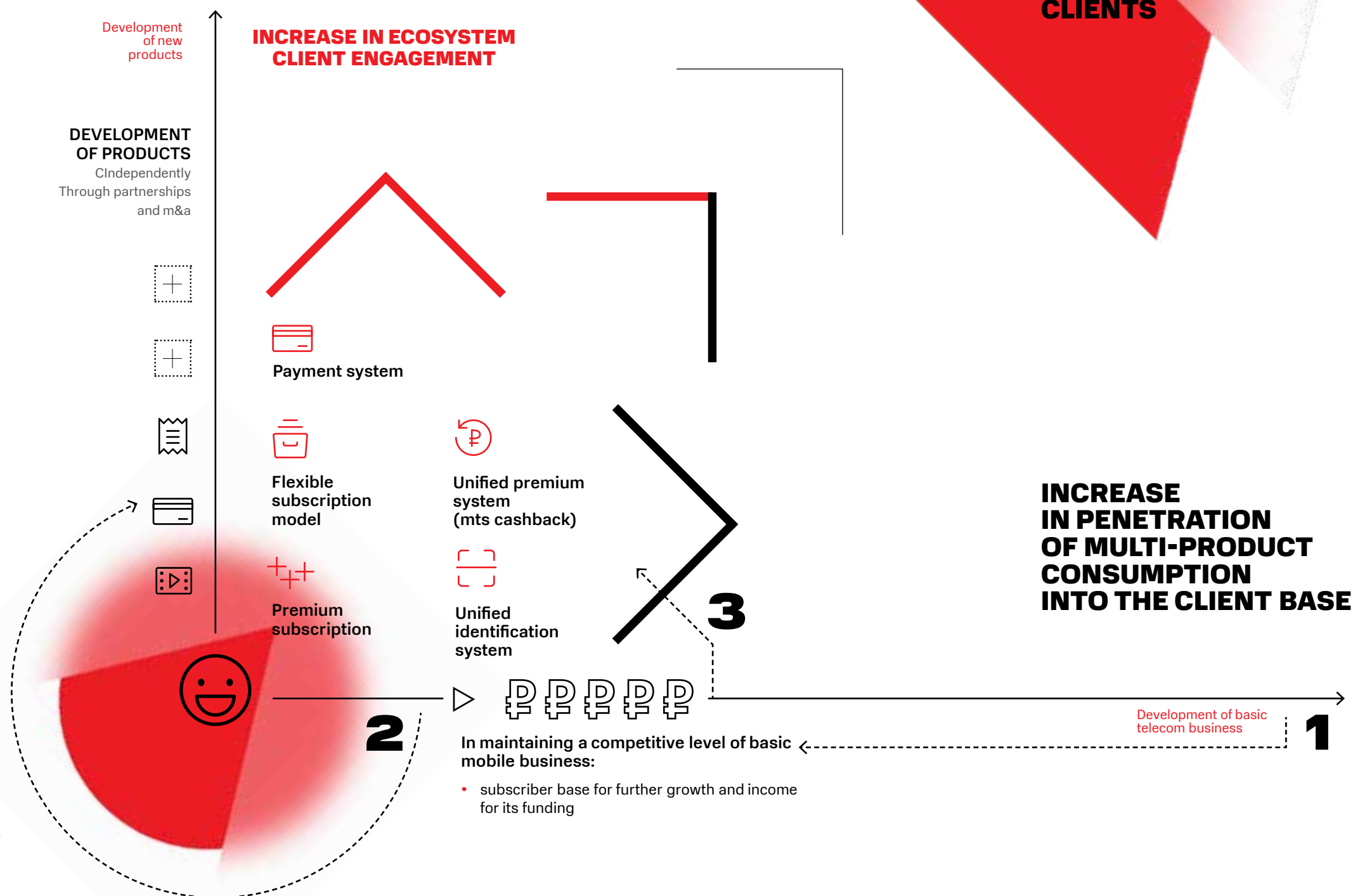


Sincerely yours,

Vyacheslav Nikolaev
MTS' President

MTS BUSINESS MODEL: THE SOURCE OF YOUR DIVIDENDS

MTS BUSINESS MODEL: STABLE TELECOM AND GROWING ECOSYSTEM



GROWTH AS SIMPLE AS ONE, TWO, THREE...

WE REINVEST CASH FLOW RECEIVED FROM THE EXISTING (FIRST OF ALL, MOBILE) BUSINESS

- 1** ... TO **MAINTAIN LEADERSHIP** OF OUR BASIC TELECOM BUSINESS AS A FOUNDATION FOR OUR FURTHER GROWTH...
 - 2** ... TO **PROMOTE AND IMPROVE OUR DIGITAL SERVICES** THAT WE OFFER TO OUR EXISTING CLIENTS FIRST...
 - 3** ... AND ALSO TO **DEVELOP COMMON ECOSYSTEM PLATFORMS AND SYSTEMS** THAT LINK UP ALL OUR PRODUCTS AND GIVE OUR CLIENTS THE OPPORTUNITY OF THEIR CONVENIENT AND PROFITABLE CONSUMPTION...
- =** ... WHICH IN COMBINATION GIVES A **MULTIPLICATIVE EFFECT**, GREATLY INCREASING THE RESPONSE FROM AN AVERAGE CLIENT



OUR MARKETS

MTS GROUP KEY MARKETS

MTS TELECOMS

At the end of 2020, the number of MTS mobile subscribers in Russia was 78.5 million subscribers, about 31% of the market, which provides leadership both in terms of the base magnitude and the revenues from mobile business.

The number of subscribers of operators participating in the MTS Group is: in the Republic of Armenia (MTS Armenia CJSC) – 2.15 million subscribers, and in the Republic of Belarus (Mobile TeleSystems JLLC is not consolidated in the financial statements of the MTS Group) – 5.68 million subscribers or 59 and 47% of the market, respectively.

MTS is one of the TOP 5 Internet providers in Russia, occupying about 11% of the Russian fixed BBA market by subscribers in the private segment and about 10% in the business segment according to the TMT Consulting rating. In the mass market of fixed-line telephony, MTS ranks second after Rostelecom PJSC with a market share of about 18% in terms of the subscriber base.

**2.15
million**

Number of subscribers of operators within the MTS Group in the Republic of Armenia

**78.5
million**

Number of mobile subscribers of MTS in Russia based on the 2020 results

11%

held by MTS at the Russian BB market for subscribers in the private persons segment

10%

held by MTS in the business segment according to TMT Consulting rating

**5.68
million**

mIn Number of subscribers of mobile operators in the Republic of Belarus

MTS RETAIL

MTS is the largest non-food retail chain in Russia. At the end of 2020, the number of MTS outlets amounted to 5,200.

In the omnichannel rating (assessment of a degree to which online and offline sales channels merge) of the largest retailers through the eyes of a buyer from the DataInsight analytical agency, shop.mts.ru ranked 57th, demonstrating a balanced mix of sales channels.



electronics and technique category



shop.mts.ru

x2

Online sales doubled in 2020.

**5.2
thousand**

Number of MTS sales offices at the end of 2020

**20th
place**

place in the ranking of the top 100 largest Russian stores in terms of online sales at the end of 2020³.

**57th
place**

Ranked by MTS omnichannel rating from analytical agency DataInsight

MTS FINANCE

- › Banking and financial services, MTS Bank
- › Financial services and applications

MTS Bank²

	Place in the rating in Russia	Place i n the rating by region
Net assets	37 ⁽⁺⁴⁾	29 ⁽⁺³⁾
Net Income	125 ⁽⁻⁷⁸⁾	78 ⁽⁻⁴³⁾
Capital (according to Form 123)	29 ⁽⁺⁵⁾	23 ⁽⁺⁵⁾
Loan portfolio	32 ⁽⁺⁷⁾	25 ⁽⁺⁶⁾
Overdue debt in the loan portfolio	32 ⁽⁺¹⁾	24 ⁽⁺¹⁾
Deposits by individuals	29	21 ⁽⁺¹⁾
Investment in securities	43 ⁽⁻³⁾	34 ⁽⁻³⁾

¹ <https://omni.datainsight.ru/>
² As of December 2020, according to Franck Research and Banki.ru Franck Research и Banki.ru https://www.banki.ru/banks/ratings/?BANK_ID=6055
³ Category "electronics and technology" * <https://www.top100.datainsight.ru/>.

CLOUD AND DIGITAL SOLUTIONS FOR BUSINESS

The cloud business of MTS includes the cloud provider #CloudMTS, the IT-GRAD provider, the 1cloud platform for small and medium-sized businesses, and the Avantage data center.

MTS offers infrastructure solutions in the format of private, public and hybrid clouds, provides a range of consulting and professional services, data center services and telecom services.

The volume of services provided by MTS in this area increased by 35% in 2020.

MTS provides business clients and government customers with solutions on the basis on the Internet of Things based on its own platforms, the capabilities of Russia's largest Internet of Things network NB-IoT. The company's portfolio includes complex industry solutions for customers from the segments of housing and communal services, real estate, transport, retail, industry, etc. ...

The new direction of dedicated Private LTE / 5G-ready networks acts as a conductor of Industry 4.0 for corporate customers..

ARTIFICIAL
INTELLIGENCE

The MTS Artificial Intelligence Center has been operating since 2017. The center supplements the existing MTS services with new functions based on natural language processing technologies, voice recognition and computer vision, and creates products in the field of customer service, medicine, law and other areas.

MTS is a member of the Artificial Intelligence Alliance that develops AI technologies in Russia. Other members of the Alliance are Sberbank, Yandex, Mail.ru Group, Gazprom Neft and the Russian Direct Investment Fund (RDIF).

In 2020, MTS opened an Artificial Intelligence Laboratory in Skolkovo to develop solutions based on speech technologies. Experts create the largest database of voice data in Russian. MTS also cooperates with the Samara State Medical University in the field of digital health: it is planned to develop and test innovative solutions based on artificial intelligence in the field of medicine on the basis of the laboratory created at the university.

MTS ENTERTAINMENT

MTS Entertainment is a unit within the MTS Group created to develop projects in the field of entertainment and manage company's assets in this segment. The management perimeter of MTS Entertainment included ticket services – Ticketland and Ponominalu, the MTS Poster portal and application, the MTS Live Arena project, and other projects.

ESPORTS AND GAMING

According to a research by PwC¹, the Russian video game and eSports market ranks number 11 worldwide and 5 in Europe in terms of volume. According to various estimates, there are 30 to 50 million active video and mobile game players in Russia, and the Russian language is one of the three most popular languages on the Steam playground with a share of 11%, second only to English and Chinese.

MTS entered the eSports market in 2017 with acquisition the Gambit Esports organization, one of the leading eSports clubs in Europe. In 2020, Gambit took part in six gaming disciplines: Fortnite, Counter-Strike: Global Offensive, League of Legends, Dota 2, Apex Legends and Valorant. The teams within Gambit Esports have many times been champions of the world and Europe, and also silver and bronze prize winners at the largest international competitions.

BIG DATA

MTS not only actively uses big data to improve business processes and network operation, but also sees prospects in the development of commercial services with new qualities and capabilities for customers.

Achievements of MTS in the field of working with data were rewarded with a prize in the category “Improving Business Efficiency” under CDO Award 2019 established by the Open Systems publishing house and the CIO.ru resource.

MTS MEDIA

MTS Media is a unit within the MTS Group responsible for the development of Group's media assets and entertainment products. Areas of activity: production and distribution of own content, management of cable and satellite TV, IPTV and the MTS TV application.

In March 2020, MTS and Channel One announced an establishment of a joint venture where companies, among other things, will jointly invest in content.

¹ Media Outlook. Media industry in 2020–2024
<https://www.pwc.ru/ru/publications/media-outlook-2020/media-outlook-2020-2024.pdf>

OVERVIEW OF THE ECONOMIC SITUATION AND MARKET DEVELOPMENT

Global economic trends

According to the IMF report “World Economy Development Prospects” the world economy contracted by 3.3% in the conditions of the COVID-19 coronavirus pandemic and restrictive measures in 2020¹. This is the most drastic decline in production over the past 90 years. According to experts, the pandemic had the most severe impact on the developed countries. The following branches of economy were strongly affected by the coronavirus spread: air travel, hotel and tourism industries, leisure and entertainment, public catering and household services.

The prospects for world economy development are characterized by a high uncertainty associated primarily with the further trend of the pandemic.

\\ Real GDP, annual percentage change

	2020	2021, forecast	2022, forecast
Global production	-3.3	6.0	4.4
Russia	-3.1	3.8	3.8

One of the significant consequences of the pandemic for information technology has become an accelerated implementation of digital solutions in various areas. Digitization is accelerating a transition to online work, entertainment, shopping, government control and education. Experts forecast a significant increase in the level of digitalization of government agencies and a transition of all government services to electronic format.

Still relevant are key trends in the development of global telecommunications market, designated by GSMA Intelligence for the next 10 years:

- > development of digital technologies;
- > growth of the smartphone market due to developing countries;
- > platform war in developing technology segments (primarily among smart devices, as well as VR and AR);
- > spread of 5G and growth of innovation;
- > leadership of the USA and China in technology innovation.

It is expected that areas already utilizing Big Data, Internet of Things, Clouds and Artificial Intelligence

technologies will receive an additional incentive for development with the advent of 5G. Such industries will include medicine, manufacturing and many others, in particular, augmented and virtual reality; the ability of stream processing of big data will provide them with significant efficiency and availability. With the help of next-generation networks, the Internet of Things will gain more opportunities for a development in complex industrial areas.

Global trend for ecosystems creation

The largest companies in the telecommunications industry are intensively developing related areas of activities, outside of communication services. Product line expansion through creating new services is a necessity due to saturation of the market. By offering additional services based on cutting-edge developments, operators complement stagnating revenues from their core businesses.

Russia: economic trends

In the context of global crisis caused by the pandemic, telecom operators have found themselves in a position more stable economically than other sectors of the economy. Measures

to contain the spread of the virus have highlighted the value of communication for social and economic well-being. According to Rosstat, the volume of paid telecommunications services provided to the population decreased by only 5% in 2020 vs. 2019 and amounted to 1.4 trillion rubles.

According to preliminary data from TMT Consulting, the telecommunications market in 2020 amounted to 1.73 trillion rubles. The annual market dynamics amounted to -0.7% and this is the lowest indicator over the entire contemporary history of telecommunications; during the previous crises, the market kept growing because the main market segments had not yet reached saturation by then.

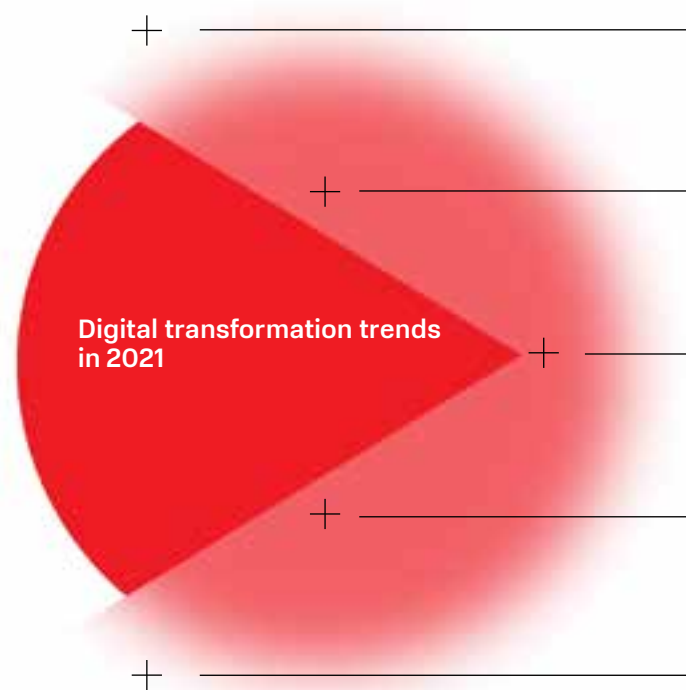
The negative dynamics was caused by a slowdown in growth rates of the segments of mobile communications, broadband Internet access and Paid TV. A slight growth in these markets did not manage to compensate for a drop in revenues from fixed-line telephony, inter-operator services and a number of other services.

The pandemic has impacted revenues from roaming as well as the use of additional SIM cards. The mobile subscriber base decreased due to a slowdown in attracting new customers caused by closure of mobile phone outlets.

In 2020, priority tasks of telecom operators were to support the remote work of their subscribers, ensure data security and availability of information resources. The demand for solutions and IT services to organize work in this form, organize cloud data storage, provide services for remote monitoring of IT infrastructure and equipment, and provide user support has grown many times.

The situation with the coronavirus pandemic has highlighted an urgent need for business digitalization, which in turn has increased interest in modern technologies.

Analysts of Strategy Partners note the following trends in the digital transformation of Russian companies in 2020–2021.



- Emergence and development of digital platforms in certain industries (for example, in transport and financial services) create new opportunities and threats for business development.

- Customer experience transformation and automation is the next step towards a data-driven management model and accelerating digital adoption: big data and advanced analytics, robotic process automation (RPA), the Internet of Things and AI technologies.

- Accelerating a transition to a new generation of digital infrastructure for companies: flexible and open data integration based on cloud solutions, (business applications as infrastructure for digital solutions, DevSecOps practices and edge infrastructure).

- Overcoming a “double challenge” for the personnel policy of companies: an acute shortage of employees and competencies for new jobs, automation and the need to cut staff. Adaptation to new work formats and competency development models.

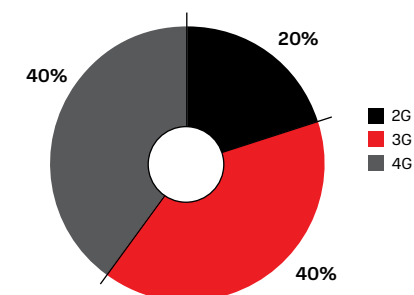
- Expanding opportunities to fund digital transformation projects for consumer companies and solution providers through government support programs.

¹ IMF, World Economic Outlook, April 2021.
<https://www.imf.org/ru/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021#Overview>

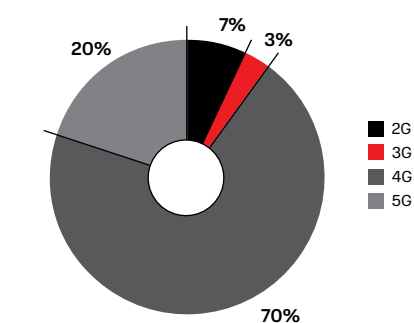
The GSMA Intelligence report “Mobile Economy in Russia and the CIS 2020”¹ provides a forecast for the industry development in the region.

Technologies

2019



2025

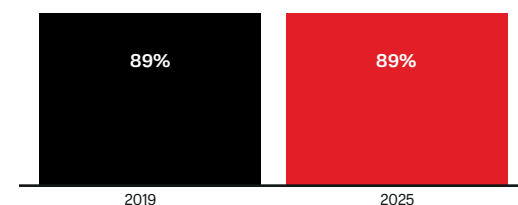


It is expected that by 2025:

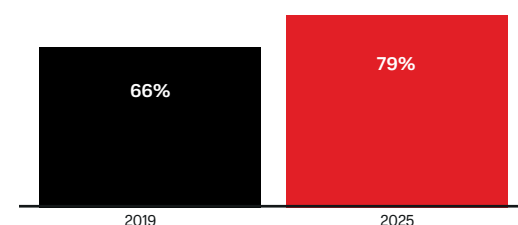
- > the share of 5G connections will account for one fifth of all connections. This growth is driven by operator investments, more than half of which will be invested in new 5G infrastructure deployments;
- > the number of unique mobile communication subscribers will not change significantly due to high penetration rate;
- > smartphone use rate will reach 79% due to availability and popularity of cheaper phones;
- > IoT solutions will play a central role in efforts to improve operational efficiency;
- > Russia and the CIS will add nearly 330 million new IoT connections by 2025, with smart homes and smart buildings as two key growth areas.

The telecommunications market is expected to return to its original growth trajectory in the short to medium term, with Russian operators continuing to deploy fiber optic and 5G networks; there will be new opportunities for additional sources of income.

Penetration level by subscriber amount



Using smartphones



Competitive situation

Nowadays, there are four federal operators in the Russian mobile communications market:

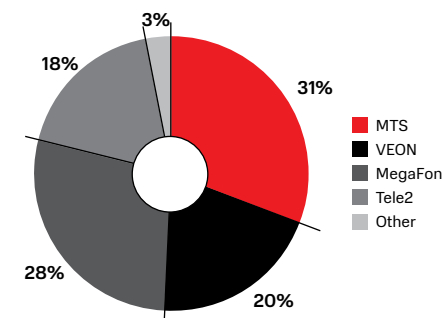
- > MTS PJSC;
- > MegaFon PJSC;
- > VimpelCom PJSC (VEON Ltd);
- > T2 RTC Holding LLC (a combined operator of Rostelecom PJSC and Tele2)..

Several regional telecommunications companies and virtual network operators (MVNO).

According to AC&M Consulting, the subscriber base of mobile subscribers (by the number of SIM cards in the network) is about 252.2 million subscribers as of the end of 2020; the mobile penetration rate is more than 170%.

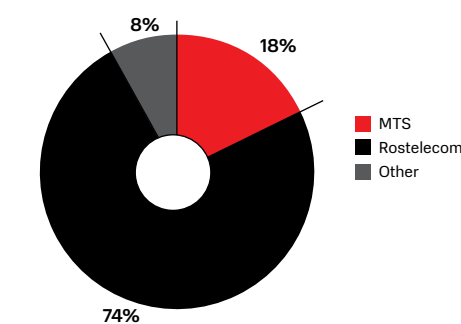
MTS is the market leader in terms of both the number of subscribers and revenues from mobile communications.

Market structure by subscriber base, mobile communications:

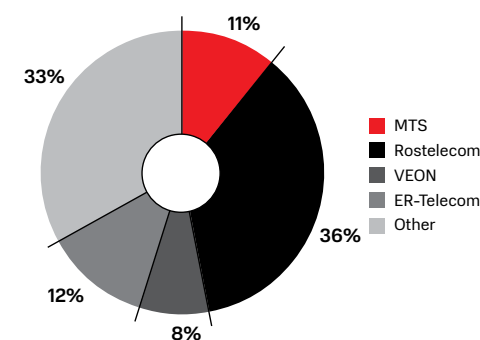


Rostelecom PJSC is the main competitor of MTS in Russia in terms of the fixed business – services of telephony and broadband Internet access. At the same time, MTS retains its leadership in the B2C segment in the Moscow region.

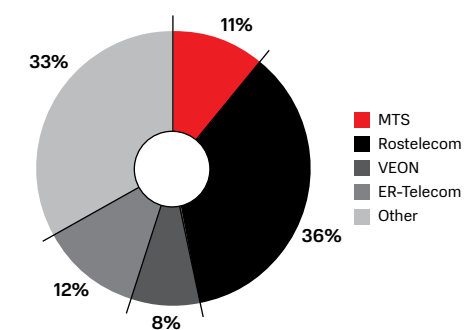
Market structure by subscriber base in the B2C segment of the Russian Federation, telephony:



Market structure by subscriber base in the B2C segment, BBA:

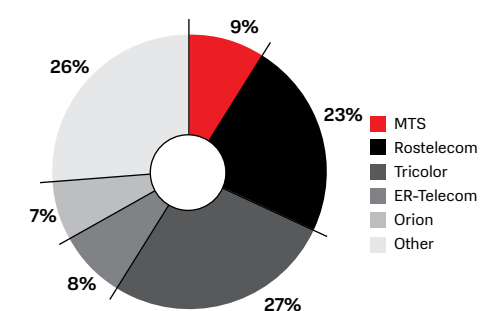


Market structure by subscriber base in the B2B segment, BBA:



In the Paid TV market in Russia, MTS is one of the three leaders, occupying about 9% of the market and giving way to Rostelecom PJSC and Tricolor.

Market structure by subscriber base, Paid TV:



¹ <https://data.gsmainelligence.com/research/research/research-2020/the-mobile-economy-russia-cis-2020>



LOOKING INTO THE FUTURE

CURRENT TRENDS IN THE TELECOMMUNICATIONS SECTOR

The COVID-19 pandemic, despite all the drama of its consequences, gave a powerful impetus to the development of services related to remote work, remote learning and interaction with government authorities via the Internet. However, a more important and interesting effect occurred in the mass perception as a result of this forced “digitalization” with many people having to master new tools: employees – to be able to communicate with colleagues via video conferences, teachers – to conduct online lessons, and children – to connect on time and send homework through the appropriate systems. Telecom plays an obvious fundamental, infrastructural role in solving all these problems. And although these digital services often work “on top” of operators’ networks, nevertheless, the obvious need for high-quality communication and the willingness to pay for it (from both individuals and companies) has increased due to the social and economic shifts caused by the pandemic.

The relatively painless, accelerated as a result of the pandemic, completion of the online transition could not have happened without a complete “smartphone-zation”: most people already have a smartphone in their hands both in Russia and globally. This allowed to switch to a new “intensive” mode of mobility: smartphones are already used more often both for the consumption of traditional content (music, video, communication on social networks) and for practical needs (banking and other financial services, online shopping, training) than traditional “big screens” (PCs, laptops, TVs), at least among young people and in developed markets. The pandemic has also accelerated this process, making people spend more time with their mobile phones. This phenomenon has clear advantages for mobile operators, but at the same time imposes increased requirements for the quality and coverage of mobile BBA networks.

A global response of mobile operators to the continuing exponential growth in data demand is a deployment of next generation (5G) networks in new frequency bands. In 2020, 5G coverage exceeded 1 billion people globally, according to some estimates; the 5G consumer equipment ecosystem continues to grow rapidly in terms of both

diversity and functionality. In general, 5G penetration (in terms of networks and subscribers) is developing at a faster pace than it was with LTE a decade ago: it can be expected that popularity of 5G in the world will catch up with LTE on the horizon of five to seven years. Although the introduction of 5G in Russia has been essentially placed on hold due to an unresolved issue with the frequency resource, we hope that it will catch up at a high pace after its launch in a few years.

An additional leap in the Internet availability can be provided by satellite operators. This is due to the efforts of such pioneer companies as Starlink and OneWeb (in terms of creating low-orbit BBA systems) and the growth in capabilities of “large” satellites in geostationary orbit (due to the active development of the “high” Ka-band). Smaller startups developing niche products also present interest, e.g., global IoT systems based on ultra-small super-cheap devices or satellites for direct communication with phones/smartphones at standard frequencies are not less interesting. Overall, it is unlikely that the actions of old and new satellite players pose significant risks to traditional mobile and fixed-line operators; their service rather provides new opportunities and complements the product of “land” operators, whereas a wider Internet coverage is beneficial for everyone.

We shall also note a trend of the increasing influence of politics on the development of the industry. Thus, attempts to limit the development of Huawei as a global technology giant undertaken by the United States and a general use of technology as a tool of influence make many countries and major operators think about reducing the risks associated with dependence on key vendors and countries. In practical terms, it may be an increasing interest in the development of the Open RAN direction in relation to all generations and elements of cellular networks, as well as, for example, attempts to cultivate alternative developers of network radio equipment, which takes place in Russia.

DEVELOPMENT FORECAST FOR THE RUSSIAN MARKET IN 2021 AND MEDIUM-TERM PROSPECTS

Macroeconomics

The recovery of Russian economy began in the second half of last year and is likely to continue in 2021. Although the current forecasts do not imply an acceleration in economic growth compared to the pre-COVID dynamics, removing most of the restrictions will be enough to return to normal business dynamics to satisfy the interests of the telecom business, as well as related digital industries.

Certain concerns can be raised by such processes as accelerating inflation, continuing stagnation of the economy, ruble volatility, and a number of other macroeconomic problems Russia is facing. Nevertheless, other factors – in particular, a certain closed nature and comparative self-sufficiency of Russia in the field of digital services, a rather large domestic market and the government’s efforts to protect it play an inciting role for the development of new directions by domestic companies.

Telecom (basic business) Mobile telecommunications

The Russian mobile communications market is saturated and, as before, there are no fundamental prerequisites for its growth by more than a few percent per year. 5G launch in Russia, apparently delayed until 2024, is unlikely to give a significant boost to revenues, although the emergence of new breakthrough services based on this new generation, capable of providing a general impetus to the demand for services of mobile operators, cannot be completely ruled out on the horizon of three to five years. At the same time, a later launch of 5G has certain advantages for all companies in the industry: by the time of the launch, an ecosystem of 5G consumer equipment will be developed; penetration among subscribers of devices ready to work in 5G networks will be quite high; most smartphones on the market will have all advanced features (SA, DSS, CA in 5G, Vo5G); there will be a reduction in the cost of subscriber and network equipment. Thus, for the next few years, Russian mobile operators do not need to increase costs for a high-priced deployment of 5G networks and the promotion of relevant services, which is a positive trend in terms of short-term financial performance.

In terms of other short-term current effects caused by the impact of the pandemic in 2020, the most affected segment of international roaming should

be noted, and here we have no reason to expect a full recovery of this income type in 2021, given rather slow lifting of restrictions in most countries. It is possible that in the future, starting from 2022, we will see a fairly rapid recovery growth of tourism to the levels of the “old normality”, which will return the corresponding revenue to the operators.

Two trends are worth noting among the changes in technology that will have a significant impact on the mobile business over the next few years. The first is the refarming of 3G frequencies (2100 MHz band) for the needs of LTE networks, which has actually begun, giving an additional safety margin to Russian operators before they receive 5G frequencies in addition to its certain nominal value. The second is the beginning of eSIM practical introduction in Russia, which actually began only last year, albeit in small scopes. Although a widespread adoption of this technology is still limited by regulatory requirements for registration of SIM cards and the accompanying inconvenience for subscribers, it will further allow to reduce the “physical” market for connections, including a reduction of clearly oversized mobile store networks.

Fixed BBA market

The market for home broadband Internet access has also almost exhausted the possibilities for further growth: in large cities, the penetration rate of the service reaches 90%, and a growth in the total number of connections is only due to the commissioning of new housing. Nevertheless, from the point of view of the largest players, there is still a potential for consolidation through the purchase or displacement of local city or regional providers, although the total scale of the remaining independent players is already quite small.

Additional opportunities in this market for the largest players are associated not with the growth of the market itself, but with the possibility of creating bundled (converged) offers of mobile, fixed-line communications, as well as TV and online cinemas: an outflow among converged customers is significantly lower than among those consuming one single service. Probably, all major operators will step up their efforts in this direction, although practical actions will be (geographically) local because all players have only a fragmented fixed telephony coverage, except for Rostelecom.

¹ SA — Stand Alone, independent 5G operation mode (without reliance on the core of the LTE network); DSS - Dynamic Spectrum Sharing, dynamic reallocation of the frequency resource between LTE and 5G; CA - Carrier Aggregation, simultaneous use of multiple bands; Vo5G - Voice over 5G, voice calls over 5G network.

Launch of 5G can theoretically provide a certain dynamics to the market in the medium term. New generation networks (in case of obtaining a sufficient amount of frequency resource) can serve as a basis to develop the FWA (Fixed Wireless Access) service that would be cost efficient, for example, in small and medium-sized cities, large villages, cottage settlements. A number of countries already have the experience of successful development of this service based on millimeter-range 5G networks.

B2B/B2G market

On the one hand, in terms of dynamics, the corporate market is of the greatest interest - the growth rates are higher here than in the consumer segments. On the other hand, B2B markets are more fragmented both in terms of product diversity and in terms of company types, sizes and demands. Many fast-growing services (for example, cloud data processing, virtual PBX, video analytics) are located at the intersection of telecom and IT, and in the latter, telecom operators are traditionally less competent than narrowly specialized companies. At the same time, many operators both in the world and in Russia are striving to enter new niches for themselves, including creating their own platforms and solutions for various sectors of the economy and smart cities. Due to the presence of the basic infrastructure and contact with customers established through the sale of traditional communication services, operators have the opportunity to create competitive complex products for business and regional and city authorities - for example, based on IoT solutions, cloud infrastructure, as well as Private LTE / 5G-ready -networks..

MEDIA/TV

The market of “traditional” home TV (cable/IPTV, satellite TV) and BBA does not have a significant growth potential: the BBA service can be sold to subscribers not yet covered but there are not many of them left. However, a more important reason for the stagnation of growth is a shift in the focus of consumers from linear TV channels to a selective consumption of content (films, TV series), and this is where OTT online cinemas take over. This is concentration area of the main growth and the main competition, the latter not limited to the “physical” networks of a particular operator and intensifying due to the entry of both telecom operators and players from other segments into this segment. At the same time, the competition is escalating not only within the framework of a battle for the end consumer, but also in terms of obtaining rights to high-quality content. A natural result of the latter is that many online cinemas independently (or in partnership) started to order filming of their own

exclusive TV series, feature films, documentaries and entertainment programs. The ultimate goal of the efforts, at least for some of the players in this market, is not to make money outright but to strengthen the respective ecosystems.

Financial services

Digital financial services have received a powerful impetus due to the restrictive measures of the pandemic: their popularity has grown among all age groups and not just among young people. The quality of Internet and mobile banking applications is growing for all major players; all major banks are striving to improve the quality, at least to eliminate obvious weaknesses and shortcomings in the functionality. The government is also doing its utmost to promote a growth in popularity of “cashless” and online reality, from direct calls to use bank cards for payments to the development of a new transfer system (Faster Payments System, FPS).

The industry keeps looking for new niches for further growth and attracting customers, in addition to the general “digitalization” of existing financial products. Examples of this kind of services are investment (brokerage) services, virtual bank cards, creation of specialized quasi-banks (“neobanks”) for certain segments of consumers. New ideas and solutions are searched both within banks and through the development of startups. The role of the latter in innovative activity is likely to increase in the industry.

Nevertheless, the industry as a whole is highly dependent – and will depend – on the macroeconomic environment and regulatory conditions. For example, some segments can get a powerful boost due to actions of the Central Bank and the government (as it happened with mortgage lending last year), while others can shrink and even cause losses due to a decrease in people’s income (POS lending).

HIGH-POTENTIAL BUSINESS LINES. 2020 RESULTS

MTS EHEALTH

MTS 120/80 System

Since May 2020, MTS has been developing MTS 120/80, a system for remote monitoring of patients with arterial hypertension and other cardiovascular diseases.

The system consists of a free mobile application for a wide range of users developed in cooperation with the National Medical Research Center for Cardiology of the Ministry of Health of the Russian Federation and a personal monitoring cabinet for medical professionals. The MTS 120/80 system is successfully launched as a pilot project in a number of regions of the country.

A personal monitoring cabinet for doctors is designed for use in medical institutions, allowing doctors to remotely monitor blood pressure, heart rate, temperature and body mass index, entered into the MTS 120/80 application by the users on their own.

The application simplifies the process of keeping a blood pressure diary necessary for people with high blood pressure through its gamification and a number of technological solutions.

- › Enter the results of blood pressure measurements into the application in any way convenient for the user: by taking pictures of the screen of a digital blood pressure monitor, pronouncing the readings or entering them manually. Thanks to a specially trained neural network, the MTS 120/80 recognizes measurements on the digital tonometer display and helps the user to quickly fill out the diary form.
- › Observe the dynamics of your condition using charts and diagrams in the application. If the entered values deviate from modern blood pressure norms, the application will bring this to the user’s attention.
- › Add information about your medications and get reminders when it’s time to take a medicine or buy a new package.
- › Send a report on user’s condition to his/her attending physician if the user is not connected to the remote monitoring system. The report is generated in a way which is convenient for the doctor.

Full functionality of the mobile application is available to everyone, regardless of whether the user is connected to the remote monitoring system in a medical institution or not. To use the MTS 120/80 application, just download it from Google Play or App Store.





MTS STARTUP HUB CENTER

The MTS StartUp Hub Center for innovation and investment is a multifunctional MTS tool to work with young technology companies. In addition to the corporate accelerator, which was launched in 2018, the structure of the MTS StartUp Hub Center now includes: the MTS venture fund, international scouting, and the 5G Center.

In 2020, the corporate accelerator had two recruitments with 1,150 technology projects applying for participation. As a result of the selection, 37 projects from the retail sector, Industry 4.0, environmental innovation and financial technology became the accelerator residents. Four medical technology projects piloted solutions with the Medsi program partner.

Over the past year, residents of the MTS 5G Center developed 15 ready solutions using new generation networks. The new communications standard has helped improve products related to drone control, filming, rendering and broadcasting of 3D video, and cloud gaming.

In 2020, the MTS corporate venture fund invested in the graduate of the fifth recruitment of the accelerator, CoinKeeper company providing a service for accounting and management of personal finance.

MTS Education: Results of 2020

During the period of self-isolation conditions, the MTS Education team developed online intensive courses to prepare students in grades 9 to 11 for the unified state exams. In March, April and May, they were available to all students free of charge. The program consisted of eight webinars in mathematics and Russian and twelve webinars in English. Teaching aids were developed by the Unified State Examination experts in accordance with recommendations of FIPI (Federal Institute for Pedagogical Measurements). Additionally, webinars were broadcast on the WASD. TV streaming platform for availability to the maximum number of students.

In 2020, the MTS Education team continued cooperation with the Peoples' Friendship University of Russia (RUDN). A joint project on teaching Russian as a foreign language was launched; it will become the main development part in the area in 2021.

MTS Entertainment

MTS Entertainment is a subsidiary of MTS, established in 2019 and combining projects and assets in the field of offline entertainment and related online services.

MTS Entertainment includes ticket operators Ticketland and Ponominalu and the MTS Live service, represented in more than 60 cities in Russia.

The management of MTS Entertainment also includes the line to organize concert and theatrical performances; in 2020, contracts were signed with leading Russian artists to hold tours and shows throughout the country. MTS Entertainment also develops partner and its own concert and theater venues (such as MTS Live Arena in Moscow and a network of venues in the regions).

The largest project of 2020 was MTS' investment in the Chess musical, the key theatrical premiere of the last year.

MTS Entertainment operates the MTS Live platform for online concerts. In 2020, MTS was one of the first to launch a series of online of music concerts and festivals of Russian celebrities. In total, the platform hosted dozens of online concerts and music festivals using VR, AR and XR technology. More than 30 Russian actors performed at MTS venues; and the number of online concert views exceeded 90 million.

In December 2020, the MTS Live Studio project was launched to support niche and festival musicians. The project has shown successful results: more than 10 performers took part in the MTS Live Studio and are now developing their relations with the company – they are ready to participate in festivals, tours and joint projects.



GAMBIT ESPORTS WASD.TV

Streaming Platform WASD.TV

The interactive media platform WASD.TV is a streaming service, on the basis of which MTS develops various solutions in the field of gaming, professional e-sports, and multimedia content. The service is available on PC and on devices with Android OS and iOs. The key eSports partner of the platform is the MTS-owned organization Gambit Esports. As a part of the partnership, club players participate in the creation of their own platform content and broadcast live on WASD.TV.

In 2020, MTS jointly with LG held the fifth league of streamers competition. Fighting for the main prize, the participants had to go through several stages in two main divisions.

Gambit Esports

In 2020, the youth team Gambit Youngsters of Gambit Esports for CS:GO won 10 international tournaments, including the prestigious DreamHack Open November. Thanks to these successes, the team got rid of the Youngsters adjunct and became the main team. The team fulfilled the main task for the year, becoming one of the fifteen best teams in the world.

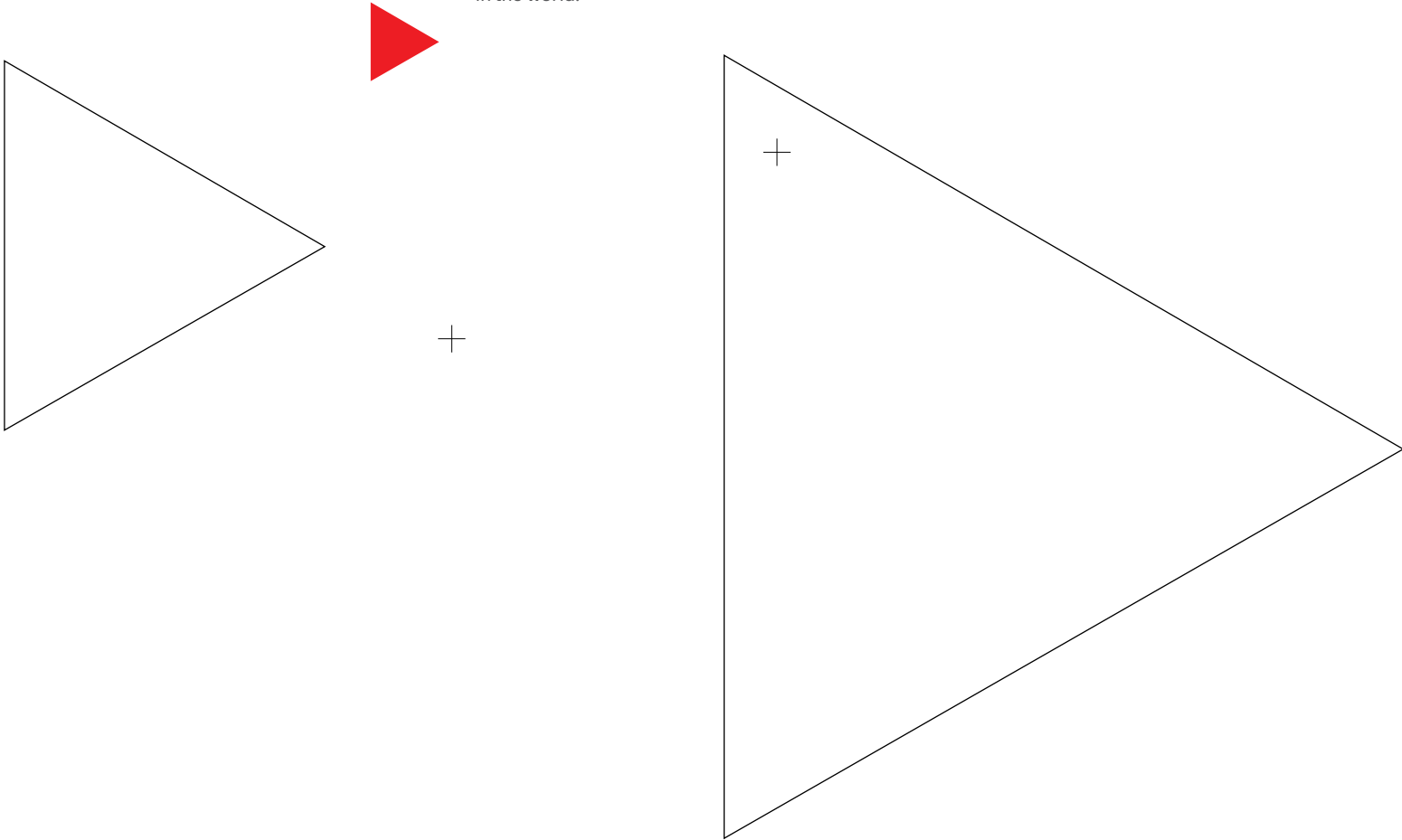
Team player Ilya Toose Chernyshov won the European Platform Cash Cup tournaments twice and showed the best results among all Fortnite players from the CIS in the summer. Following the results of the year, Toose and letw1k3 became the only teammate duo in our region to reach the finals of major European tournaments four times.

Following the results of 2020, the Gambit Apex Legends team entered the top three strongest teams in Europe, while holding the first position of the European ranking for 18 weeks in a row.

Gambit LoL finished third in the spring split of the Continental League and the LCL Open Cup, and in September they became the vice-champion of the summer split of the Continental League.

In September 2020, a Valorant division was opened at Gambit Esports. The team won two international tournaments, which allowed it to gain a foothold in the top 15 of the European rankings.

The highest achievement of Gambit Dota 2 was the third place at the March minor tournament in Kiev.



OUR STRATEGY

CLV 2.0 is not just a formal concept in the context of marketing positioning and customer relationship buildup. This is a business logic transformation expressed in a new look at the market, where the client becomes the center of the entire reference system. We perceive our market offer not as a sum of products but as a deeply segmented and personalized complex offer, which we build on the basis of an individual analysis of the client's profile. When working on products, we first evaluate them in terms of their usefulness to the consumer, the degree of customer satisfaction with them and the emotional response they generate. The performance result for us is not the amount of revenue by products but the amount of value that we receive from customers, scaled by the time they spend in our ecosystem. In this sense, the CLV 2.0 strategy has a fundamental transformative impact on our business processes and corporate culture.

Vyacheslav Nikolaev,
President

MTS Group's strategy is called Customer Lifetime Value 2.0 (CLV 2.0). This means that the Customer, to whom the Company provides a wide range of digital services, is at the center of the value proposition. MTS strives to extend the client's "Lifetime" as much as possible (Lifetime is the time, during which the client uses Company's services), creating and gradually strengthening emotional affection for the brand, and increasing the degree of satisfaction and customer loyalty. The company focuses on offering more Value to the client and at the same time maximizes the value received from it in the long term. "2.0" symbolizes a transition of MTS from the ideology of operating on a single telecommunications market (which we conventionally denote as "1.0") to the ideology of a digital service environment with a comprehensive offer including products and services of different markets to meet the needs of the customers in various spheres of their lives. Thus, a key strategic priority for MTS is to build a full-scale digital ecosystem business on a sustainable base of a telecommunications leader.

Going beyond the boundaries of the telecommunications business into new markets, such as markets of financial services and media entertainment, with the functional support of such digital areas as Big Data and AI, cloud solutions, Internet of Things, Industry 4.0, will allow MTS to transform into a multiservice digital company. We will build up a portfolio of digital products based on our own developments, as well as by involving independent developers and service providers as partners. These mutually beneficial partnerships will allow the Company to bring more value to the lives of our customers, offering them more innovative, diverse and convenient services. We are planning to gradually expand capabilities of our programs, increase the number of partnerships and become the best possible choice in the market for companies looking to expand their client base and gain additional value.

The Russian digital service market is unique to a certain degree, since local players in most segments who successfully compete with global giants occupy leading positions. This situation is down to a number of fundamental reasons, ranging from consumer preferences and language specifics to regulatory requirements and the structure of the borrowed capital market. This allows large Russian business groups, representatives of areas such as the banking sector, retail, high-tech sphere and telecommunications, to actively develop new business directions in the digital environment, relying on the ecosystem approach in their strategies. Russian market is now entering a new period of competition for the share in expenses and attention of the client.

We are confident in the strength of our position in the context of this kind of competition. MTS' strong brand and deep customer knowledge, supported by powerful analytical tools based on AI and Big Data, will allow the Company to provide users with a seamless, deeply customized and personalized customer experience in a wide range of digital services. Even now, we are witnessing a significant synergistic effect from the joint offer of telecommunication, banking and media products, which allows the Company to use marketing tools more efficiently and gain more and more knowledge about our clients. At the same time, clients using several types of services bring more value, demonstrate a greater brand commitment, a higher level of loyalty, and a greater degree of satisfaction. The share of such clients in the MTS database is growing at a fairly high rate.

The development of new areas outside of telecommunications over time will make an increasing contribution to the growth of Company's business and will have a positive impact on user loyalty. For MTS, the telecommunications segment is not only the main source of revenue and profits, but also the basis for further digital

expansion. The Company aims to keep this part of its business in great shape, and provide a high level of service quality and operational efficiency. MTS intends to invest in telecommunications infrastructure at the necessary level to meet the expectations of customers and ensure that its leading position in the Russian market remains unchanged.

In order to form a market offer that provides the user with a convenient, intuitive, seamless customer experience covering many areas of life, it is required to implement a number of specific ecosystem tools, such as a single ID, a payment system common to all services, and other mechanisms that provide for unification of all platforms and applications. In 2020, we focused on the creation of such instruments and achieved a significant success in this. The key elements for engaging customers in our ecosystem are:

- › flexible subscriptions with a specific budget the client can use to adjust the consumption of all types of services from MTS;
- › a premium subscription with a wide range of products and services offered at a significant discount throughout the entire package;
- › a unified cashback system where points received for consumption of products (including ones from partners) can be spent within the MTS ecosystem.

The key MTS goal for 2021 is to increase the number of ecosystem clients.

In 2020, the Company aligned its overall business configuration with its defined strategy, but it will take a longer time to fully transform its operating model to the CLV 2.0 concept. In subsequent years, MTS intends to drastically expand its portfolio of digital products and significantly increase the number of customers who are users of several services simultaneously. This will allow MTS to expand its customer base and increase its share in the customer's wallet, while at the same time increasing emotional brand affection and loyalty.

OUR STRATEGIC PRIORITIES

ECOSYSTEM OF MTS

\\ Radical transformation of the business model



UNIFIED UMBRELLA
BRAND OF MTS

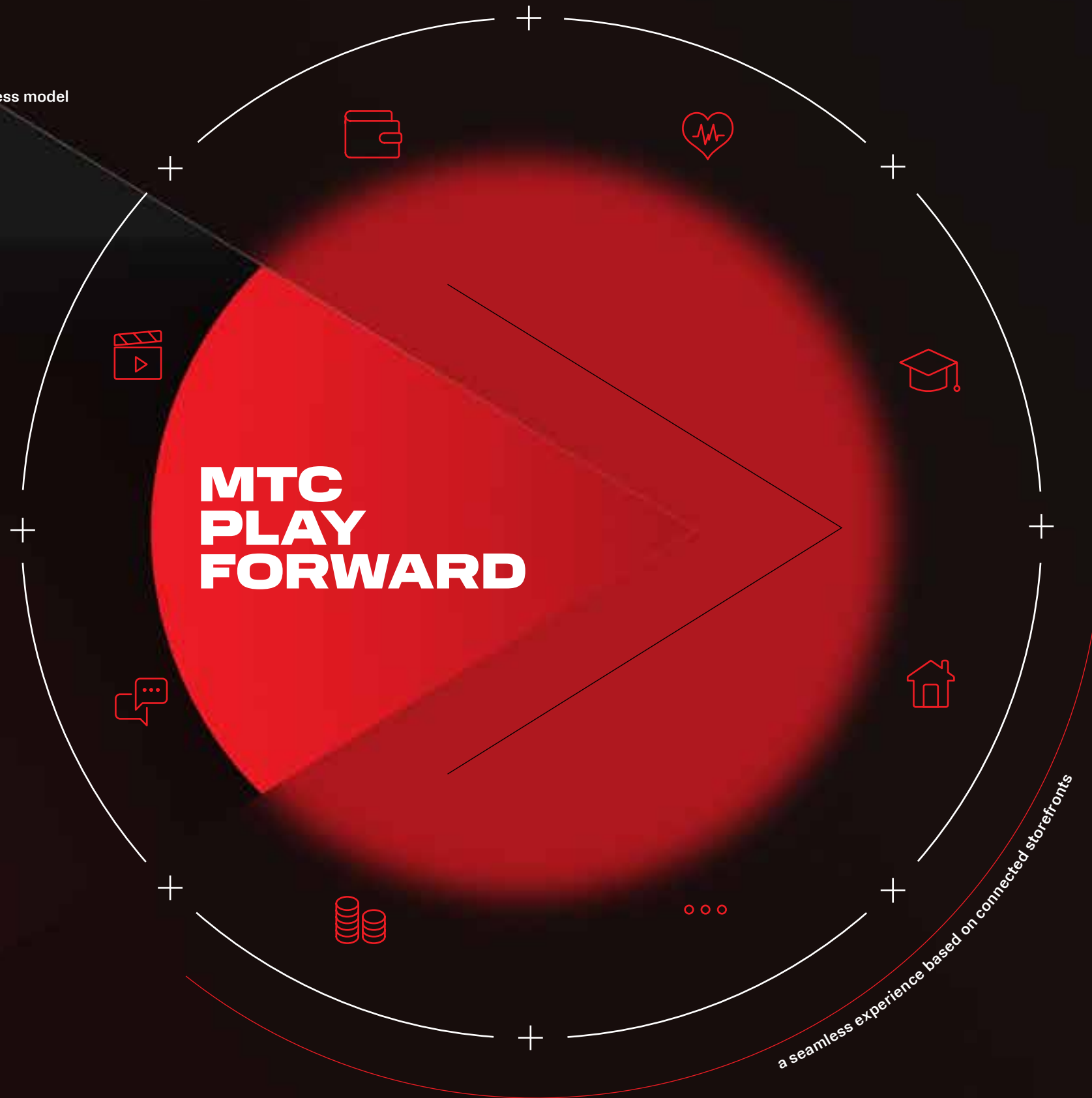


A SET OF RELATED
PRODUCTS

mutual reinforcement
and a seamless
experience

PARTNER OFFERS

convenient for customers,
beneficial for partners



STRATEGY **CLV 2.0**

CUSTOMER

- a user of connected digital storefronts, seamlessly receiving services from MTS and partners
- customer-centric approach: we look through the eyes of the client, and not through the prism of individual products and services
- best customer experience with a deep, personalized approach (AI / Big Data)

LIFETIME

- focus on a long-term customer relationship
- we maximize the total long-term profit from the client, and not the current revenue for individual products
- focus on maintaining loyalty and emotional attachment, including through socially and environmentally responsible actions by the Company
- focus on NPS and Love brand

VALUE

- high-end products (including partner products)
- a convenient technology platform for effective interaction with partners and the best customer experience
- creation of new value outside telecoms (including monetization through advertising and lead generation)



IMPLEMENTATION OF THE STRATEGY
IN 2020

In 2020, MTS Group continued to consistently and confidently demonstrate stable achievement of the announced forecast levels of key performance indicators.

Company’s key performance indicators¹

Indicator (MTS Group)	2016		2017		2018		2019		2020	
	Target	Actual	Target	Actual	Target	Actual without effect of new IFRS standards	Target	Actual	Target	Actual
Change in revenue, %	+2–3	+2.1	0/+2	+1.7	+4–6	+8.9	+6–7	>7 ²	over +3	+5.2 ³
Change OIBDA, %	–4	–4.4	+5	+6.2	~2	+6.2	+4–5	>43	up to +2	+1.72

Last year, we adopted a new CLV 2.0 strategy using the ecosystem approach for a long-term sustainable business development and achievement of high competitiveness for our company in today's environment. In order to successfully implement the new strategy, we have changed the management structure of the MTS Group, highlighting four vertical business areas: Telecom, FinTech, Media, Cloud and digital solutions for business, as well as key supporting units (horizontal), including Ecosystem and Customer Experience Development, Artificial Intelligence (AI) and Big Data.

On the one hand, such a matrix structure allows to clearly identify the responsibility of individual business areas and increase the speed of decision-making in each of them due to creation of verticals, and on the other hand, due to a special status and focus on ecosystem horizons, it allows to quickly achieve infrastructure objectives important for the creation and development of the ecosystem as a whole, e.g., providing high-quality customer experience or development and management of customer knowledge within the Big Data / Data Science horizontal.

Telecom

Construction and modernization of networks

We continue to regularly expand our coverage and improve the quality of our networks in all regions of the Russian Federation. The largest and most interesting projects include the following.

Development of a fixed data transmission network in the Moscow region.

In February, MTS launched a program to develop a fixed data transmission network in the Moscow region, which will create a technological platform to launch innovative services for residents and cities in the region. The program is intended to last until 2023 and involves active development of high-speed Internet access channels via the GPON fiber-optic network in residential and office premises in 36 cities of the Moscow region with a population of at least 50 thousand people.

Development of a converged transport network in the Moscow region.

In July, we started to create a converged transport network in the Moscow region, which will unite the fixed and mobile transport networks of MTS and MGTS into a single infrastructure. The network convergence will result in eliminating redundant nodes, channels and equipment, unifying service processes and standards, and providing management automation based on SDN (software



defined network) and NFV (network function virtualization) technologies. The project will allow MTS to connect new services for the customers much faster and to improve the service quality control system; its reliability will increase due to unification and automation of network management. Amplification of the transport infrastructure under this project will also enable a faster transition to the 5G standard.

Construction of infrastructure to support the M-11 Neva highway.

In April, MTS and the State Company Avtodor successfully implemented a project for construction of infrastructure to provide the M-11 Neva highway on the Moscow – St. Petersburg route with VoIP services and high-speed access to mobile Internet using LTE technology.

SD-WAN with own infrastructure.

MTS launched SD-WAN technology with its own infrastructure. The new service will allow companies with a branch network to quickly and inexpensively combine offices into a single non-public secure network and manage it independently.

Broadband Internet access and digital TV in new cities.

In February, MTS acquired 51 % of the authorized capital of the Green Point Group of Companies providing broadband Internet access and digital TV services and uniting 13 telecom operators under various brands in 12 cities: Stavropol, Mikhailovsk, Nevinnomyssk, Elista, Tambov, Belgorod, Lipetsk, Ufa, Neftekamsk, Beloretsk, Tomsk and Vladivostok.

Cellular communication station in the Antarctic.

It is worth noting that in January MTS became the first Russian operator to establish a cellular communication base station in the Antarctic. A GSM mobile communication network has been deployed in the territory of the Russian Antarctic station Progress, providing cellular voice communications for the station’s employees and visitors.

5G development

In March, MTS together with Ericsson for the first time in Russia successfully tested the technology of dynamic reallocation of the frequency resource between 4G LTE networks and 5G NR, which enables fast and at low cost to deploy a wide 5G coverage on existing LTE infrastructure of telecom operators.

Tests confirmed the effectiveness of the technology while operating 4G LTE and 5G NR in one band. The tested solution improves 5G NR coverage by 25% through aggregation with lower LTE frequency bands.

In July, MTS received the first license in Russia for the provision of mobile communication services of the 5G / IMT-020 standard in the range of 24.25-24.65 GHz in 83 regions of the country. MTS expects that the first business customers and large manufacturing enterprises will become users of the “fifth generation” network. License was issued on the basis of decisions of the State Commission on Radio frequencies from March 17, 2020 to use radio electronic means of the standard 5G / IMT-2020 radio frequency bands 24.25-24.65 GHz for the creation of communication networks on the territory of Russian Federation.

In July, MTS together with Motorola companies and Qualcomm Technologies, Inc. conducted tests of the flagship smartphone Motorola edge +, which on the hardware and software level supports operation in the 5G millimeter-wave band including bands (24.25-24.65 GHz).

In August, MTS, with assistance of the Tomsk Region Administration, launched in Tomsk the first pilot communication network of the “fifth” generation based on the Tomsk State University of Control Systems and Radio electronics (TUSUR) and NPF Mikran JSC, one of the leading telecom operators and manufacturers equipment price Russia.

In October, MTS demonstrated in Vladivostok the first Russian streaming on the air of the federal TV channel GTRK Vladivostok via the fifth generation communication network. The broadcast was carried out from the territory Far Eastern Federal University, where MTS opened the first in the Far East pilot 5G zone.

In October, MTS and the Skolkovo Institute of Science and Technologies (Skoltech), one of the leading non-governmental educational research institutes in Russia, launched a pilot 5G network on the territory of the Skolkovo innovation center to test developments in the field of 5G technologies and create on their basis domestic promising industrial ICT solutions and services with the involvement of Skolkovo residents and industrial partners of Skoltech.

¹ Taking into account NVision Group deconsolidation. The adjusted OIBDA for 2020 does not include a loss from depreciation of non-current assets in the amount of 2.023 billion rubles.
² Revenues and adjusted OIBDA include the estimated impact for the 12 months of 2019 of the Group's operating activities in Ukraine based on the financial results for 11 months of 2019 and MTS internal forecast for December 2019.
³ Industrialization innovations and infrastructure Inequility reduction Sustainable cities and towns Partnership to ensure sustainable development



In December, MTS with the support of Ericsson and Qualcomm Technologies, Inc. deployed in Ufa on the existing commercial 4G network, a pilot zone of the fifth generation based on the technology of dynamic frequency redistribution resource between LTE and 5G NR networks using commercial 5G smartphones.

In January 2021, MTS launched an affiliate start-up search program for third-party companies. Scouts of the Center for Innovation and Investment MTS StartUp Hub will select projects using benefits of 5G technology to offer their development to partner corporations and MTS divisions.

In February 2021 MTS, Skolkovo Institute of Science and Technology (Skoltech) and the Skolkovo Foundation expanded 5G coverage on the territory of the Skolkovo innovation center by launching a pilot fifth generation communication network for International medical cluster (MMK) – a medical diagnostic scientific and educational center development of Russian medicine.

Product development in the telecommunications business
Online sales of SIM cards.
In April, MTS announced the federal start of online sales of SIM-cards that the client can register independently without visiting a showroom. You can buy MTS SIM cards in the MTS online store with free home delivery. The client can activate such SIM card at any time using the special MTS Subscriber application that is available for downloading at IOS and Android.

Virtual numbers.
In June, MTS began providing virtual numbers allowing to call and send SMS messages without a SIM card. You can connect a virtual number yourself in the MTS Connect application. Virtual number is a number of a familiar form that can be used for incoming and outgoing calls, as well as to receive and send SMS. A new SIM card is not needed for the virtual number to work; any

active MTS SIM card, the MTS Connect application and an Internet connection via Wi-Fi or via a mobile network are required instead.

eSIM launch.
In November, MTS launched the eSIM technology into experimental-industrial exploitation in Russia. Virtual SIM cards are available for connection to subscribers in all regions of MTS presence. MTS has made available remote eSIM connection without the need to visit showrooms and have delivery by couriers.

First RCS introduction in Russia.
MTS was the first Russian mobile operator to implement a support for the RCS (Rich Communication Services) format for messaging and exchanging media files on Android smartphones. MTS subscribers can exchange messages in messengers operating according to the RCS standard. This will expand capabilities of the Messages application preinstalled on Android smartphones, which previously worked as SMS client only. RCS allows you to create group chats for up to 100 people, exchange media files, share statuses and locations.

Digital financial services (fintech)
Single application for financial services.
In 2020, we continued to actively develop our business vertical and build up competences in the field of fintech. To do this, we have combined two separate mobile applications MTS Money and MTS Bank into a new mobile application that has become a single showcase for all digital financial services of the MTS ecosystem. It was launched on the basis of the MTS Money application whose usual functions were preserved with addition of new capabilities of the mobile bank. We also started transforming the mobile application into a smart bank – a solution to manage personal finances for clients of any banks. At the initial stage, the smart bank displays data on the products of other banks of the client and prepares a personal selection of organizations for making a payment, and the next year it will already adapt products individually for each client, e.g., it will help to save money for certain purposes, invest money as profitably as possible, predict the financial standing



of the client, or will advise on managing personal finance.

Payments in push notifications.
In August, we launched payments in push notifications. Users of the MTS Money application can pay for MTS mobile services in one click using the Google Pay service. MTS became the first in the world global partner to implement the integration of online payments in push notifications. Upon receiving a push notification about a decrease in their mobile phone account balance, MTS subscribers who have installed MTS Money will be able to replenish it in one click using the Google Pay online payment service. You do not need to open a mobile application to make a payment, you just need to select the payment amount in a push notification and confirm it.

Loan processing and refinancing in the application
In September, MTS Bank PJSC launched online processing of non-targeted cash loans and refinancing of consumer loans and credit cards in the MTS Money mobile application.

Acceptance of payments by QR code.
In October, we started accepting payments by QR code in the Bank of Russia Fast Payment System for retail stores. Entrepreneurs were able to receive electronic payments without using additional equipment, and users were able to pay other than in cash in stores that do not accept card payments permanently or temporarily.

Stock exchange trading through a mobile application.
In November, MTS, MTS Bank PJSC and Sistema Capital Management Company launched a service for stock exchange trading for individuals. The new service is available in the MTS Investments mobile application. MTS Bank acts as a broker, and Sistema Capital Management Company provides services of trust management and management of mutual funds. Users of the MTS Investments application can now invest in mutual funds and trust management strategies, open brokerage accounts and independently trade securities on the stock exchange.

NUUM neobank.
In December, MTS launched NUUM neobank, a platform for financial transactions with special bonuses that can be spent on additional options in games for PCs, game consoles, tablets and smartphones. You can become a client of the neobank by downloading the NUUM application and issuing a NUUM Virtual card; all this happens online, without visiting an office or receiving documents from courier. After that, simply by the usual daily spending using the card, NUUM clients will be able to accumulate bonus NUUM Points and exchange them for in-game goods and currencies.

Face biometrics payments (SWiP).
MTS invested in SWiP that has developed and is actively implementing a server platform of services for contactless payments using face biometrics and QR code with automatic recognition of the client in loyalty programs and simultaneous accounting for discounts, bonuses and points at the time of payment. Together with the retailer's POS system and CRM, the service allows the customer not to have a bank card and loyalty card, accelerating customer service at the checkout.

Blockchain.
In December, MTS jointly with VTB Bank carried out the first commercial transaction to obtain a digital bank guarantee at the Russian blockchain platform Masterchain developed by the Association FinTech (AFT) together with financial market participants.

Media and entertainment services
Producing and partnerships.
For the large-scale development of our media and entertainment services business in 2020, we began the practice of co-producing films and TV series and also entered into strategic partnerships with leading players on the Russian media market.

In March, MTS and Channel One announced a strategic partnership where they will create a joint venture to form a media offer of a new level. MTS will develop special tools to analyze user behavior when viewing video content on the Internet, adapted to the requests of Channel One. The parties intend to jointly develop a media content recommendation





system, improve media monitoring and analytics tools, and adapt content and advertising policies taking into account the contemporary ways of video content consumption. Under the agreement, Channel One will provide MTS Media with the rights to use content from the library of feature and documentary films, as well as new films that have not previously been shown by the broadcaster.

In September, MTS Media expanded the list of partners and began cooperation with the production company Sreda in the production of serial content for the MTS TV online cinema. In 2020–2021, we plan to launch seven joint projects, the first three of which are already at the production stage.

In November, the MTS TV online cinema began to cooperate with Universal PictureBox. The partnership will add Universal films and TV series to the cinema catalog.

Also this year, we launched a direct investment program in Russian cinema: in November, MTS Media started to receive applications for co-investment in film production. The program will consider applications for investment in films of any genre. The film must be in the preparatory, filming or post-production period. The amount of requested funding can be no more than 50 % of the movie budget. At the time of filing the application, the applicant must confirm the availability of funds to cover the remaining part of the production budget not financed by MTS Media.

Creation of original content.

During 2020, we have been actively working to create our own original content:

- › in February, MTS became a co-producer of the world’s first blockbuster (describing the feat of the Soviet pilot Mikhail Devyatayev) to be released in a traditional wide format for cinemas and TV, as well as in a vertical format for viewing on smartphones with exclusive distribution on the MTS TV platform;
- › in July, MTS Media acted as a co-producer of TV series with the interim title “Female Official”, which KIT Film Studio (Gazprom Media holding) is filming at the request of Channel One, to be shown in the Internet on the MTS TV platform before the premiere on Channel One;
- › in July, we completed the shooting of an action-packed project #Iwanttobeinthegame (together with the production company Bazelevs of Timur Bekmambetov). The film is made in the screenlife format: the story will be told through the screens of the devices used by the main characters;
- › we have launched into production for the first time the original series “The Clinic of Happiness”

and the comedy “Scam”, which will be exclusively available to viewers in the online MTS TV cinema next year..

In December, MTS Media launched its own KinoJam1 and KinoJam2 TV channels with Russian and foreign content, broadcasting films and TV series in HD format. The Kinolam1 TV channel is dedicated exclusively to domestic cinema, while the KinoJam2 channel focuses on popular foreign TV series and films.

Our own interactive OTT set-top box.

In June, we started selling our own new interactive OTT set-top box on the Android TV™ platform with an access to the full version of the Google Play app store and voice-activated functions. The set-top box is certified by Google Operator Tier 1, which allows users of the MTS TV platform to access and use Google Play and YouTube applications directly on the TV. The set-top box provides access to the content of MTS TV and the full version of the Google Play application store.

Entertainment show production.

We also entered the entertainment show production market and invested in the world’s best-selling Chess musical. The production and distribution of the Chess musical is the first investment project of the MTS Entertainment unit that was created to manage the assets and projects of the MTS Group in the entertainment sector.

In December, MTS presented the online music festival MTS LIVE XR in the advanced technology format XR (extended reality). The synergy of the virtual and the real creates a feeling of complete immersion in what is happening, and a feature of the festival is the interactive participation of spectators who can influence what is happening.

**Cloud and digital business solutions
Cloud ecosystem of MTS**

In 2020, MTS continued to actively develop the direction of cloud services for business, which made it possible to strengthen our position in the market.

In March 2020, we launched cloud IT outsourcing for business. As part of the Professional & Managed Services service, a professional team of experts configures, manages and supports the IT infrastructure of the clients and also performs a complex designing. Large businesses will be able to reduce the cost of routine work associated with supporting IT infrastructure in the cloud. Medium and small-sized businesses will have

high-level IT specialists at their disposal without increasing their own staff.

In April, we announced a technological development of the #CloudMTS cloud platform. The volume of cloud storage was expanded by 1.5 times, the computing speed increased by 2.5 times. Improving characteristics of the cloud allows companies to drastically accelerate the solution of problems in the field of artificial intelligence and machine learning, and increase the speed of client applications.

In May, #CloudMTS expanded its range of cloud backup services. There was a launch of a feature-rich solution based on technologies of CommVault, the market leader in business continuity solutions. The solution allows you to make backups of all commonly used operating systems, virtualization platforms, databases and software. The new service will be in demand by large companies that work with large amounts of data and have a developed branch network. The business also has access to backup cloud solutions based on Veeam and Acronis technologies.

In 2020 opportunities were expanded of cloud service #CloudMTS for high-speed data processing based on a supercomputer. Computing power of a supercomputer quadrupled after getting the opportunity of hyperscale computing, supercomputer performance rose to four petaflops.

In October 2020, MTS launched in the Leningrad region, the first modular data processing center in the North-West with the ability to scale the required computing power for any tasks of corporate clients and government customers. MTS data center is the only data center in the Leningrad region, having TIER III certificates of the international organization Uptime Institute.

In November 2020, MTS announced the choice of open source platforms OpenStack to build next-generation cloud infrastructure based on the concept of flexible architecture cloud native, which will diversify cooperation with vendors and harmonize the development of network and IT infrastructure. According to the results of the competition, Canonical company was chosen as the platform supplier, which develops free software projects based on the Linux distribution Ubuntu. MTS plans to deploy a cloud next generation platform based on solution Canonical OpenStack in eleven data centers throughout Russia and put it into commercial operation during 2021. Using OpenStack platforms will facilitate the deployment of next-generation

networks, will provide the ability to accelerate the development of new products and services, reduce the cost of maintaining cloud infrastructure

.

In December, we launched the “Office #CloudMTS” service to organize a remote interaction of employees based on the #CloudMTS cloud. The service will increase the productivity of distributed teams by accessing a set of unified communications services based on a single platform. The service is provided using SaaS model and allows saving up to 35 % monthly.

In 2020, MTS announced the possibility of storing and processing any types of personal data in the #CloudMTS cloud, as well as placing state information systems of all levels and scales1. Having passed another certification, the provider expanded the range of data that business and government structures can place in the cloud in compliance with Russian legislation. This will allow avoiding the costs of building and maintaining an IT infrastructure that meets regulatory requirements. The dedicated cloud segment is certified in accordance with the requirements for information protection in state information systems of the first security class (K1), personal data information systems of the first security level (UZ-1) and automated systems of class 1G.

In 2020, we brought the Avantage data center in line with the Payment Card Industry Data Security Standard (PCI DSS), the global data security standard for the payment card industry. Business customers will be able to ensure a safety of financial transactions by using the capacity of the data center to process bank card data in the provision of services. The service will be in demand by banks, processing centers, owners of electronic money transfer systems, traditional and online retail.

In 2020, we implemented large-scale projects for organizing cloud infrastructure and IT outsourcing based on #CloudMTS for a number of large companies: the Dymov Group, leading meat products manufacturer; the Segezha Group, largest vertically integrated forestry holding; the KORTROS Group of Companies, federal-level developer; the Present Upakovka company, one of the leaders in the manufacture of packaging based on aluminum foil for food and pharmaceutical industry; a branch of the international service company Europe Assistance CIS that is a part of one of the largest insurance groups in Europe; Salym Petroleum, a joint venture of Shell Salym Development B.V.





companies and PJSC Gazprom Neft; NESK-elektroseti JSC, the leading power grid company in the South of Russia; Utair – one of the largest Russian airlines.

Internet of Things (IoT) products and solutions

In May, we released the first Development Kit in Russia for prototyping devices operating in the NB-IoT network. The kit will simplify the creation of IoT device prototypes and accelerate the time to market for IoT products.

In September, we introduced a service that will allow companies without their own vehicle fleet to control all stages of cargo delivery. The solution based on the “Mobile Employees” product allows you to track the location of contractors’ drivers and receive notifications about the time of cargo delivery without installing a GPS tracker in the car.

In October, MTS entered the initiative work group of the State Corporation “Roscosmos” for the development of the global low-orbit data transmission system of the Internet of Things “Marathon IoT”, a component of the “Sphere” subprogram of the state program of space activities of Russia.

In December, MTS and Microsoft signed an agreement on the development of the Russian Internet of Things market. Companies integrate a global platform Microsoft Azure IoT Central and the largest in Russia Internet of Things network NV-IoT from MTS provide access to the service for managing IoT devices Microsoft Azure IoT Hub through cloud service provider #CloudMTS.

In December, MTS launched eSIM for IoT devices and the machine-to-machine segment in accordance with the international GSMA standard. The technology allows you to remotely download a virtual SIM card to a chip embedded in equipment and to change the subscriber profile.

In December, MTS and Microsoft signed an agreement to develop the Russian Internet of Things market. The companies will integrate the global platform Microsoft Azure IoT Central and the Russia’s largest Internet of Things network NV-IoT by MTS, and will also begin to provide access to the service for managing Microsoft Azure IoT Hub devices through the cloud service provider #CloudMTS.

Digital Solutions for Business

MTS has implemented a comprehensive retail solution in the Moscow region that combines an anti-theft protection system and an information

and advertising media panel with content management via the MTS TVBit cloud platform.

In June, we launched the MTS Estate solution, the first digital service to reduce real estate taxes of legal entities by revising the cadastral value.

In July, MTS announced the start of sales of a document construction kit. The solution allows you to create new contracts based on multivariate templates prepared by the MTS Artificial Intelligence Center with the involvement of EY Law lawyers. The product is developed as an independent part of a lawyer robot and is available on the MTS Your Business tool platform for small and medium-sized businesses.

We have created a new business area, MTS Automotive, which will combine technologies and products in the field of connected cars. The new area will also involve some of the leading Russian developers and suppliers of multimedia devices and on-board information systems for cars, STOPOL AUTO and COAGENT Rus companies. MTS acquired 100 % of the shares in the authorized capital of these companies.

**Development of new and ecosystem products
First ecosystem products.**

In 2020, we successfully launched the MTS Premium federal bonus program in order to implement the CLV 2.0 strategy focused primarily on creating an ecosystem with a seamless transition between all services and obtaining the best customer experience. Its participants got bonuses and discounts on MTS services, more favorable lending and savings rates at MTS Bank, discounts on gadgets in MTS showrooms, free access to a package of TV channels, films and series in MTS TV, and other offers.

In December, MTS presented the ecosystem subscription “NETARIF” with the ability to fine-tune the number of minutes, gigabytes, additional options and to form a unique package of communication and digital services. “NETARIF” includes services of communication and subscriptions to entertainment services of the MTS ecosystem. The more minutes and gigabytes a subscriber connects, the cheaper additional options will be: music subscriptions, online cinemas, the MTS Library application, unlimited options for video services and social media, and much more.

Our clients have received lucrative offers from joint programs with our partners. For example, we joined forces with the world’s most popular music streaming service Spotify to prepare the exclusive



offer for MTS subscribers, six months of free Spotify Premium subscription. With a Spotify Premium subscription, you can listen to tracks offline, in any order, in high quality and without ads.

In Moscow, we opened the first in Russia showroom that has demonstration zones for getting to know the services of the MTS ecosystem in addition to the classic departments for customer service and sale of gadgets and accessories. In the new store, customers will be able to test and select digital solutions in various areas: smart home, ESports and gaming, TV, banking services, services for small and medium-sized businesses, and others.

MTS Automotive.

We have created a new business area, MTS Automotive, which will combine technologies and products in the field of connected cars. The new area will also involve some of the leading Russian developers and suppliers of multimedia devices and on-board information systems for cars, STOPOL AUTO and COAGENT Rus companies. MTS acquired 100% of the shares in the authorized capital of these companies.

First in Russia marketplace for cloud gaming.

We launched the first in Russia cloud gaming marketplace uniting all platforms on the Russian market: GFN.RU (using NVIDIA GeForce NOW technologies), Loudplay, Playkey and DROVA. Cloud gaming will allow you to instantly launch games and use high settings with high-quality graphics without the need to constantly buy and update hardware.

EHealth solutions.

We have developed our own applications combining services for various clients of our ecosystem. For example, we have created the MTS 120/80 application in cooperation with the National Medical Research Center for Cardiology under the Ministry of Health of the Russian Federation. The solution allows you to calculate the “age” of the heart, simplify the storage of blood pressure data and track medication intake, as well as remotely consult with a cardiologist using the SmartMed telemedicine service. We also provided an opportunity for medical institutions in Russia to use the MTS 120/80 in their work free of charge.



Online training.

Also in 2020, MTS and the leading short video platform TikTok for the first time in Russia launched a competition/educational program as part of the MTS federal charitable project Generation M. Young people from all regions of Russia got the opportunity to learn online from popular bloggers and famous vocalists, develop their talents and help save the lives of their peers with their own creativity.

Artificial intelligence (AI) and Big Data

In 2020, we continued to vigorously strengthen our horizontal business lines responsible for the development of artificial intelligence and big data analytics as the basis for a deep personalized approach providing for obtaining the best customer experience in our ecosystem.

Development of voice interfaces.

In June, MTS released a voice assistant named Marvin. The first devices allowing to communicate with Marvin were smartphones on iOS and Android, where the assistant is available through the MTS Marvin application, as well as portable MTS Smart Loudspeakers. With the help of Marvin, you can turn on music, audiobooks and fairy tales, plan a schedule for the day, find out the latest news, control smart home devices and use dozens of other useful functions. In the near future, it is planned to expand the list of functions with the possibility of voice calls to numbers of any cellular subscribers, integration with set-top boxes, new sensors of the smart home system and a whole range of services and devices.

MTS acquired a 7.5 % stake in Just AI, a company engaged in research and development of spoken artificial intelligence technology. As part of cooperation with Just AI, we plan to conduct joint research in the field of conversational interfaces and we will also consider a possibility of integrating Just AI developments into MTS services.



Cooperation for AI

We have started a mutually beneficial cooperation with a number of the largest research and technology centers for artificial intelligence development.

In February, MTS and the Samara State Medical University signed an agreement for digital health care cooperation. The priority areas of cooperation between MTS and SamSMU are projects in the field of primary diagnostics of patients based on artificial intelligence and an automatic voice-to-text conversion system, which can be used in medical institutions for appointments of doctors.

The joint laboratory of MTS and the Skolkovo Institute of Science and Technology (Skoltech) will perform a research in the field of natural language processing to improve the quality of products and services based on artificial intelligence technology, such as virtual assistants.

In April, MTS and ITMO University (St. Petersburg), the leading Russian university in the field of information and photonic technologies, opened a specialization in Conversational Intelligence Technology within the Master’s program System and Applied Software at the Faculty of Computer Technology and Management.

The following can be noted among external and commercial products implemented using artificial intelligence and big data technologies.

In July, MTS and the Land of the Leopard Federal State Budgetary Institution created software for automatic recognition of Far Eastern leopards, tigers and other animals in photographs from cameras installed in the territory of the reserve and the national park. The solution developed by experts from the MTS Center for Artificial Intelligence based on computer vision technology will help in preservation and study of the world’s rarest large cat.

Big data.

In May, based on data analysis, MTS increased the efficiency of calibration runs at the Mikron plant, the largest microelectronics manufacturer in Russia. This allowed to reduce the time of technological setup of the equipment by 30 %.

In November, MTS and the communication group dentsu Russia, the leading advertising holding in Russia, together with Synaps Labs, a developer of an outdoor digital advertising management platform, created an analytical tool that makes it possible to increase the efficiency of outdoor

advertising and measure its impact on indicators that are significant for business: calls, clicks to website and visits of advertiser’s clients.

Innovative and experimental lines

In 2020, we continued to actively explore development opportunities in new non-traditional market segments and experiment with the most advanced technological solutions.

In April, MTS selected 14 best technology startups to conclude pilot contracts based on the results of the fourth recruitment of the MTS StartUp Hub acceleration program. The finalists included six startups in the Customer Services area, five projects in the field of ticket services, two startups in the Online Store area and another project that will launch a pilot with the #CloudMTS service.

In May, MTS named 19 startups that became residents of the fifth recruitment of the corporate accelerator. These included four foreign projects. Projects were selected in four areas: retail innovation, financial technology, environmental innovation, and Industry 4.0.

In June, MTS tested the products of 12 startups from six countries in the new generation networks at the 5G Center in VDNKh. The selected projects include unmanned flying vehicles traffic management, solution for automated sport streaming content creation, and drone production.

In July, MTS entered into an agreement with the Moscow Innovation Agency on joint piloting of innovative technological solutions in Moscow. As part of the partnership, startup residents of the MTS StartUp Hub corporate accelerator and the MTS 5G Center were able to test their developments at one of the city sites that include technological clusters, universities, schools, museums, scientific and medical centers and other facilities that are ready to introduce new technologies.

In August, MTS and Medsi Group of Companies launched a joint acceleration program to find the most promising companies whose services and technologies are related to the field of telemedicine and personalized medicine, which will improve the client experience in a network of clinics.

In September, the corporate venture fund MTS announced an investment of 125 million rubles into the graduate of the fifth recruitment of the MTS StartUp Hub Center accelerator for Innovation and Investment, CoinKeeper.



Investments will be aimed at developing the product and accessing European markets. CoinKeeper is a mobile service for keeping track of personal finances, controlling expenses and savings. The service is now used by more than 350 thousand people.

In October, the MTS StartUp Hub began cooperation with the Gazprom Neft StartupDrive accelerator. As part of the partnership agreement, it is planned to organize pilot projects for residents of the 5G Center at Gazprom Neft and piloting of solutions from the StartupDrive accelerator at MTS. In addition, StartupDrive startups will be able to become residents of the 5G Center in order to refine their product in the next generation networks.

In December, MTS selected 18 startups to become residents of the sixth recruitment of the corporate accelerator. These include four projects that will pilot their solutions together with the Medsi network of clinics, and eight IoT startups that will have the opportunity to test their solutions in partnership with industrial companies being MTS clients.

Dividends

One of the key areas of the MTS development strategy for 2020–2022, like the two previous strategies in 2014–2019, is to increase business profitability and ensure a high level of return on invested capital to shareholders.

In February 2020, MTS completed the payment of special dividends based on the company’s financial performance for the nine months of 2019 and the sale of VF Ukraine PrJSC in December 2019. Special dividends amounted to 13.25 rubles per ordinary share of MTS (26.50 rubles per ADR) or a total of 26.5 billion rubles.

In June, the annual general meeting of MTS PJSC shareholders decided to pay dividends based on the 3019 results in the amount of 41.1 billion rubles, or 20.57 rubles per one ordinary registered share of MTS PJSC with a par value of 0.1 rubles each (41.14 rubles per one ADR). The payments were completed in August.

In October, an extraordinary general meeting of MTS PJSC shareholders approved the payment of interim dividends for the first half of 2020 in the amount of 8.93 rubles per one ordinary registered share (17.86 rubles per one ADR) or a total of 17.842 billion rubles. These dividend payments were completed in November.

In 2020, MTS entered the top ten rankings of the international consulting company BCG among telecommunications companies in the world in terms of total shareholder return (TSR) formed on the basis of growth in share prices and dividend income per share for a certain period. In the annual BCG rankings, from 2015 to 2019 MTS ranked fifth among integrated and wireless operators and ninth among telecommunications companies in the world, including cable and tower operators, with an average annual TSR of 16.1 %.

Merger and acquisition strategy

The company monitors the opportunities of inorganic growth both in the markets of its operation and beyond. MTS PJSC has sufficient experience in the integration of acquired companies that allows their incorporation into the business structure efficiently and ensures the achievement of a positive economic effect as quickly as possible.

BUSINESS OVERVIEW

ECOSYSTEM DEVELOPMENT

\\ BUILDING A WORLD-CLASS ECOSYSTEM

APPLICATIONS



INNOVATION



ENTERTAINMENT

● MTS TICKETLAND
● MTS LIVE ARENA

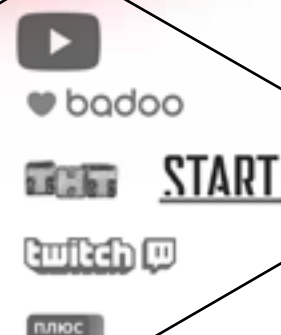
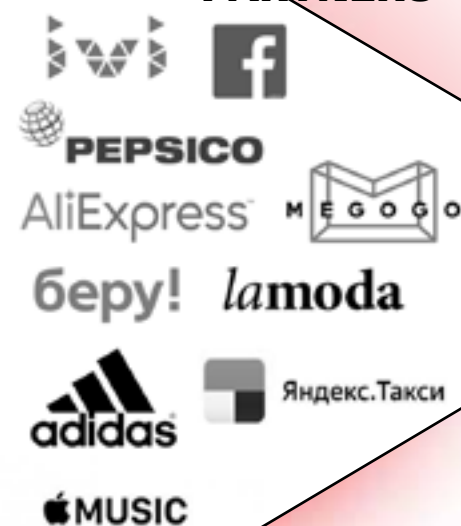
BANKING

● MTS
● MTS BANK
● MTS CASHBACK

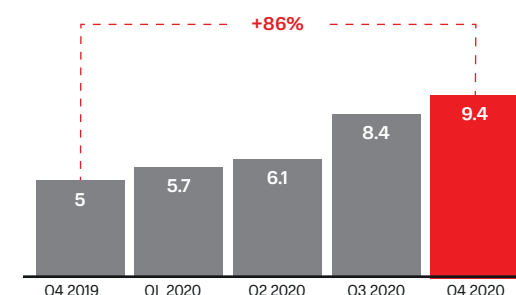
TV / VOD

● MTS TV

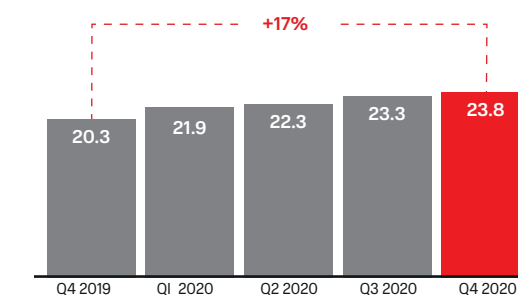
PARTNERS



\\ MTC Cashback users, mil



\\ My MTS, monthly active users, mil



GROWTH IN ECOSYSTEM PARAMETERS

TELECOM

+5 GB
of mobile traffic

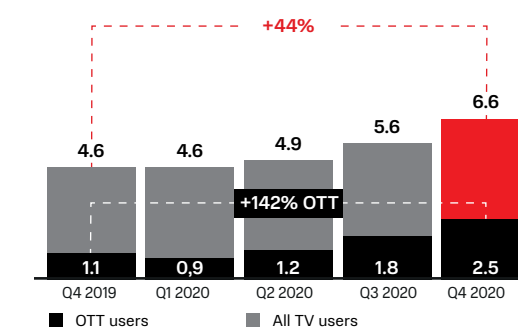
>4 million
MTS users Premium

- > free Antispam service
- > Discounts for other services
- > CONTENT
- > Subscription to MTS TV online cinema
- > Bank
- > Exclusive rates
- > Shopping
- > Special offers
- > Servicing
- > Dedicated line in contact center

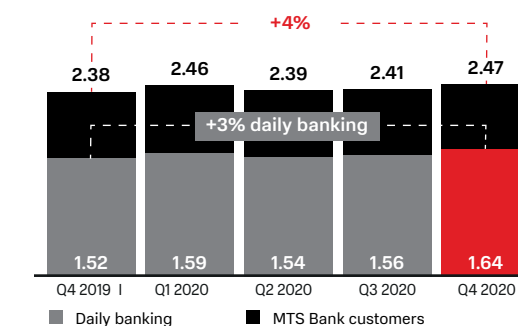
New offers to make clients happy

- > New ecosystem partnership

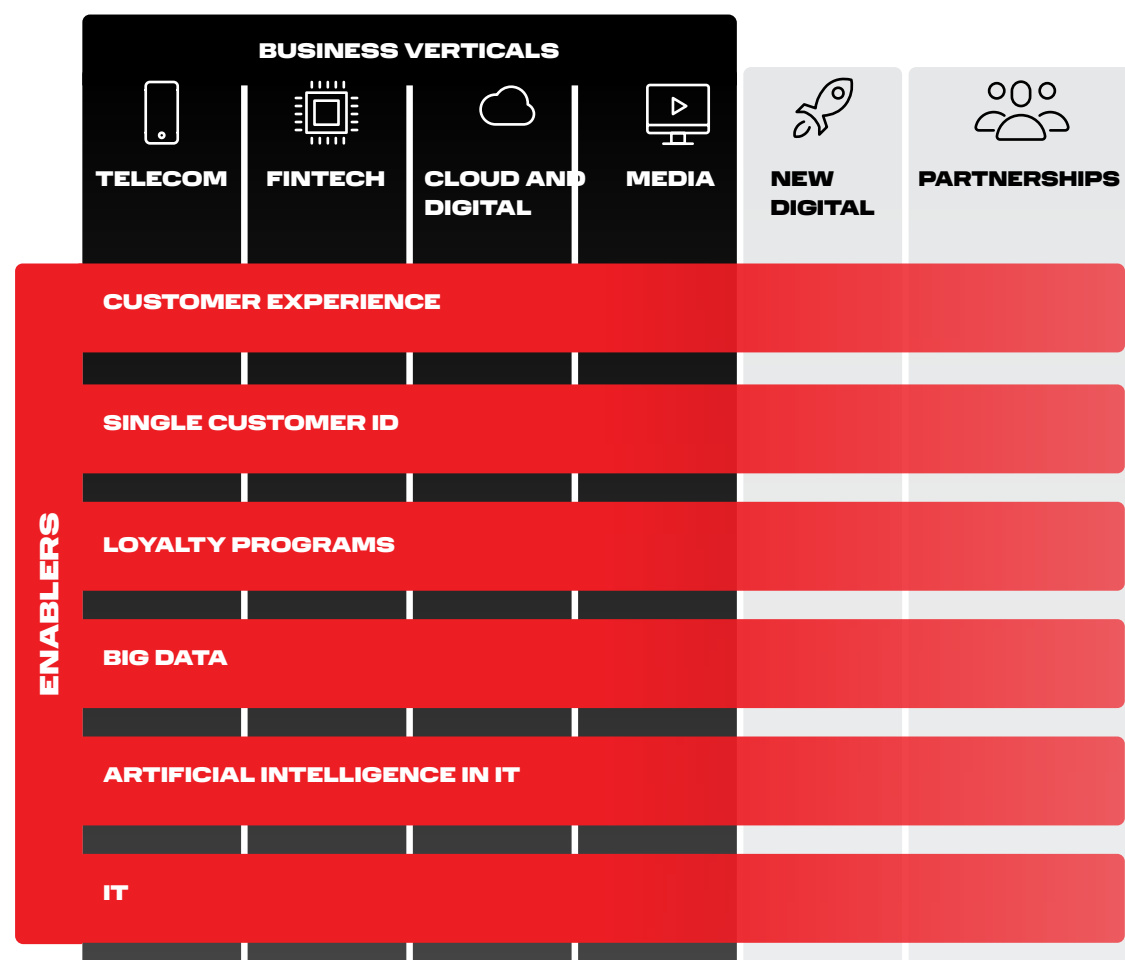
\\ Paid TV users, mil



\\ MTS Bank customers, mil



\\ Business verticals for better results

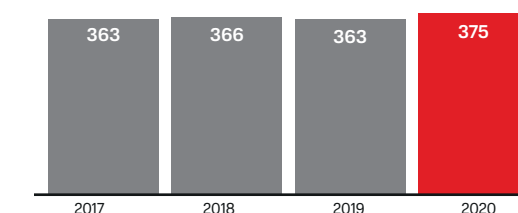


TELECOM

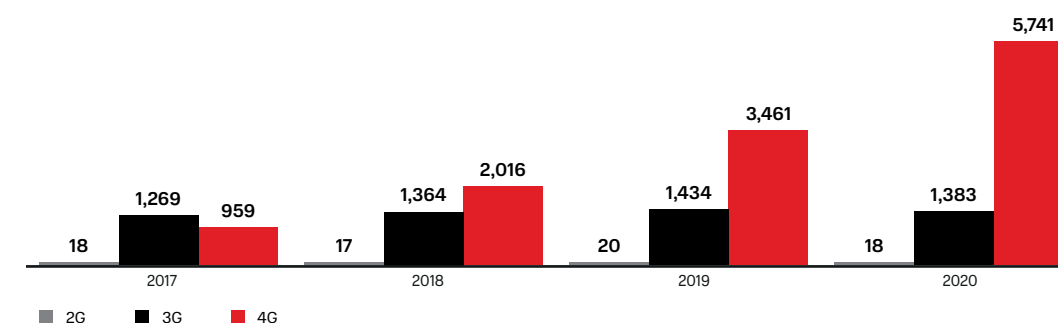
Mobile business

The main driver of changes and economic shocks in 2020 was the COVID-19 pandemic and the restrictions imposed due to its spread. A significant increase in the volume of mobile traffic consumption and the consumption of voice services by MTS subscribers at the previous level allowed us to stabilize the ARPU level. The share of subscribers served under package tariffs exceeded 66 % of the subscriber base, while the share of data users increased by 2 p.p. to 65 %. The total number of users at the end of 2020 was 78.5 million people.

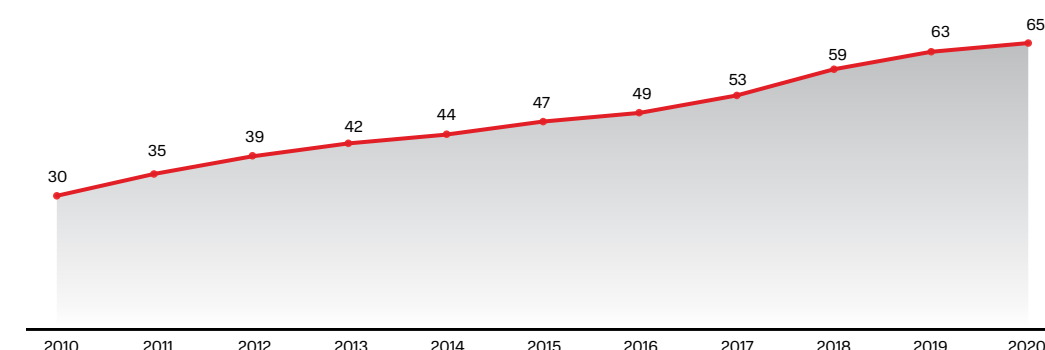
\\ Voice traffic, million minutes



\\ Mobile traffic, Pb.



\\ Penetration of mobile internet users in % of monthly active users, 2010–2020





In April 2020, as a result of the restrictions imposed on the population and actions of companies, the demand for data services increased and mobile traffic grew by 45.3 %, which required targeted adjustments to the range of rates in all regions of MTS presence.

In the summer of 2020, due to the closure of borders, the traffic of subscribers on trips across Russia increased. MTS rate plans include using Internet while traveling across Russia (in the MTS network) without additional payments for use outside the home region.

In December 2020, MTS released the “NeTarif” offer for the first time on the market, which combines mobile communication services and subscriptions to popular services. The uniqueness of the offer is that the price for services is formed according to the principle “the more you use, the less you pay”. Within the framework of this offer, we have also implemented the ability to customize the rate for the personal needs of the subscriber for the first time; the choice of the required number of minutes and gigabytes is implemented down to 1 GB or one minute.

The introduction of both personal and target-oriented billing plans helps increase customer loyalty and emotional affection for the brand, as well as improve customer experience, which is reflected in the strategic priorities of the Company for 2020–2022.

Fixed business

In 2020, MTS continued to implement a large-scale program for modernization and construction of fixed networks; the project affected more than 45 cities where rate plans with Internet access speeds of up to 1 Gbps became available. The development of a new TV platform continued as well, expanding the capabilities of traditional TV with interactive components. Interactive TV products (IP TV and Hybrid TV) were relaunched in all cities of fixed business presence.

As part of the investment program for the development of fixed networks, it is planned to modernize more than 80 % of the capacity by 2023.

In 2020, MTS also expanded the geography of its fixed business presence both through the construction of its own networks and implementation of FVNO projects.

Expansion of geography.

- › Own construction 2019–2020:
- › Amursk – Khabarovsk Territory
- › Ishim – Tyumen Region
- › Lesozavodsk – Primorie Territory
- › Elban – Khabarovsk Territory
- › Furmanov – Ivanovo Region
- › Votkinsk – Udmurt Republic
- › Sarapul – Udmurt Republic
- › Dmitrov, Ivanteevka, Nakhabino, Sergiev Posad, Serpukhov, Shchelkovo, Orekhovo-Zuevo, Solnechnogorsk – Moscow Region

FVNO:

- › Ufa – Republic of Bashkiria

Buying asset:

- › Mezhdurechensk – Kemerovo Region

Penetration of broadband Internet access

in the market reached 61 % in 2020. The growth of the entire subscriber base amounted to 2.1 % (1.6 % in 2019) – in addition to the expansion of coverage by operators, growth was boosted by the connection during the period of self-isolation of new subscribers who previously used mobile Internet. Thanks to this, the base grew higher than last year’s values.

Revenue of the Russian telecom market in 2020 grew only by 1.1 % as compared to 3.9 % a year before. One of the negative factors was the government’s requirement not to disconnect subscribers with zero and negative balances, as well as a close attention by the FAS to rate increases during the pandemic.

In the Paid TV market, the dynamics of connections continued to decline: the growth of the subscriber base in 2020 amounted to 1.6 % versus 2.5 % a year earlier. The saturation of the market took its toll: the penetration of the service is 81 %. The growth driver is IPTV connections packaged with broadband Internet access. At the same time, the outflow from cable networks continues, along with an outflow from the largest satellite operators. The revenue of the entire Paid TV market in Russia grew by 1.5 % over the year, significantly less than last year’s 8.6 %. Unlike previous years, only a few large operators raised prices for their services in 2020.

At the end of 2020, MTS demonstrated an increase in the broadband access and television subscriber base by 10 and 9 %, respectively.

In the context of market saturation, the main strategy in the fixed telephony market is attraction and retention of subscribers through promotion of bundled and convergent offers, as well as expansion of the product portfolio.

Convergent

The launch of convergent services is a part of the MTS ecosystem development program. Convergent products are one of the key tools to retain subscribers and increase their loyalty. Combining the capabilities of fixed and mobile communications, the Company designs and develops convergent services. As a part of the new strategy, MTS intends to significantly increase the number of convergent subscribers. All MTS billing plan is a package of services in three telecommunication areas: home internet + TV + mobile communications. The Company is the only operator in Russia, which, in addition to standard telephony, internet, cable or IPTV, also allows connection to satellite TV services. The development of convergent products is seen as one of the main drivers of fixed-line sales growth. In 2020, the share of users of the All MTS billing plan was 26 % of the total MTS subscriber base.

Developing the line of converged products, in 2020 the Company introduced rates for family segment to the market: “We are MTS” and “We are MTS+” rates including mobile communications, Home Internet and TV with access to XX channels, as well as the ability to share traffic with family members (up to five SIM cards).

As of the end of 2020, the geography of convergent services covers 53 regions of Russia. The number of converged subscribers more than doubled in 2020 and amounted to over 2.5 million people.

Network

MTS keeps developing its network to provide for high quality voice communications and mobile Internet. The LTE network development plays a crucial role here. In 2020, MTS continued to increase the LTE network capacity throughout the Russian Federation. The scope of construction in 2020 exceeded the 2019’s value by more than 20 %, which made it possible to increase the coverage and capacity of the network and provide customers with a high level of service by each of the more than 40 quality metrics adopted in the Company, including data transmission rates and the quality of video views as the most demanded service.

The company is actively expanding its coverage to provide high-quality services on the main highways of the country. In 2020, measures were taken to improve the coverage in many directions, for example, on highways from Moscow to St. Petersburg, Ryazan, Voronezh, Smolensk, Yaroslavl in the central part of the Russian Federation

or on the Rostov-on-Don – Krasnodar highway in the south of the country.

In addition to developing the existing network, MTS is strengthening its leadership position in terms of new technologies. The company was the first in Russia to receive licenses to provide 5G / IMT-2020 mobile services in 83 regions of the country. Pilot 5G zones have been launched in a number of regions of the country. MTS deployed a pilot 5G network in the territory of the Skolkovo innovation center to test developments in the area of 5G technologies and to create promising domestic industrial ICT solutions and services on their basis.

MTS is also developing advanced digital solutions based on the current LTE network. MTS and Gazprom Neft were the first in Russia to deploy a dedicated (private) 5G-ready LTE network for the needs of the oil industry at geographically distributed sites with a single digital services control center based on the edge computing concept.

A large-scale project was launched to modernize the MTS mobile network in Moscow and the Moscow Region. Implementation of the project will increase the throughput and capacity of the MTS LTE network at least thrice, which will meet the customer demand for the growth of data transmission traffic, as well as for new digital services. In the future, it will be possible to quickly deploy the 5G coverage in the upgraded network by reconfiguring the software and using the technology of dynamic reallocation of the frequency spectrum between 4G and 5G standards.

Features of MTS operation in the context of the COVID-19 pandemic

During the pandemic, the company provided users with the opportunity to use incoming mobile communications with a negative balance. About 50% of subscribers had a negative balance at least once a month, of which about 42 % remain connected despite the negative balance.

In April, the MTS Subscriber application was launched, which allowed about 100 thousand subscribers to independently conclude an agreement without going to the office. This allowed us to increase the number of outlets selling SIM cards through distribution in non-core outlets operating during the pandemic. MTS SIM cards were also distributed at Internet sites. For example, it became possible to purchase a SIM card in OZON together with a phone purchase. 65 thousand orders were submitted as part of the promotion. Sales



of SIM cards have been launched on the MTS website with the ability to choose the number. At the end of the year, the possibility of purchasing eSim was added; about 5 thousand eSim cards were sold in December.

From March to May 2020, about 25 thousand fixed telephony users (BBA and TV services) were given the opportunity to use communication services if payment was not possible. Billing was reset and free access to information and hotlines for combating COVID-19 was provided. Newsletters with the necessary information were sent. Some companies transitioned to a remote mode of operation, which contributed to a growth in mobile Internet consumption. For such clients, MTS provided a solution to increase the volume of traffic on rates due to additional “+ Internet” packages. The number of monthly “+ Internet” connections has grown by more than 40 % compared to the beginning of the year. The expansion of the mobile network capacity at the areas of greatest load was also accelerated to the maximum. About 400 thousand people were able to increase the speed to the maximum possible during the quarantine period, and MTS ended up providing this opportunity on an ongoing basis.

Users on a trip abroad were given the opportunity to send free SMS and make free calls to hotlines of major airlines, airports, the Russian Foreign Ministry and COVID-19 combating lines. From February to December 2020, among other means of help for our subscribers, we provided them about 10 million minutes and more than 1.7 million SMS for free.

MTS increased online sales, expanded the semantic core and optimized selling pages, increased the presence in paid search engines and social networks, launched a callback from site, reformatted and transferred to remote work active sales channels while preserving all procedures and KPIs. The company preserved its tNPS growth and single installer performance indicators; in April, we returned to network maintenance.

RETAIL DISTRIBUTION

The MTS retail chain remains the primary channel for attracting MTS subscribers, 39.4 % of all SIM cards are sold at MTS showrooms. MTS own network demonstrates the highest rates in the number and quality of SIM card connections.

MTS remains the largest non-food retail chain in Russia. At the end of 2020, the number of MTS showrooms, including franchise, amounted to more than 5,200.

At MTS offices, subscribers receive a full range of services provided by the operator, including services involving broadband access to the internet and television. Being points of contact with the ecosystem of the Company, MTS outlets allow increasing cross-sales. Any new service released by the Company automatically becomes available for sale in the retail chain office. Furthermore, we offer to retail chain customers an extensive list of financial services, such as: consumer lending, money transfers, credit repayment, life insurance (voluntary medical insurance), product insurance and MTS Money cards.

Our own sales channel enables us to more effectively manage the number and quality of activations, as well as to maintain our level of service.

140
thousand
points of sale of MTS SIM cards

30%
growth in the number of sales points of MTS SIM cards

Despite the negative impact of COVID-19 on international roaming, the B2B segment of MTS in 2020 showed a steady growth of 2%. The main drivers of the segment’s growth were Digital advertising, ISS services, M2M / IoT services, Cloud and VPN.

B2G
Revenue in the B2G segment increased by 38.9 %. In 2020, revenue growth was ensured by implementation of federal infrastructure projects, as well as services based on Big Data for federal and regional government customers. For the coming years, MTS sets a goal to significantly increase the rate of revenue growth in the B2G segment by strengthening participation in national programs and federal government projects, coming in top place in the Big Data market, as well as developing a line of digital products.

Successful B2G projects are as follows.

Implementation of the second stage of government contracts for connecting socially significant facilities of the Russian Federation to the Internet within the framework of the national program “Digital Economy of the Russian Federation” amounting to over than 1 billion rubles.

Geoanalytics projects based on Big Data for the Moscow government, federal executive authorities and state customers in the regions. Also, a number of pilot projects have been implemented in Kuzbas, Bashkiria, Chechnya, Khabarovsk Territory, Kurgan, the Republic of Tatarstan and the Samara Region implying development of commercial relations. In total, MTS implemented more than 50 geoanalytical projects in 36 regions of Russia in 2020..

In nine squares of Vladivostok,MTS cameras are installed. They estimate the number of people in the park at different times of the day and days of the week and make up a “portrait” of visitors. These data allow the city administration to assess sufficiency of parking spaces, catering points, to form a strategy for the development of additional infrastructure. Simultaneously camera “Recognizes”

the person on the wanted list, will find by indirect signs, such as a description of clothes, a child lost in the park and detects the appearance of smoke or fire in time.

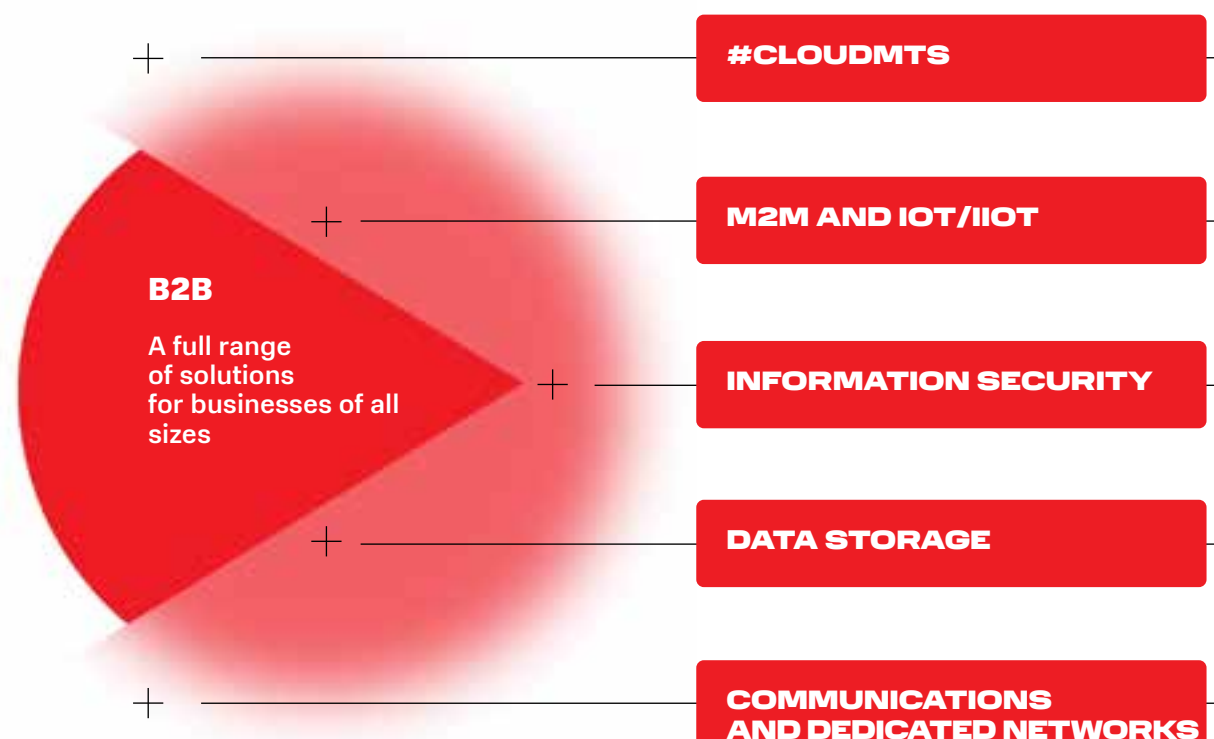
Features of MTS operation in the context of the COVID-19 pandemic
Based on MTS solutions, services were organized to inform citizens via SMS about restrictive measures and measures to combat the spread of the novel coronavirus infection (COVID-19), as well as services to generate digital and SMS passes for travel in the context of restrictive and quarantine measures.

In terms of video surveillance, MTS was promptly able to offer its customers relevant solutions for identifying people with higher temperature.

Some companies transitioned to a remote mode of operation, which contributed to a growth in mobile Internet consumption. For such clients, MTS provided a solution to increase the volume of traffic on rates due to additional “+ Internet for Business” packages. Some companies were forced to temporarily suspend their activities, and MTS also provided support to customers and gave them the opportunity to block services free of charge for the required period.

B2B Products
Mobile business
In the corporate market, the most highly demanded and sold offer of MTS since the time of launch to the present is the line of “Smart Business” rate plans. Against payment of a monthly fee, the rate includes packages of minutes, SMS, Internet traffic and unlimited communication in instant messengers. For any type of business and any category of employees, you can choose your rate from the line, taking into account the needs and the allocated budget for communication services.

Focusing on market trends and customer convenience, MTS always develops relevant offers for different segments. Therefore, the “MTS Business Smart” rate plan confidently took its niche in the segment of small and medium-sized businesses in 2020. The client can independently and easily adjust the contents of the rate according to the rapidly changing needs of the business in his/ her personal account or mobile application.



B2B SOLUTIONS FOR INDUSTRY AND BUSINESS



№1
5G-Ready
private LTE network in Russia

+30%
of users IoT-based solutions

+25%
revenue in Digital and Cloud

CloudMTS
№2
in Russia
by revenue¹

Fixed business

In 2020, MTS expanded its presence in fixed telephony services: in Q4, a BBA center was commissioned in Grozny, Chechen Republic. Construction of the center, as well as modernization of the network will increase revenues from data transmission services in the regions of the North Caucasus.

MTS has launched SD-WAN technologies on its own infrastructure within the framework of the Managed VPN service. The service makes it possible to combine several communication channels in a logical way, redistribute the load between the channels in real time and in automated fashion to ensure uninterrupted operation and configure client equipment in all branches from a single control point. Due to application of SD-WAN technology, network users will be able to monitor the quality of the service on their own in their personal account or set up alerts for a specific event. In addition, they will be able to quickly connect and disconnect new points in one click, which is not provided by a traditional VPN.

MTS is able to offer a turnkey solution as early as within three working days. Equipment is part of the service, including, among other things, a system for its operation monitoring, to enable the client to identify the root cause in case of a failure. The service allows you to make basic network settings in your personal account and then apply them on the client's terminal equipment.

Converged rate (mobile services + fixed internet)

In October, a b2b convergent was launched for small and medium-sized business clients. The proposed bundled solutions motivate customers to develop their business with MTS due to:

- › receiving a full range of services to solve business problems from one operator;
- › saving when buying a bundle.

“Business is where you are” promotion. When buying a wired Internet, free mobile communication and discounts of up to 40 % for additional services are provided.

“Save once, save twice” promotion. When buying multichannel telephony (auto attendant, VPBX or 8-800), a 35 % discount is provided on mobile communications.

Protection of the Russian companies against cyberthreats

MTS provides outsourcing services to IS-services in the Russian companies. We help the business and the government authorities to build a reliable protection against cyberthreats, technical faults and leaks. An internal SOC (Security Operations Centers) with 24/7 monitoring of risks and cyberthreats is in operation. MTS SOC enables monitoring of the company's state from the perspective of a cyberthreat, analysis of security events, timely detection and resolution of incidents, and control of efficiency of used protection facilities.

DDoS

During the pandemic, the DDoS protection service helped repel attacks against a number of large Russian companies. This service was also connected by customers from the government, including regional administrations.

The service allows you to protect customers' web resources (website, store, personal account, etc.) and infrastructure from malicious attacks. When the service is connected, the Internet traffic entering the protected resources undergoes constant behavioral analysis for the occurrence of volumes that are not characteristic of the given resource (both bigger and smaller) or requests.

¹ Data are for the fourth quarter of 2020, year-on-year

Auto attendant

Virtual multichannel telephony services based on “Auto attendant” (federal and city numbers) and “Free 8800 call” (8-800 format numbers) proved to be essential for remote work during the pandemic. The services allow deploy telephony at the company without wires and special equipment, since PBX functionality is organized on the side of MTS virtual platform.

Successful projects of 2020 under the “Auto attendant / Free 8-800 call” service:

1. to organize a call center, one of the largest developers in Russia held a commercial tender for the number 8800 in May 2020, which was won by MTS. Monthly revenue for February 2021 averages at 1.2 million rubles;
2. when developing joint projects, two companies from the IT and advertisement placement sector purchased from MTS 430 thousand new numbers with the Auto Attendant service;
3. at the end of 2020, preliminary agreements were reached with one of the online ad services to purchase traffic from the Auto Attendant service of 70 million minutes per month.

QUALITY AND CUSTOMER EXPERIENCE IMPROVEMENT**SMART ROLL-OUT — SMART NETWORK****Network quality monitoring**

We use Big Data to analyze the level of network quality from the user's point of view

Proactive expansion

We see potential problem areas and expand coverage to reduce outflow and increase loyalty

Targeted coverage

We estimate the potential payback and allocate resources

In 2020, we continued to work on introducing the best customer experience in the MTS ecosystem. At the heart of successful ecosystem building is the best customer experience in every area/ product/service. The center of the ecosystem is our Client, to whom we guarantee the quality of the product/service and round-the-clock support.

We strive to make customer communication with the company seamless, simple and unobtrusive, to earn the trust. We have expanded the coverage of tNPS satisfaction surveys to digital products and processes of ecosystem business verticals to better understand the needs and wishes of our customers.

MTS makes sure that the customer feels support and gets the best customer experience at every point of contact. To this end, a large project has been launched to modernize MTS showroom stores. Showrooms of the new format will meet the latest trends in customer service, being equipped with the latest technologies. Customers will be able to test devices before purchasing, perform maintenance operations, get acquainted with all the products of the MTS ecosystem, and even have a cup of coffee. Customers will have a choice to get advice from an employee or use self-service touch panels.

We strive to have clients quickly solve their problems in the new format, so that their visit is comfortable and leaves only positive impressions. A store of the new format can already be visited in Moscow on Malaya Dmitrovka Street.

High competition in the mobile and web application market requires constant development and improvement of product quality. In addition to the existing testing, the company has developed and launched a portal for alpha and beta testing of MTS products. Thanks to the portal, we involve loyal customers and company employees in product testing before the official launch, thereby ensuring a higher level of product quality.

As part of the MTS ecosystem development strategy for digital products, CJM (Customer Journey Map) templates were developed to create a single customer journey and simplify product development. Customer journeys are audited on a regular basis, which helps to identify problems and make the product more convenient and clear for the customer.

2020 saw a large-scale improvement of MTS TV: more content became available to users, viewing became more comfortable thanks to the new ability to broadcast content from mobile devices on large screens using Chromecast and Airplay. In addition, Android devices now have the ability to locally save content for playback without Internet access. The main result was a significant NPS product growth.

The MTS company tries to provide its clients with the most demanded and relevant services,

both of our own development and with involvement of partners. Requirements for the quality of partner services have been developed to ensure a uniform high level of quality in products. Requirements include a transparent reporting to customers about the connected service, availability of value for the customer, and the ability to control charges on the MTS side. Only high-quality and popular products are introduced to the market due to constant quality control of partner services.

Our clients use not only mobile and fixed communications, but other services as well. In 2020, we have combined e-wallet and online banking into a single showcase for all digital financial services in the ecosystem. Clients of the MTS ecosystem can now manage their finances in one application thanks to the updated RB of MTS Bank.

2020 saw implementation of the end-to-end customer identification that increased access to all products of the MTS ecosystem.

BUSINESS IN OUR MARKETS OF OPERATION**Armenia**

MTS Armenia CJSC is a 100% subsidiary of MTS PJSC and the largest of the three mobile operators working in the Armenian market.

Under the Viva-MTS trademark, the company provides mobile and fixed telephony services, as well as offers cloud and financial services (payments and transfers are carried out by the Mobidram CJSC subsidiary) for its subscribers.

MTS Armenia is the leader in the mobile communications market of Armenia by the number of subscribers and revenue.

MTS Armenia's own retail network is the main channel for attracting subscribers with 78 sales and service offices, covering all regions and key cities of Armenia.

MTS 2G communication covers 69.4 % of the territory of Armenia, where 99.3 % of the country's population lives. MTS 3G communication covers 71.3 % of the territory of Armenia, where 99.8 % of the country's population lives. The MTS 4G-LTE network is available on 43.3 % of the territory of Armenia to 78.4 % of the country's residents.

MTS Armenia ended 2020 with 58.9 % market share in terms of subscribers in Q4 2020 (+0.43 % year-on-year) and 54.6 % in terms of revenues (–4 %

year-on-year) (due to a decrease in international traffic, the inter-operator agreement for roaming and interconnection was revised). The share of subscribers of bundled rate plans reached 76 % (+3.5 % year-on-year) and the share of subscribers using data transmission reached 69 % (+2 % year-on-year). The average volume of calls per one Viva-MTS subscriber in Q4 2020 increased to 704 minutes per month (+16 % year-on-year) and the use of data transmission amounted to 4.7 gigabytes per month (+42 % year-on-year).

MTS Armenia is a confident leader in the Net Promoter Score (NPS) on the market, significantly ahead of competitors.

In 2020, MTS Armenia expanded its LTE network, having built more than 230 stations in the 800 MHz LTE range, and also launched VoLTE technology allowing subscribers to make voice calls with a high sound quality and use the Internet in the LTE network simultaneously.

Corporate Social Responsibility

Being aware of its responsibility to the environment and society, Viva-MTS is paying special attention to this area and progressively developing its charitable initiatives. In 2020, the company implemented 19 charitable projects to support vulnerable population groups, develop education, culture and healthcare, as well as to protect the environment.

Specific features of MTS operation in Armenia in the context of the COVID-19 pandemic

The coronavirus pandemic has had a negative impact on the Armenian economy. This was the result of introduction of restrictive quarantine measures and the state of emergency in the country from mid-March 2020.

The most significant consequences of the pandemic for MTS Armenia were a decrease in roaming income, temporary closure of retail outlets, and a decrease in the subscriber base. MTS Armenia organized service for subscribers in Yerevan and seven large regions of Armenia through mobile service centers to provide for their uninterrupted servicing, taking into account the strategic importance of mobile communications.

In March 2020, MTS Armenia supported an initiative launched by the Ministry for Education, Science, Culture and Sports of Armenia and a number of universities, providing, in cooperation with a partner, a free access to educational resources for distance learning for students and their parents, as well as teachers.

Besides, martial law status was introduced in Armenia in the second half of 2020 as a result of the aggravated armed conflict on the border with Azerbaijan. Viva-MTS was one of the first companies in Armenia to offer assistance to the victims.

Belarus

Mobile TeleSystems JLLC (MTS Belarus) was established in 2002 by the Russian MTS PJSC (49 %) and the Belarusian Beltelecom RUE. The company operates under the MTS brand and is the largest mobile communications operator in Belarus. Its main competitors are BeST CJSC (‘life’ trademark) and A1 UE (Unitary Enterprise).

In Belarus, MTS provides mobile communication services of GSM 900/1800, UMTS 900/2100 and 4G standards (including 2600/800), home Internet and TV services, offers cloud services and programs for business and financial services in partnership (MTS Money), and also introduces innovative products (eSim, Big Data analytics for corporate clients, etc.).

MTS Belarus is the leader in the mobile communications market of Belarus with the largest market share in terms of the number of subscribers and revenue.

MTS Belarus' own retail network together with single-brand stores of the partners is the main channel to attract subscribers. The network of sales and service offices consists of 91 own offices and 278 single-brand partner showrooms, allowing to connect subscribers and provide service operations in all regions and key cities of Belarus.

MTS 2G communication covers 98.08 % of the territory of Belarus, where 99.9 % of the country's population lives. MTS 3G communication covers 96.2 % of the territory of Belarus, where 99.85 % of the country's population lives. MTS 4G-LTE communication covers 21.36 % of the territory of Belarus, where 76.48 % of the country's population lives. In 2020, MTS Belarus tested a standalone (SA) 5G. During the tests, the specialists managed to accelerate to the record speed in their test zone, 1.472 Gbps. The demonstration zone was deployed

in the Minsk-Arena complex and an advanced network was built on previous infrastructure using Huawei equipment. In the future, the introduction of 5G technology will accelerate a transition to the mass use of IoT devices in the field of energy, healthcare, industry, housing and public utilities, and control of robotic devices.

MTS Belarus ended 2020 with 48.6 % market share in terms of subscribers in Q4 2020 (+0.06 percent year-on-year) and 52.1 % in terms of revenues (+0.5 percent year-on-year). The share of subscribers of bundled rate plans reached 66 % (+1 percent year-on-year) and the share of subscribers using data transmission reached 68 % (+3 percent year-on-year). The average volume of calls per one MTS Belarus subscriber in Q4 2020 increased to 606 minutes per month (+9 percent year-on-year) and the use of data transmission amounted to 15 gigabytes per month (+27 percent year-on-year).

The company is confidently leading in terms of the net promoter score (NPS) in the telecommunications market of Belarus. According to internal marketing research of MTS, Belarus is the leader in satisfaction with the quality of mobile Internet and perception of reputation/image.

In 2020, MTS Belarus expanded its LTE network by using the assistance of an infrastructure operator to build 272 LTE base stations in the 800 MHz band in order to cover rural areas and more than 480 base stations in the 1800 and 2600 MHz bands in order to increase capacity and maintain consistent coverage of the LTE network.

In 2020, MTS Belarus launched its own data center in Minsk with a level of fault tolerance meeting the requirements of Tier III and an average annual Power Usage Effectiveness (PUE) of 1.28. Several areas will be developed in the data center: placing server and network equipment of MTS, as well as offering of Infrastructure as a Service (IaaS) to the company's clients.

Corporate Social Responsibility

Implementation of charitable and social projects is a strategic direction for the development of MTS Belarus.

In 2020, the company focused on dealing with preventing a cyberbullying among children and adolescents as part of a joint initiative with the UN Children's Fund UNICEF, as well as educational projects for high school students, graduates (applicants) and older people.

In addition to its own initiatives, the mobile operator also supported other social projects in the field of education, culture and sports.

Specific features of MTS operation in Belarus in the context of the COVID-19 pandemic

During the pandemic, MTS Belarus launched the #StayOnline initiative <https://www.mts.by/other/stayonline/>, provided users with the opportunity to use unlimited Internet for free and organized free calls for MTS subscribers to the Red Cross hotline in order to provide information assistance to victims of emergencies and free calls for social and psychological assistance to victims of domestic abuse.



<https://www.mts.by/other/stayonline/>

As part of the COVID-19 situation, MTS Belarus provided medical professionals with free additional voice and Internet traffic, and also handed over a batch of tablets for a rapid exchange of information with colleagues. The company has also opened a charity USSD number to help medical professionals combat COVID-19. In addition, more than 12 thousand elderly people received aid with essential products as part of a joint initiative of MTS and the Belarusian Red Cross Society.

MTS Belarus subscribers on a trip abroad were given the opportunity to make free calls to the numbers of the embassies of Belarus, the Ministry of Foreign Affairs of Belarus and the lines to combat COVID-19. A rate offer was also provided for business, with unlimited calls to all networks and unlimited traffic.

MOBILE APPLICATIONS AND DIGITAL SERVICES FOR MTS CLIENTS



My MTS

The My MTS mobile application is the main showcase of MTS ecosystem, intended to involve both MTS clients and non-clients into the products of the ecosystem and partners.

The most important changes made to the My MTS application in 2020 are as follows.

1. Implemented management of “NeTarif”, a package of subscriptions to communication services and other services of the ecosystem.
2. All products of the ecosystem implement a single profile display (a single “header”) with the client's user images and a personal reference to the client.
3. Recommendations for adding supplementary numbers to a Multi-account have been connected: newly registered SIM cards for mobile communication or smart devices will now be automatically offered for adding when entering the application.
4. Added ability to manage widgets on the main screen: you can show or hide widgets “Cost Control”, “Support”, “Second Memory”, “MTS Live”, an online store widget, MTS Cashback.
5. A new “Finance” section has been launched with vast opportunities to manage connected banking products.
6. A new “Benefit” section has been launched with personal offers from the ecosystem and a separate section with a cashback marketplace.
7. Connected ability to exchange unused Internet traffic from the package for cashback points at the end of the month: the client only needs to press one button “Exchange Gigabytes”, and the cashback points will be credited within a few minutes.
8. The ability to connect partner services to My MTS.

By the end of 2020, the My MTS mobile application totaled 23.8 million active users. Several product teams are constantly working on the program. Compared to 2019, the product team has more than doubled in size, while the number of new features implemented in the app in 2020 has almost quadrupled.

THE MAIN GOAL OF THE APP IN 2021 IS TO ENGAGE THE AUDIENCE OF MY MTS IN THE ECOSYSTEM'S PRODUCTS AND SERVICES.

• **CHAT BOT**

• **FINANCE**

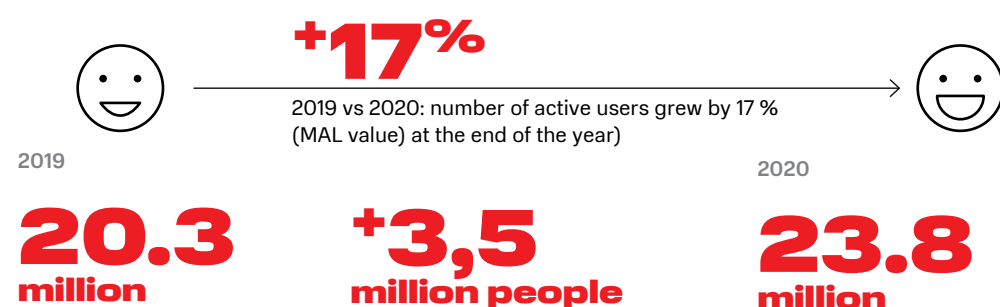
• **CATALOGUE**
Eco-systems

• **NETARIF**

• **MARKETPLACE**
of cashback offers



PLANS FOR 2021:



- Further growth in active and loyal audience of the app
- Introduction of new mechanisms for involvement of users into ecosystem products
- Development of the app as a marketplace and control center for MTS ecosystem products
- Development of a personalization and customization ability level of the app



MTS Cashback

MTS Cashback app is an application to buy products of MTS and partners with a subsequent accrual of points for the purchase. You can also spend points to buy products of the ecosystem and partners.



The mission of the program is to make consumption within the ecosystem more profitable and attractive for customers (including offers not only from MTS but also from the partners).

What's new in the app in 2020:

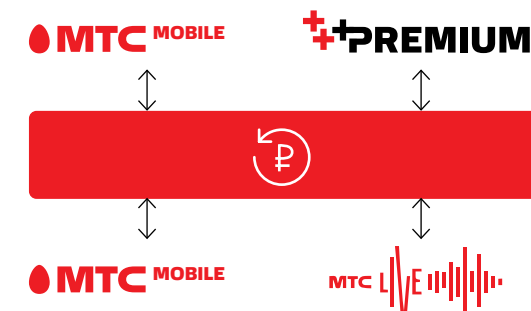
- › launch of a marketplace based on MTS Cashback — “Cashback Products” section in the My MTS app;
- › implementation of the functionality of cashback withdrawal for discounts from external partners;
- › new integrations with verticals and ecosystem services:
- › Mobile — exchange of gigabytes for cashback, cashback accrual for following MNP; Home — cashback withdrawal for MGTS services;
- › integration into the Premium program — cashback accrual to connect new MTS services, for Home, Mobile services, services of converged rate plans and increased cashback with external partners;
- › integration with MTS Live and Ticketland — cashback accrual and withdrawal when buying tickets. The loyalty program of the Ticketland service has been completely replaced by the MTS Cashback program.



Now the MTS Cashback loyalty program “permeates” all the existing verticals of the ecosystem.

2020 saw integration of new possibilities for accruals and withdrawals of cashback in different products

- › Mobile
- › Home
- › Premium
- › MTC Live



+64%

volume growth кэшбека в 2020 году vs 2019 год
In 3 times the number of program participants with accrued cashback has increased in 2020 vs 2019

in 3 times

the number of program participants with accrued cashback has increased in 2020 vs 2019

MTS Music and music segment

MTS offers its clients advantageous offers from top music services. Together with MTS, the client can choose the most suitable service for himself or herself and use it on the most favorable terms.

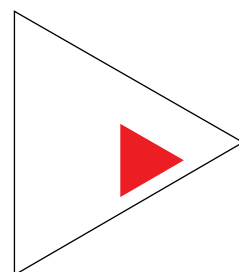
- › In 2020, a partnership with the world's most popular music service Spotify was launched in Russia, and now MTS customers can use the Spotify Premium subscription for free for half a year.
- › The partnership with Apple Music continues with a free trial period of 6 months.
- › For users of our own MTS Music service, there are favorable conditions in the “Netarif” subscription; within the Premium program, the ability to pay for the service with the Cashback program points.

In 2020, the total number of active users of the music segment in MTS reached 1 million people.

In 2021, it is planned to further integrate our own MTS Music service into the ecosystem — into My MTS, MTS Live, MTS Launcher, MTS Auto, deepening integration of partner offers within the ecosystem.



MTC Music



PLANS FOR 2021:

**+21%**

Increase in listening to tracks per year



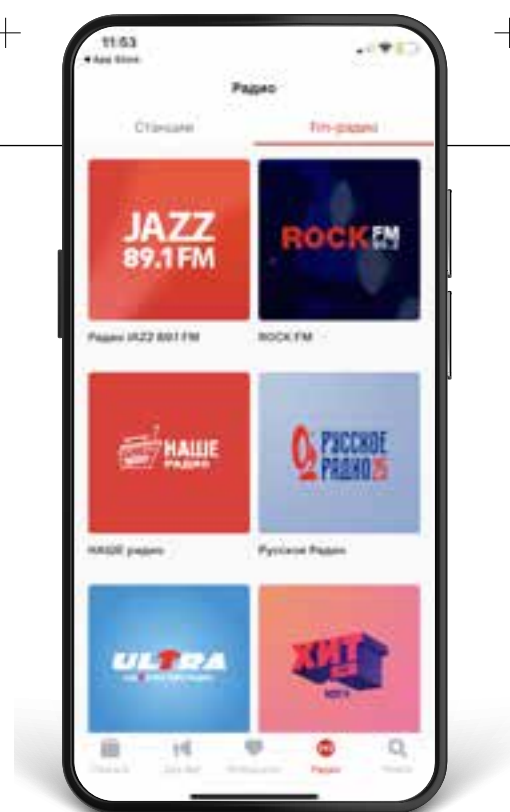
2019

1.9
milliontracks were listened
users apps

2020

2.3
milliontracks were listened
users apps

FM-RADIO

+21%FM radio section launched
within the applicationСкачать приложение
на Google PlayСкачать приложение
на Apple Store

MTC Cloud Gaming

In 2020, MTS opened a marketplace for cloud gaming services: MTS customers can take advantage of the offers of MTS partners on favorable terms.

Cloud Gaming is a technology that allows users to play the most advanced games on any computer: all the computing power needed to play is available remotely. The client only needs to download the partner's application and launch the game in a few clicks! For MTS clients, 10 % of the service cost will be returned with cashback points that can be spent on other products and services of the ecosystem.

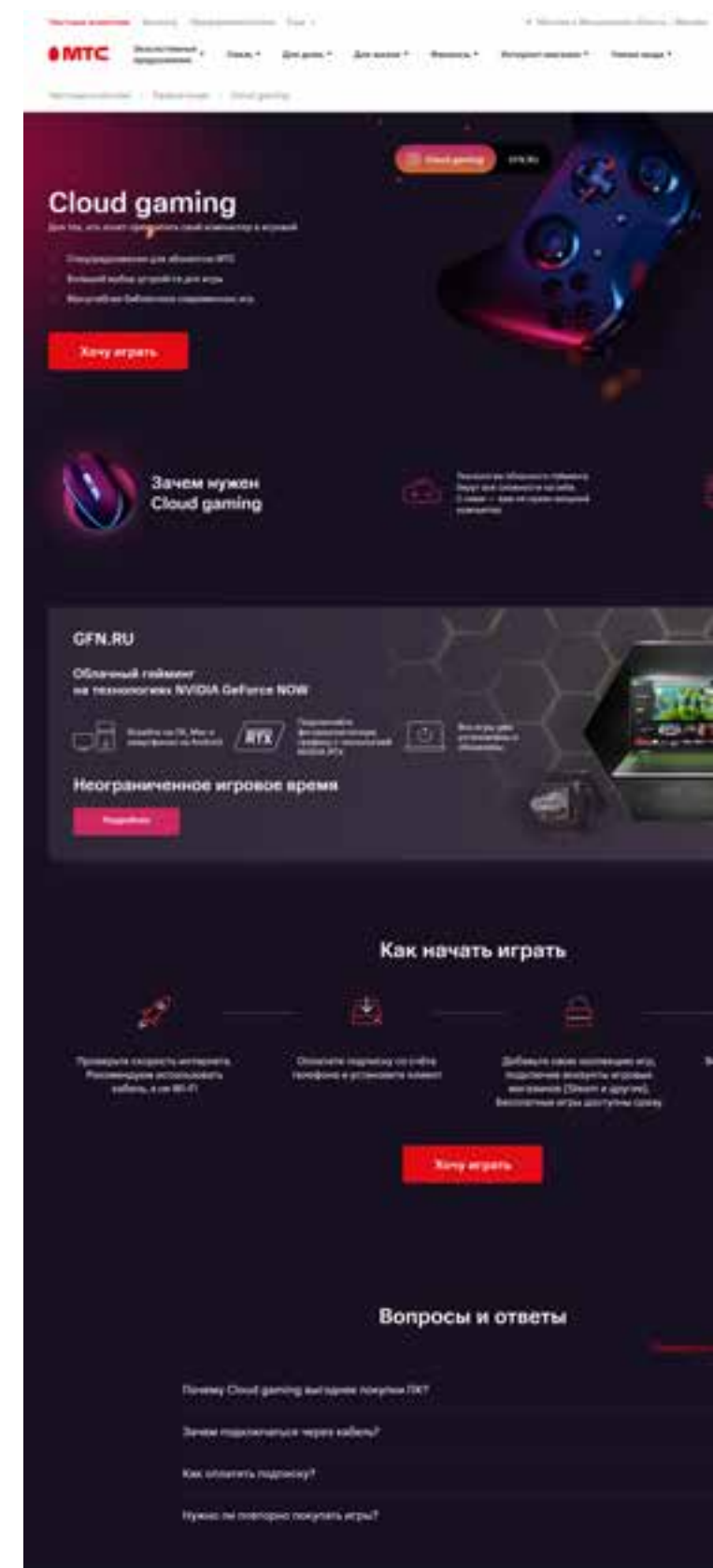
For 2021, MTS plans to popularize the technology and increase the number of gaming service customers in the ecosystem.

Why you need Cloud gaming

- > Cloud gaming technologies take on all the complexities. You don't need a powerful computer with them
- > Run games on any PC. And modern technologies will fully immerse you in realistic worlds and complex plots
- > GFN.RU
- > Cloud Gaming using NVIDIA GeForce NOW technologies
- > Play on PC, MAC and Android smartphones
- > Connect photorealistic graphics with the NVIDIA RTX technology
- > all games are already installed and updated
- > Unlimited game time
- > More Information
- > Playkey
- > Run games in high quality without installation
- > Loudplay
- > Open up the world of top novelties and cool modifications from the Internet

Other mobile applications and digital services of MTS

- > MTS applications:> 1 million active users
- > MTS Smart Home
- > Control panel for IoT devices
- > MTS search
- > Geolocation tracking service
- > Cloud service for data storage
- > MTS Library
- > 270 thousand e-books (as well as audiobooks, magazines and newspapers)
- > Network security and comfort services: antivirus, spam blocking





MTS Connect

- MTS Connect is a multiservice app. Key functions of the product:
- › making and receiving calls via Internet from places with poor mobile network coverage or complete absence thereof. The product scope makes it possible to make calls to any numbers, including landline and short numbers, as well as to numbers of other telecom operators. The cost of calls to MTS is 0 rubles/minute, calls to other destinations are paid according to the terms of the rate plan;
 - › saving in roaming due to billing of calls as per the home rate. The user only pays for Internet traffic;
 - › recording, playback and sending of telephone conversations;
 - › a virtual number that allows the user to get an additional phone number without visiting a showroom and use it without a SIM card in the MTS Connect application for calls and SMS. The service is in demand to separate personal communication from work, to register at sites, to participating in promotions and to have a spam number.

Main achievements in 2020

- › The application has been redesigned.
- › The “Virtual number”, “Multi-account” and “SMS for virtual numbers” functions were launched in five regions of the Russian Federation.
- › The “Conversation recording” function was launched.
- › Implemented Voice API for calls outside of MTS Connect. Designed for use with a smart speaker, can be reused for set-top boxes, smart home devices, and more.
- › Improved quality and user satisfaction indices; an increase in store ratings (App Store +50 %, Play Market +41 %).
- › The active monthly user base has grown by a third compared to last year.

Key objectives for 2021

- › Further growth of the active user base.
- › Growth in indicators of the product use frequency.
- › Replication of the “Virtual number”, “Multi-account” and “SMS for virtual numbers” functions in the regions of the Russian Federation.

FINANCIAL SERVICES

For MTS Bank, 2020 has become a serious challenge and, at the same time, a year of new opportunities for business development in difficult macroeconomic conditions. The Bank passed the strength test, while being able to quickly adapt to new realities and market requirements. Moreover, it strengthened its position in key business areas and continued the development of financial services in the MTS ecosystem.

MTS Bank today is a digital commercial bank responsible for creation, development and sale of financial services of the entire MTS Group of Companies. The largest auditing company AO Deloitte & Touche CIS presented the results of a study on the preferences of retail clients of 30 leading Russian banks. MTS Bank was recognized as the most popular bank among respondents in the cross-product segment; its clients use several ecosystem products at once.

Despite the significant negative consequences of the pandemic for the entire banking sector, MTS Bank ended 2020 with an increase in its loan portfolio and a positive financial result.

The retail loan portfolio grew by 28.1 % year-on-year to 118.8 billion rubles. This allowed MTS Bank to enter the top 5 in terms of growth in the retail loan portfolio at the end of the year among 30 leading Russian banks and in the top 10 banks by the size of the credit card portfolio. Year-on-year growth of the portfolio exceeding the average market rates amounted to 38.3 %.

The Bank for International Settlements (BIS) included three Russian companies: MTS Bank, Ozon and Yandex in the leaders of big tech lending in the digital services market, along with such players as Amazon, Alibaba, Apple, Facebook and Google. Big tech lending is what experts called lending by technology giants. The selection included large IT companies lending in more than 30 countries around the world.

At the end of 2020, the number of digital cards issued has increased fivefold compared to the same period of 2019. The share of digital cards in the MTS Bank portfolio is 17 %.

Over the reporting period, the Bank managed not only to maintain, but also to strengthen its positions in the POS loan market and became the leader in portfolio growth in the market. The bank quickly adapted to the changes and promptly launched new partnerships in online channels. This allowed us to become one of the top 3 players on the market by lending volumes. The volume of sales of targeted POS loans by the Bank was almost 39 billion rubles in 2020; more than 980 thousand loans were provided.

The bank held the leadership in credit card portfolio growth with a result of 21.41 % (December 2020 to December 2019). In annual terms, the increase was 38.3 %. The MTS CASHBACK card became the leader in the “Best Credit Cards 2020” rankings according to the “Vyberu.ru” service. The bank increased sales in digital channels. The share of credit card sales there amounted to 30 % (an increase from 18 %), debit cards – to 60 %.

Despite the crisis situation around the world, banking sector included, the number of cards sold by MTS Bank in 2020 was 1.3 million, which is 10 % more than a year earlier.

The focus of MTS Bank’s strategy is still the customer, the development of customer service and the improvement of the customer journey in the digital ecosystem of MTS. In the reporting period, MTS Bank was recognized as the best bank in the Customer Care category at the 13th Bank of the Year financial award ceremony of the Banki.ru financial market. The Bank received an award for high level of customer care 24/7, in particular, through “People’s Rating” services and “Hot Line” on the Banki.ru website.

The Bank also entered the top 5 most omnichannel banks according to the results of the VIII annual survey for availability and quality of digital channel service NAUMEN. More than 100 retail banks took part in the study in total. The study included inspection of the hotline operation, as well as the presence and availability of banks in chats on website, in instant messengers and social media. The quality and speed of service in these channels were assessed.

Payment of municipal and federal services through the payment infrastructure of the Bank
In 2020, as part of the development of a joint project with the Moscow Information Technology Department, the number of payments made through the MTS Bank payment gateway on the Mos.ru city

portal and Moscow mobile applications increased by 20 % versus 2019.

During the pandemic, the share of payments for services of housing and public utilities grew to 73 from 68 % in 2019. About 20 % of all payments for services of housing and public utilities in Moscow and more than 80 % of all payments to the Moscow Department of Education (nurseries, schools, hobby groups) passed through the MTS Bank payment gateway on the city portal of Moscow. And the number of users of the payment functions on the city portal increased by 20 % as compared to the previous year.

Based on the experience gained in Moscow, MTS Bank scaled up the service in other regions of Russia in 2020. This is a joint project of regions and businesses for remote provision of services, integrated into the digital infrastructure of the city. The bank has developed a payment solution that can be integrated into regional portals of electronic government services. During 2020, MTS Bank successfully launched a payment service in 15 regions of the Russian Federation that supported the initiative to create a convenient digital infrastructure for citizens.

Single financial storefront
In October 2020, the two mobile applications MTS Money and MTS Bank merged. The new MTS Bank mobile application has become a single showcase for all digital financial services of the MTS ecosystem. The number of users of the MTS Bank mobile application grew in the fourth quarter by 30 % to 1.2 million.

This allowed MTS Bank to enter the top 10 best mobile banks for daily accomplishments in the annual Markswebb rankings published in December 2020. The bank moved up to 9th from 29th place.

In December 2020, MTS Bank announced the beginning of transformation of the mobile application into a smart bank – a solution to manage personal finances for clients of any banks. At the initial stage, the smart bank displays data on the products of other banks of the client and prepares a personal selection of organizations for making a payment, and in 2021 it will already adapt products individually for each client, will help to save money for certain purposes, invest money as profitably as possible, predict the financial standing of the client, and will advise on managing personal finance.



3 GOOD HEALTH
AND WELL-BEING



8 DECENT WORK AND
ECONOMIC GROWTH



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



10 REDUCED
INEQUALITIES



11 SUSTAINABLE CITIES
AND COMMUNITIES



12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



15 LIFE
ON LAND



16 PEACE, JUSTICE
AND STRONG
INSTITUTIONS



CLOUD AND DIGITAL SOLUTIONS FOR BUSINESS

MTS cloud ecosystem

The cloud ecosystem of MTS includes solutions in the format of private, public and hybrid clouds, a range of consulting and professional services, data center services, and telecoms services. The ecosystem is trusted by over 2 thousand representatives of big business. Customers include: Dymov Group, Segezha Group timber holding, Salym Petroleum oil company, Kortros Group of Companies, Utair airlines, ABBYY, Gazprombank and other international and domestic companies.

Representatives of government agencies choose clouds for IT infrastructure arrangement increasingly often. The examples of agencies that moved to MTS cloud include the Far East Development Corporation, the MFC network of Rostov-on-Don, the power grid company of the Krasnodar Territory.

Cloud provider #CloudMTS is one of the largest cloud providers in the country. According to a number of research agencies: iKS-Consulting, TMT Consulting, Cnews etc. #CloudMTS traditionally takes the first lines of ratings of IaaS providers.

Quantity of new products

The ecosystem includes more than 25 services for various business objectives. An in-house development division is actively growing, where developers are recruited in the areas of service automation, DevOps, container computing, databases as a service (DBaaS), QA & Security, back-office services and other areas of development.

What services have become more popular at the end of the year

The demand for MTS cloud solutions has doubled over the year. Classic infrastructure, private and hybrid cloud environments, as well as deeply customized solutions are in demand.

The following solutions were popular for remote work: VDI, document exchange services. The connection of backup services grew by 20–25 % monthly. IT companies were interested in high-speed data processing services in a supercomputer-based cloud: the demand for MTS GPU services more than tripled in a year.

2020 results

Thanks to the new high-performance hardware, #CloudMTS provider has increased computing speed by about 2.5 times. This makes it easier for the customers to solve problems in the field

of artificial intelligence and machine learning, increases the speed and reliability of client applications.

At the end of the first half of 2020, the volume of stored and processed data in the cloud of the #CloudMTS provider has grown by more than 1.5 times compared to the same period last year. Services for placing personal data in the cloud have become twice as popular.

In 2020, small and medium-sized enterprises of Moscow exceeded large enterprises for the first time by growth rates of cloud service connections. At the end of last year, the share of users of cloud provider #CloudMTS solutions from among SMEs of the Moscow Region increased to 35 from 47% vs 2019.

By industry criterion, the most active consumers of cloud services were retail representatives, which account for about 28% of the # CloudMTS client portfolio. Finance accounts for about 22%, industrial enterprises - for 17%. About 13% is the share of transport and logistics companies. More than 60% of clients of the #CloudMTS provider use the operator's range of services: mobile communications and data services.¹

Rankings and awards

MTS cloud business became the leader (14 %) in the IaaS segment according to a research by TMT Consulting.

In January 2021, the IT marketplace Market.CNews ranked the MTS cloud business (#CloudMTS and IT-GRAD providers, 1cloud.ru online service) among the best IaaS providers for large companies. The "IaaS Enterprise 2021" rankings assessed such criteria as the virtualization platforms used, the level of availability, the cost of services, the team, the developed range of services, the availability of certificates, the number and characteristics of data centers.

The Advantage data center entered the top five largest data centers in the country according to iKS-Consulting, CNews Analytics.

The external communications division of the #CloudMTS provider won the Digital Communications Awards-2020 in the Digital Projects and Strategies category.

New services

- › **MTS launched the line of cloud design solutions for business.** The line will be engaged in strategic IT consulting and implementation

of complex infrastructure projects. The line team includes certified engineers, architects and #CloudMTS project managers. Experts will formulate a cloud data estate for customers and develop a cloud business strategy.

- › **MTS launched cloud IT outsourcing services for business.** As part of the Professional & Managed Services service, a professional team of #CloudMTS experts configures, manages and supports IT infrastructure and creates complex designs for cloud implementation. This ensures that large businesses will be able to substantially reduce the cost of routine work associated with supporting IT infrastructure in the cloud. Medium and small-sized businesses get high-level IT specialists at their disposal without the need to increase their staff number.
- › MTS opened access for business to the cloud service for unified communications. The provider launched the "Office #CloudMTS" service to organize a remote interaction of employees based on the #CloudMTS cloud. The service is provided using SaaS model and allows saving up to 35 % monthly.
- › **MTS announced the start of #CloudMTS cooperation with 1C,** one of the leading Russian developers of software for business. The #CloudMTS provider has launched a new line to engage in hosting of 1C client systems in the cloud, their comprehensive support and customization. A significant advantage of the service for representatives of medium-sized businesses is the ability to reduce the cost of maintaining the operability of 1C systems.
- › **MTS has expanded the capabilities of cloud backup for business.** The #CloudMTS provider launched a solution based on technologies of CommVault, the market leader in business continuity solutions. Large corporate clients obtain a continuity of their business and optimize the cost of data storage up to 30% per month. With the ability to compress data, the service reduces the volume of the cloud occupied by backups by 70 %.

Safety

MTS has provided the highest possible level of cloud protection for businesses and government agencies. Enterprise customers can handle in the cloud, the personal data of all four levels (including medical and passport). In the #CloudMTS cloud, the placement of state information systems of all levels and scales (not containing state secrets) is available, including number of those requiring the highest, first class security K1



MTS provided maximum possible level of cloud protection for business and government agencies.

Help in a pandemic

The cloud business of MTS provides its customers, society and the government with services in a short time and ensures uninterrupted 24/7 operation. Thanks to the MTS cloud solutions, during the pandemic:

- › **NEFU (North-Eastern Federal University), the largest university in the north-east of Russia, has launched a digital learning platform in the MTS cloud.** #CloudMTS cloud helped to organize the admission campaign of NEFU in 2020, as well as the International School Olympiad "Tuymaada-2020" and the All-Russian Student Olympiad in Mathematics 2020 (VSOM-2020)).
- › **In mid-May 2020, MTS helped BelSU (Belgorod State University) to organize remote learning for students** by providing cloud technologies for remote education. Within just two days, the university's e-learning system was moved to the cloud.
- › **In March 2020, #CloudMTS provider for two months opened a free access** to the #CloudMTS Disk cloud service for remote storage and exchange of corporate data..
- › **The #CloudMTS provider supported business** by reducing the monthly fee for the most popular cloud services based on Veeam and Acronis technologies, which became especially important for online retail and logistics companies that were experiencing a huge load on IT infrastructure during the pandemics period..

Cloud migration cases

1. **One of the largest Russian airlines, Utair, has moved to the MTS cloud.** The project uses a certified cloud segment that provides high security and complies with the Federal Law of Russia dated July 27, 2006 No. 152-FZ "On personal data". About 90% of the airline's IT infrastructure was transferred to the MTS cloud, including both internal IT systems, and resources for airline customers..

¹ <https://moskva.mts.ru/about/media-centr/soobshheniya-kompanii/novosti-mts-v-rossii-i-mire/2021-01-12/moskovskie-predpriyatiya-malogo-i-srednego-biznesa-v-dva-raza-uvlechili-obem-hraneniya-dannyh-v-oblakah>.

2. MTS continued to implement large-scale cloud project to deploy and launch digital control platform based on SAP solutions for Segezha Group, one from the largest Russian vertically integrated timber industry holdings.
3. **Provider #CloudMTS has implemented complex project of organization of cloud infrastructure and IT outsourcing for Salym Petroleum — a joint enterprises of Shell Salym companies Development B.V. “ and PJSC GazpromNeft.** MTS provided employees of the oil company with a secure remote access to enterprise resource management systems using VDI technology. #CloudMTS provided network connectivity applications hosted in the Russian cloud with the global cloud system SAP 4 / HANA. The project involved a certified segment clouds with a high level of security, in accordance with the Federal Law of the Russian Federation of July 27, 2006 No. 152-FZ “On personal data”.
4. **Cloud technologies of MTS provided operation of the critical IT infrastructure of the Russian division of Europ Assistance.** Moving to the cloud brought continuity business processes of the Russian branch international insurance group, increased security and accelerated the work of specialized IT systems by at least 25%. On the basis of MTS cloud technologies, the work of the entire accounting department is organized, which serves Russia and the countries CIS, including employees provided virtual workplaces.
5. **The retail network “Your House” has moved online trading services to the cloud “IT-GRAD” (part of the MTS Group).** The company’s website was moved to the cloud platform, which daily visit about 25 thousand buyers, and a CRM system. The transition to the cloud allowed the retailer to quickly increase the resources required to maintain the site’s performance in the face of increased load.
6. **GC “KORTROS”, developer of the federal level, moved IT systems to the cloud MTS.** Transferred to the cloud platform business critical systems associated with the management of operating activities, interaction with clients, accounting and finance, such as 1C program, ERP and CRM systems, modeling programs buildings based on BIM technologies. Also with the help of cloud technologies 95% of employees the developer transferred to remote workers places.
7. **MTS moved the power grids of Krasnodar region to the cloud.** The provider has implemented a complex innovative project for “NESK-electric networks” JSC. MTS has

developed and implemented on the cloud platform #CloudMTS automated system for remote monitoring and collection of readings electric meters. This allowed the power grid company to save on operating processes up to 30% of costs.

8. **“Corporation for the Development of Far East “ISC moved IT infrastructure to the cloud of the #CloudMTS provider.** Thanks to cloud technologies provide secure data exchange between employees and reliable operation of the organization’s website containing a service for receiving and processing applications to obtain the status of a resident of the territories of advanced development and free port Vladivostok.
9. **Leading manufacturer of aluminum packaging Tula company “Present Upakovka” moved IT systems to the cloud of MTS.** Thanks to the #CloudMTS cloud migration databases, accounting, analytical, and financial systems have reduced IT costs of the enterprise by more than a quarter.
10. **The MFC Rostov-on-Don network has moved IT systems in the MTS cloud.** MFC posted information systems in the dedicated cloud segment #CloudMTS, which is certified according to the requirements of the Federal Service for technical and export control. The solution provides government and commercial customers with reliable protection of data in accordance with the requirements of Russian legislation on working with state information systems.



MTS has increased the reliability of the data center “Avantage” using the Internet of things: all distribution data center power systems are equipped IoT sensor monitoring and control.

Data center “Avantage”

A comprehensive IoT solution allows flexible management of the infrastructure and parameters of the data center halls, regardless of the type of equipment operated and its functionality, guaranteeing customers security and safety of data.

Internet of Things (IoT)

Number of regions covered by the NB-IoT network at year-end 2020

- › In 2020, the NB-IoT network covered 78 regions of Russia; the network covers more than 90% of potential consumers.
- › The number of connected devices increased by 3.5 times as compared to 2019.

2020 Results

- › In 2020, more than a half of IoT projects accounted for the machine-building, transport, real estate, housing and public utilities and information and communications sectors.
- › In 2020, the largest growth in the number of connected IoT devices was observed in real estate and housing and public utilities (+84%), industry (+52%) and transport (+42%).
- › The growth in the number of IoT SIM cards in the MTS network was about 20% year-on-year.
- › The share of connected IoT/M2M SIM cards remains at approximately 43%.

Development plans

- › Expansion of the NB-IoT network coverage to 83 regions and bringing the number of BSs to over 40 thousand stations
- › Expansion of support for special functions of the Nb-IoT standard
- › Expansion of the portfolio of NB-IoT devices and partnerships with manufacturers in the Russian Federation
- › Creation of certification authority for IoT / partner equipment
- › Expansion of capabilities of our own IoT platform
- › IoT ecosystem development
- › Launch of new products in the areas of housing and public utilities, real estate, as well as digital services for retail

Development of NB-IoT standard

- › GOST R 59026-2020 “Information technology (IT). Internet of Things. Wireless data transfer protocol based on LTE standard in NB-IoT mode” was approved and put into effect on January 1, 2021.
- › MTS tested the NB-IoT network at the Lukoil Perm field to monitor the condition of equipment and parameters of well operation in oil fields.
- › In the spring of 2020, Russia’s first certified water meter operating on the NB-IoT Internet of Things network was integrated with the VDome app enabling the check of meter readings and payment of utility bills. Use of “smart” meters allows for reducing the payment for general household needs by 10% on average and decreasing an average bill for water

and electricity by almost half. The NB-IoT network specially designed for the housing and public utilities segment provides for stable operation of meters even in places that are hard to reach for other mobile communication standards and high energy efficiency: it enables a device to operate for up to 10 years without changing a battery.

- › **MTS connected more than two thousand electric scooters and bicycles of sharing services to the NB-IoT network in St. Petersburg, Krasnodar, Rostov-on-Don, Gelendzhik and Yessentuki.** Scooters connected to NB-IoT send information about the location and the status of the trip in real time. An NB-IoT SIM card is integrated into the scooters at the factory. This enables their protection from theft and receipt of accurate data on the status of each specific device.
- › In early 2021, MTS deployed NB-IoT network in Antarctica



In early 2021, MTS deployed NB-IoT network in Antarctica

The company deployed the NB-IoT network at Russia’s Antarctic Station “Progress” to transmit data from the devices of the Arctic and Antarctic Research Institute (St. Petersburg). Trackers, multi-sensors and sensors powered by the network will make it possible to study glacier and snow movement, as well as to monitor the integrity of snow runways and the microclimate in living accommodations and working premises.

NB-IoT devices

- › In 2020, MTS marketed the NB-IoT Development Kit, a kit of equipment to develop IoT devices. The Development Kit enables the development of devices based on the NB-IoT network that transfer small amounts of data and require high energy efficiency. The product is most in demand among the companies developing devices for segments of real estate, housing and public utilities, security, smart cities and agriculture. The product is useful for universities, startups and internal laboratories of large corporations engaged in developing digital solutions.
- › In July 2020, an open conference NB-IoT Development Kit was held for developers in the field of the Internet of Things, dedicated to use of the NB-IoT Development Kit in practical cases and tasks.
- › MTS launched an educational program on the development of devices for the NB-IoT Internet of Things network in cooperation with Russia’s leading technical universities. The project includes six universities from the regions where the Russia’s largest



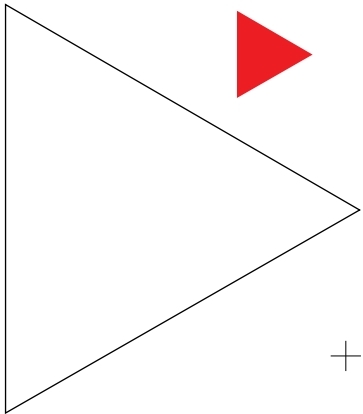
- network NB-IoT by MTS is deployed: MIEM HSE (Moscow), SUAI (St. Petersburg), TUSUR (Tomsk), MIREA (Moscow), UrFU (Yekaterinburg) and NEFU (Yakutsk).
- › The company provided 77 starter kits to universities for the development of energy-efficient IoT devices. They allow for quickly learning how to work with the NB-IoT network thanks to open source code, access to the Internet of Things platform and compatibility with the Arduino platform.
 - › In October 2020, MTS began to offer NB-IoT-Tester for corporate clients. The handheld device shows signal strength and checks data transfer over the NB-IoT.
 - › In 2020, MTS started offering six types of NB-IoT equipment from external manufacturers for B2B clients in vertical markets: gas, electricity, water meters; sensors for door and manhole opening; data collection and transfer devices (DCTD).

Projects that were able to help businesses and population to improve efficiency during the pandemic

- › In 2020, client companies introduced solutions to organize work of traveling employees 2.5 times more often than in 2019: determining the location of couriers and vehicles, automatically assigning tasks and monitoring their implementation. During the pandemic, digital solutions were actively used to distribute calls between doctors, work hours and geographic location automatically, as well as organize managing doctor groups working with COVID patients.
- › The MTS Coordinator digital product designed for maintenance and repair of equipment was introduced in the Medsi network of clinics. Digital twins were created for 32 buildings of the Medsi network of clinics. MTS developed a package of solutions to monitor health of employees and compliance with measures to prevent a spread of infections. The clients could choose one of the three solutions: a non-contact body temperature meter, an automated pre-trip or pre-shift tele-medicine control system, or a thermal imager.
- › Thermal imagers were installed at the Vyatka State University to measure students' and teachers' temperature.
- › 840 doctor workplaces were automated in Chuvashia within the framework of the national Healthcare project.
- › MTS fitted SIM cards into IoT cardiographs of emergency doctors in the Altai Territory.
- › MTS launched a smart video surveillance system in the territory of a COVID clinic in Kaluga by installing more than 100 cameras with backup storage in the cloud.

Transport and logistics

- › **MTS launched cargo transportation monitoring based on the Mobile Employees service**, which enables businesses to control the delivery of goods by logistics companies. The first client was Cartley LLC, one of the leading traders of polymer products in Russia and the CIS. The client app displays information about the route and location of the driver and the planned date and time of arrival.
- › MTS provided Yug-Agro LLC, the largest greenhouse center in Russia, with a range of digital services. MTS connected Yug-Agro to the Mobile Employees service helping the company receive information about the moving of representatives, vehicles and cargo, as well as efficiently coordinate the actions of personnel.
- › IoT Connected car at Geely and Toyota Motor. Cars are fitted with MTS SIM chips at the assembly line of Geely, and a model range of Toyota and Lexus cars for Russia is equipped with standard trackers with MTS SIM chips to collect telemetry and share user Wi-Fi.



Digital real estate

The “Data Telemetering” solution was introduced by Mezhdurechensk Vodokanal (Water Authority) within the framework of an agreement signed by MTS and the administration of the Mezhdurechensk urban district in August 2019. At that time, the parties began to cooperate in implementing projects for the development of smart city technologies designed to improve safety of urban environment and efficiency of using the city infrastructure resources through the introduction of innovative MTS services.

MTS is creating a digital residential complex in Moscow based on the Data Telemetering platform, video analytics and the Vdome+ service. Data transfer from meters is carried out via the NB-IoT Internet of Things network.

MTS started offering the first digital service for legal entities to reduce real estate tax. MTS Estate is a digital service that fully automates the process of reducing property tax by revising the cadastral value. The solution will be in demand by the companies owning large real estate: offices, factories, agricultural land, warehouses and other facilities. The service can help reduce the amount of tax by an average of 30%.

The MTS Estate digital service received gratitude from the RF CCI for its contribution to the development of digital economy of the Russian Federation. Also, the RF CCI placed MTS Estate on its marketplace (digital solution store) as one of the most prominent digital know hows of 2020.

Geo-analytics

In total, MTS implemented more than 50 geo-analytical projects in 36 regions of Russia in 2020. In the current conditions, these projects are a critically important tool for the formation of a decision-making system based on data: anonymized data allow for planning the development of infrastructure and developing the tourism potential of regions and territories.

During the pandemic, MTS data were actively used to calculate and measure fluctuations in the self-isolation index, as well as to forecast the rate and geography of the spread of the virus and take measures to prevent crowding.

In 2020, a pilot project was launched together with the Tourism Department of the Samara Region to assess **tourist flow in the region.**

Environment

MTS and the Russian Environmental Society launched a federal program for digitalization of waste collection and recycling. The MTS digital solution allows for managing a garbage collection schedule based on data on the fullness of containers, controlling timeliness and quality of territory cleaning, as well as automating the generation of invoices, conclusion of contracts and settlements with contractors.

In September 2020, MTS agreed with the government of the Nizhny Novgorod Region to implement a pilot project for solid waste (SW) digital management in Nizhny Novgorod.

Agreements

MTS will invest more than 2 billion rubles in the digital infrastructure of Kuzbass by 2022 creating joint test zones of the Smart City project to improve the quality of life in an urban environment.

In August 2020, MTS signed a cooperation agreement with the Kostroma Region, under which MTS will invest more than 1 billion rubles in implementation of digital initiatives in the region by the end of 2021. **In order to develop social and touristic infrastructure of the Kostroma Region,** MTS developed a project to provide geo-analytical big data based reports on a natural migration of citizens and tourists in the region.

Social Projects

MTS launched Russia's first Safe Digital Nursery. MTS and the administration of the Solikamsk Urban District launched Russia's first Safe Digital Nursery comprehensive pilot project within the Smart City federal project.





Private Network

A private technological wireless network (Private Network) designed for digitalization and automation of critical production and technological processes integrates various elements of production (wireless sensors and devices, IoT solutions) with IT infrastructure of an enterprise into a single closed ecosystem. Isolation from public commercial communication networks provides an increased security, reliability and safety of industrial and IT processes.

Private Network solutions (Private LTE and Private 5G-ready) are a part of the comprehensive digital platform and the basis for implementation of the entire range of digital and cloud services by MTS and its partners within the customer’s enterprise.

In 2020, MTS implemented a number of Private LTE/5G-ready pilot projects jointly with the leaders of the energy, oil and gas, petrochemical, mining and other industries and signed several commercial contracts to deploy private networks, including with SIBUR-Khimprom, Polymetal and EVRAZ. Introduction of the Private Network solutions accelerates enterprises’ digital transformation and increases production efficiency through automation and robotization of technological processes, the use of remote and autonomous working solutions, analytics and security.

In August, MTS and SIBUR, one of the largest petrochemical companies in Russia, agreed to deploy a commercial private network in the territory of the SIBUR-Khimprom plant by May 2021. The industrial Private Network will allow for developing

projects in the field of the industrial Internet of Things, augmented reality and advanced analytics to control product quality and increase productivity.

In September, MTS and Nokia deployed the first private 5G-ready network in Prikamie as part of a pilot project with UEC-Perm Engines JSC, the largest manufacturer of aircraft engines for civil aviation and industrial gas turbine units in Russia. Introduction of the Private Network solution inside a workshop allowed for increasing information security and reliability of the enterprise infrastructure.

In October, MTS and Gazprom Neft, high-tech leader of the Russian oil industry, announced deploying Russia’s first pilot private 5G-ready technological network for the needs of the oil industry based on the edge computing concept.

In November, MTS announced signing an agreement with Polymetal Group, one of the largest gold and silver producers in the world, to build a 5G-ready commercial private network that will be deployed at the Nezhdaninskoye gold ore field in the Republic of Sakha (Yakutia). Taking into account harsh climatic conditions and changing mountainous terrain, the deployment of a private network as a single high-speed platform for various technological needs will significantly increase the rate of transmitting large data amounts and the fault tolerance of the technological network, as well as reduce the cost of its maintenance.

In December 2020, MTS and Zyfra entered into a partnership agreement for MTS to develop industrial services for business clients based

on the digital analytical Zyfra Industrial Internet of Things (ZIIoT) platform. The companies plan to deploy the ZIIoT platform in the MTS cloud infrastructure and integrate it into MTS digital industrial solutions based on Private LTE/5G-ready technological networks. The use of the ZIIoT platform in the industry can significantly increase production, reduce prime cost of the products by up to 8%, reduce energy consumption by up to 25%, as well as save up to 50% of the time spent to plan and organize production.

In December 2020, MTS and Greenatom JSC, IT integrator of the State Atomic Energy Corporation Rosatom, deployed integrated digital services based on a private LTE/5G-ready network in the territory of the Kochubeevskaya wind farm of NovaWind JSC. A private network in the nuclear industry makes it possible to accelerate introduction of complex digital services and automate a number of processes using IoT telemetry collection devices.

In February 2021, as part of a pilot project, MTS deployed a private LTE network at the BKPRU-2 mine of Uralkali, one of the world’s leading producers of potassium chloride. In the future, the technology can be rapidly scaled up to the 5G standard, which will enable remote and robotized control of equipment.

In February 2021, MTS announced that it would build a private LTE/5G-ready technology network at the Sheregeshskaya mine in the Kemerovo Region for EVRAZ, one of the world’s largest steel companies, to digitalize production processes at the enterprise. The network will be deployed on Ericsson equipment

Industrial Automation Center

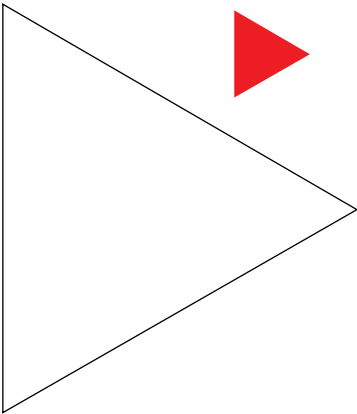
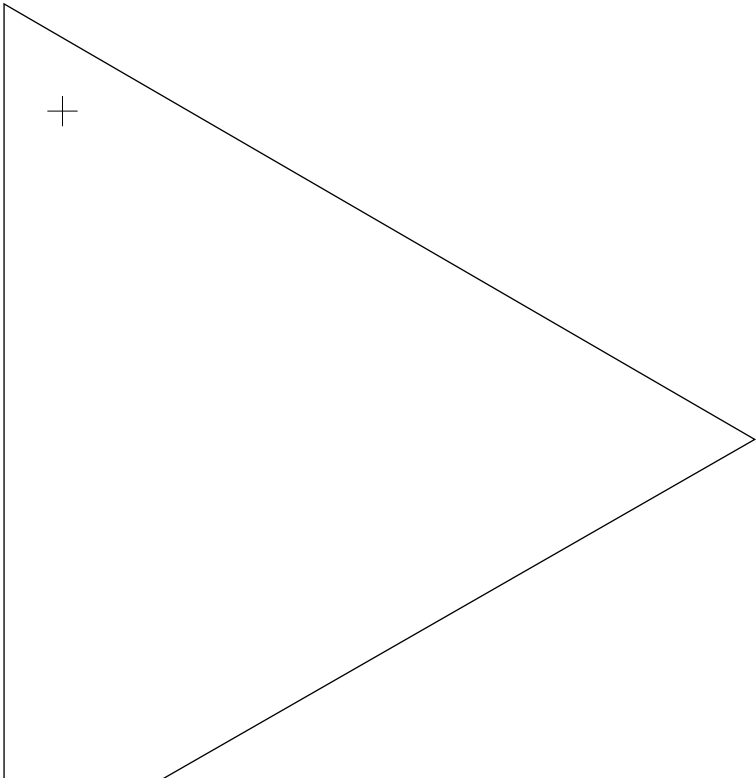
MTS develops its own digital solutions for the industry and connects partner products that allow converting capabilities of digital solutions into an ultimate business value.

In 2020, the Industrial Automation Center and the Department for Open Innovations and Investments of MTS implemented four joint partner products that expand the capabilities of the MTS Internet of Things digital platform with the following functions:

- › indoor positioning for employees and mobile units
- › indoor navigation controls
- › support for field personnel in hazardous work based on augmented reality
- › control of drones for inspection and stock-taking at warehouse facilities

The MTS Industrial Automation Center optimized the production process at the plant of Mikron, the largest microelectronics manufacturer in Russia. Big data analytics technologies were used to set up new scenarios of the production process with a 30% reduction in the time of technological setup of equipment.

MTS is introducing artificial intelligence and Internet of Things technologies at the Kirovo-Chepetsk Chemical Plant. MTS has developed predictive models that improve product quality and production process control..





“NIS”JSC
In 2020, NIS JSC (part of the MTS Group) completed the development of a platform for vertical M2M / IOT applications.

In 2020, NIS JSC was recognized as the winner in the tender of Transneft JSC for the provision of services for the technical operation, maintenance and support of the vehicle monitoring system based on GLONASS, previously developed by NIS JSC.

NIS JSC continued the complex of research, development and technological work on the preparation and deployment of the system as part of the creation of high-tech production for the Ministry of Education of the Russian Federation. In 2021, it is planned to complete the development of a solution for a new generation of integrated systems for ensuring the safety of the population's life..

Big Data
Big Data is one of the technological foundations for the most of MTS products and solutions. The key objective of this area is to provide for more efficient development of the main product verticals of the company through the use of big data technologies in the development and elaboration of company's services. With the help of big data analytics, MTS makes more personalized offers to its customers, which increases the competitiveness of products. Big data also underlie such services as MTS Marketer's solution for individual organization of advertising campaigns by business clients, geoanalytics for business and Smart City projects, and others.

MTS utilizes big data analytics to efficiently plan the development of telecommunications

infrastructure. Analysis of the dynamics of subscribers' motion and identification of mass congestion points allow preventing overloads and assessing the need to install additional equipment. With the help of Big Data, MTS also analyzes pedestrian traffic in retail stores and forms a strategy for retail network development. Based on geoanalytics data, the company reduced the number of low-traffic showrooms by 10% in 2020.

While continuing to develop the practical use of Big Data in various industries, MTS implemented a number of projects for the advertising market, having developed analytical tools that allow to increase the efficiency of outdoor advertising and measure its impact on indicators significant for business: calls, clicks and visits of advertiser's clients.

The Big Data team keeps cooperating with MTS Bank; every fourth loan in 2020 was issued thanks to the joint work of the bank team and the Big Data center within the MTS ecosystem.

MTS Center for Artificial Intelligence
The MTS Center for Artificial Intelligence is engaged in the development of unique innovative products; it supplements the Company's existing services with new functions based on artificial intelligence systems, and implements R&D projects in the field of AI and ML. In 2020, the position of Vice President for Artificial Intelligence was added to the composition of the MTS Management Board. The main task of the unit's transformation was the creation of a unified designer of product teams in order to bring new AI services to the market as soon as possible.

MTS is a member of the Alliance for Artificial Intelligence Development along with Sberbank,

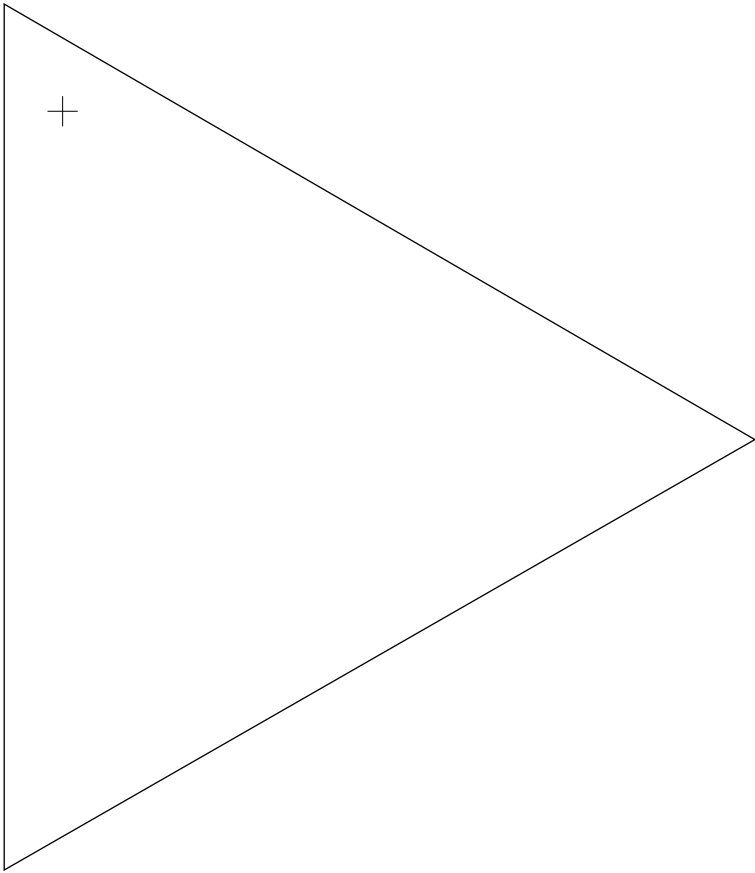
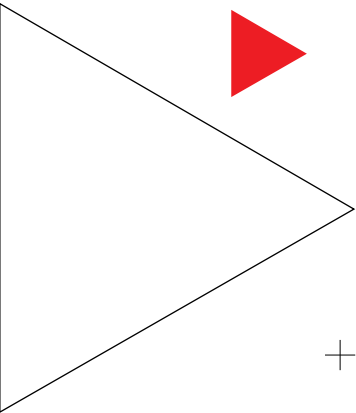
Yandex, Mail.ru Group, the Russian Direct Investment Fund (RDIF) and Gazpromneft. As part of the Alliance's activities, MTS oversees the Data track, including a research of the market needs for datasets (sets of structured anonymized data) and an analysis of the current markup level of publicly available datasets.

In 2020, MTS acquired a 7.5 % stake in Just AI Limited, a company engaged in research and development of spoken artificial intelligence technologies. As part of cooperation with Just AI, MTS conducts joint research in the field of conversational interfaces and plans to integrate Just AI developments into MTS services.

While continuing to develop the practical use of AI in various industries, MTS and the Land of the Leopard Federal State Budgetary Institution created software for automatic recognition of Far Eastern leopards, tigers and other

animals in photographs from cameras installed in the territory of the reserve and the national park. The solution developed by experts from the MTS Center for Artificial Intelligence based on computer vision technology will help in preservation and study of Amur leopard, the world's rarest large cat.

The MTS AI Center is actively working in the field of education and scientific projects, collaborating with leading technical universities of the country and technological clusters. MTS launched the Conversational Intelligence Technologies specialization within the Master's program System and Applied Software at the Faculty of Computer Technologies and Management of ITMO. Disciplines studied by future masters in the course of education include automated text analysis, graph knowledge bases, and architecture of dialogue systems.



FINANCIAL OVERVIEW¹

I am pleased to announce that MTS finished the year perfectly well. Despite global challenges, we achieved record high financial results in Russia in 2020. Our core telecommunications business has shown strong growth in both wireless and wired segments. In our new verticals, we saw a sharp increase in the positive dynamics of KPIs. In the FinTech, MTS Bank's net interest income grew by 32 % year-on-year. In the media vertical, an increase in new users of the OTT platform amounted to 1.5 million subscribers – this increase is greater than the total number of users of the service at the beginning of last year. In the corporate digital solutions market, we have increased the number of devices in MTS networks for the Internet of Things by 30 % and achieved a double-digit growth in the cloud business revenue.

All in all, we went through the first year of our CLV 2.0 strategy implementation at a good pace and achieved our intended results. We will continue to gain momentum and move towards becoming a leading Russian provider of advanced digital services on the basis of our infrastructure.

Vyacheslav Nikolaev,
MTS' President

MEETING FORECASTS FOR 2020

	2020 Forecast	2020 Results
Выручка	over +3%	+5.2%
OIBDA	up to +2%	+1.7%
CAPEX	about 90 billion rubles	96.9 billion rubles (91.6 billion rubles, taking into account the effect of financial derivatives)

Adjusted OIBDA of the Group for 2020 increased by 1.7 % versus the same period of the last year – to 215.2 billion rubles. The growth was driven by high revenues from the basic services, which were at the same time constrained by negative factors, including lower consumption of high-margin international roaming services amid the COVID-19 pandemic; reserves in MTS and MTS Bank; one-time effect due to real estate transactions in Q1 2019.

Andrey Kamensky
MTS Management Board Member,
Vice President for Finance

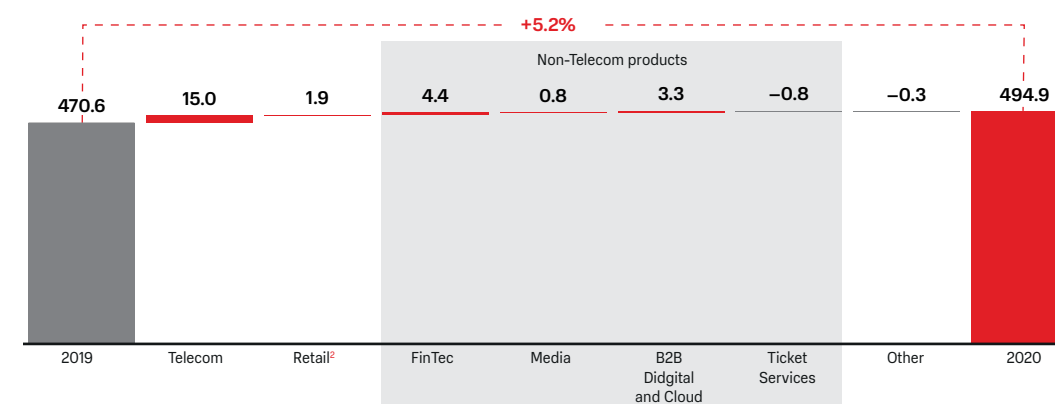
MTS Group's revenue for 2020 increased by 5.2 percent vs 2019 to 494.9 billion rubles. Annual dynamics of the MTS Group's revenue is due to both the dynamics of consumption of basic telecommunications services and the development of new business segments, with media and FinTech areas, as well as cloud and digital solutions for the business market providing almost a third of the annual revenue growth.

Andrey Kamensky,
MTS Management Board Member,
Vice President for Finance

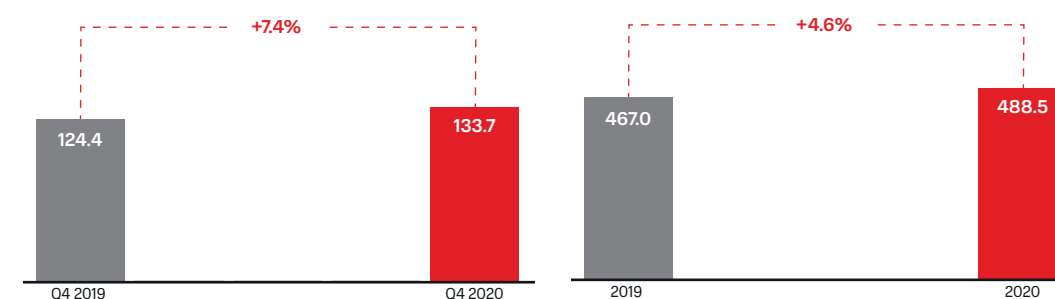
GROUP REVENUE

growth of the core business and new areas

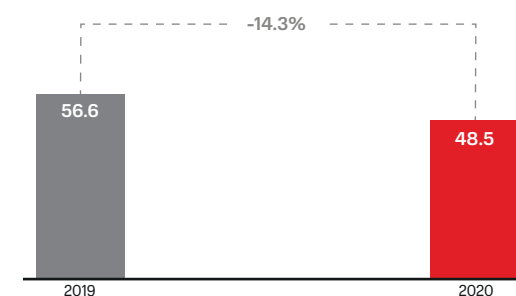
Revenue of the Group¹ (billion rubles)



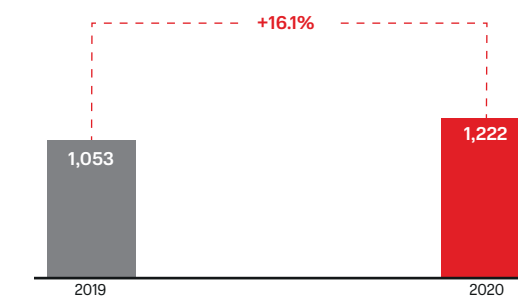
Revenue in Russia (billion rubles)



Revenue in Armenia (billion dram)



Revenue in Belarus³ (billion Belarusian rubles)



- Positive results of MTS Group in 2020 due to:
- Growth of mobile revenue in Russia related to the growth of traffic and communication services consumption
- Growth in consumption of FinTech and media products, services of MTS Bank, cloud and digital solutions for corporate clients

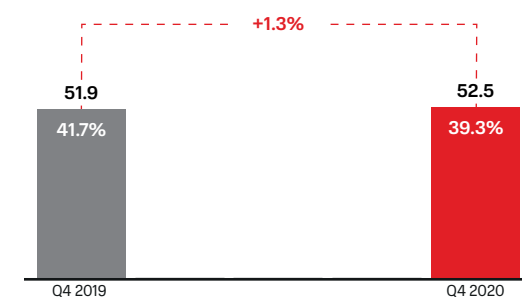
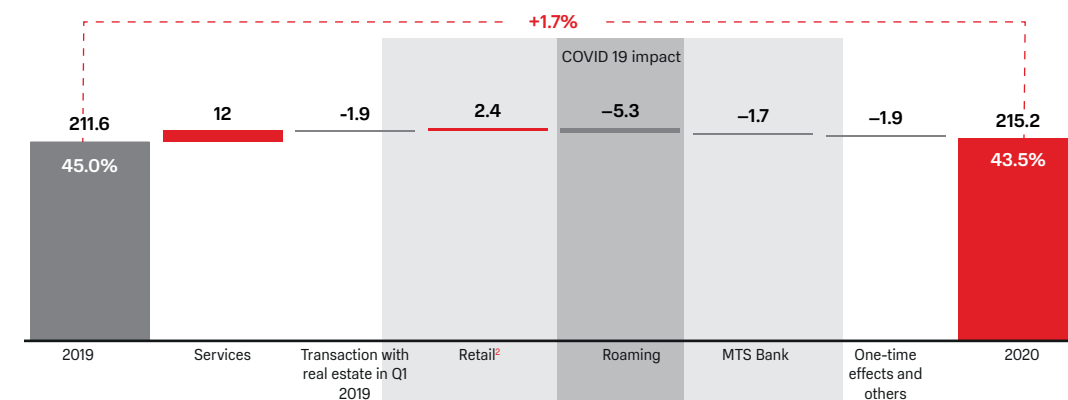
¹ Information on the consolidated financial and operating results of MTS Group for Q4 2020 and entire 2020 is available on the company's website: Financial statements — Moscow (mts.ru).

² The amount may vary due to rounding of individual digits; management accounting data
³ Retail - RTK JSC, 100% subsidiary of MTS, provides customer service and sells SIM cards, services, products of the MTS ecosystem, gadgets and other devices in retail stores
³ MTS owns a 49% stake in MTS JLLC in Belarus, which is not consolidated

ADJUSTED OIBDA OF THE GROUP

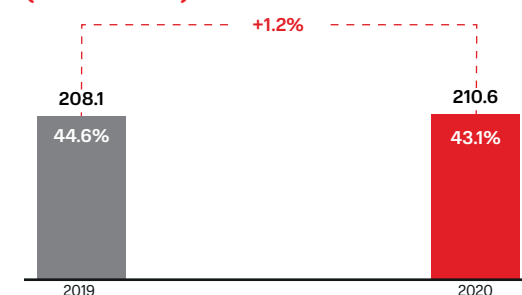
Sustainability

\\ Factor analysis of adjusted OIBDA of the Group¹ (billion rubles)

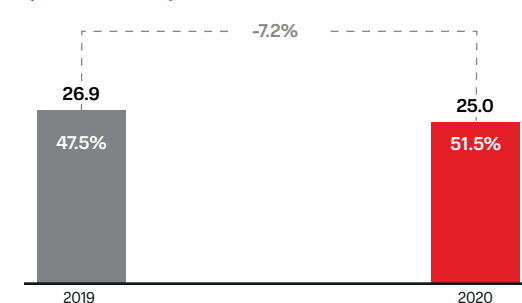


- > Growth in OIBDA of the Group due to stable increase of income from basic services
- > OIBDA of the Group was impacted by: a decrease in revenues from international roaming amid the COVID-19 pandemic, the effect of MTS Bank and the effect of a high base in Q1 2019 resulting from one-time real estate transactions

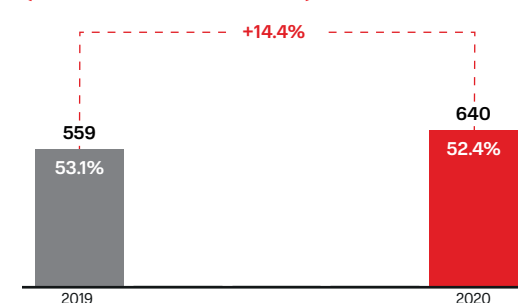
\\ Adj. OIBDA and margin in Russia³ (billion rubles)



\\ OIBDA and margin in Armenia (billion dram)



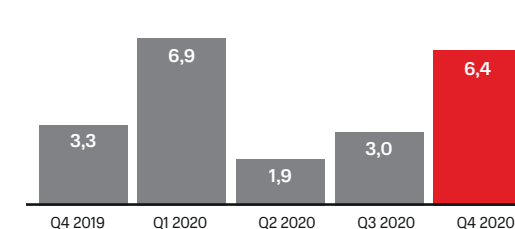
\\ OIBDA and margin in Belarus (billion Belarusian rubles)



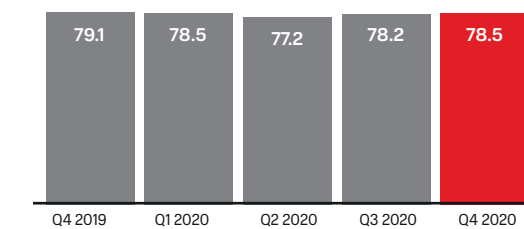
TELECOM

Income growth and subscriber base recovery¹

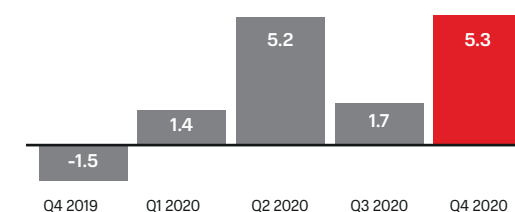
\\ Growth in revenue from mobile services %



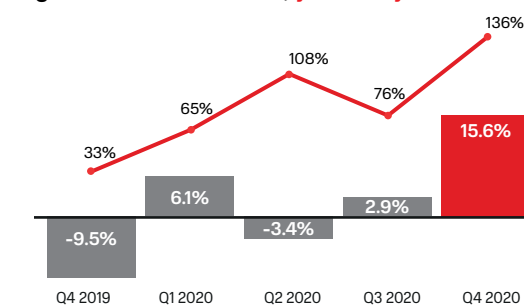
\\ Three-month subscriber base, million subscribers



\\ Growth in revenue from fixed services, %



\\ Sales of devices and accessories and growth of online sales, year-on-year



¹ Adjusted OIBDA does not include losses from impairment of non-current assets amounting to 796 million rubles for Q4 2020 and to 2.023 billion rubles for the entire 2020; the amount may vary due to rounding of figures. Adjusted OIBDA for Q4 2019 does not include a reversal of losses from impairment of non-current assets to 148 million rubles

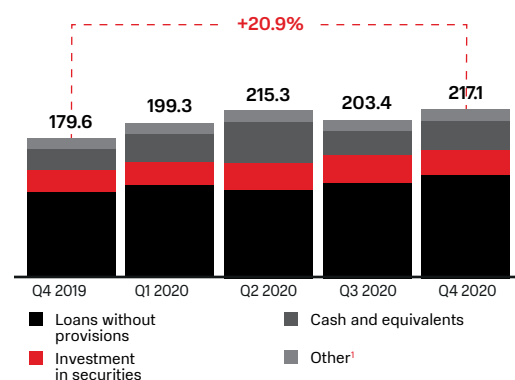
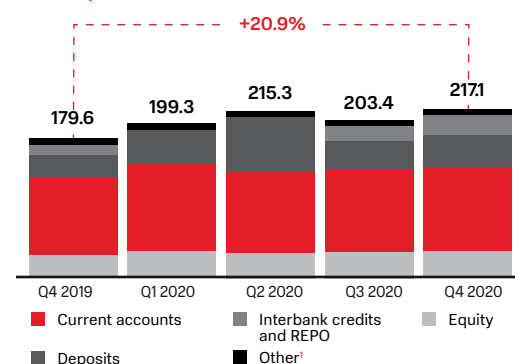
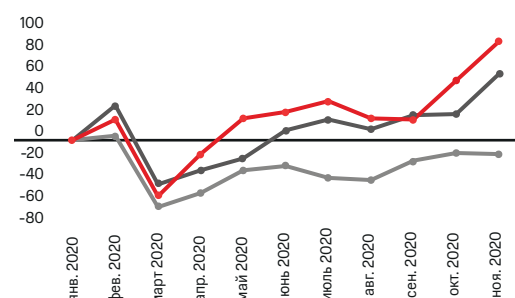
² Retail - RTK JSC, 100% subsidiary of MTS, provides customer service and sells SIM cards, services, products of the MTS ecosystem, gadgets and other devices in retail stores

³ Adjusted OIBDA does not include losses from impairment of non-current assets amounting to 808 million rubles for Q4 2020 and to 2.088 billion rubles for the entire 2020.

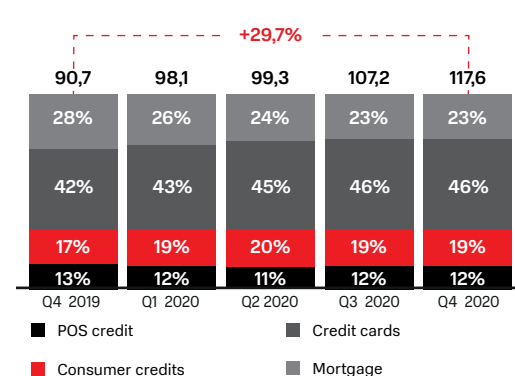
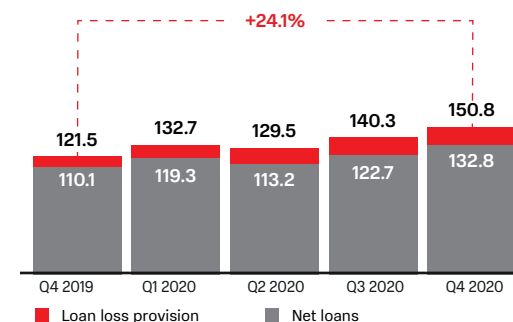
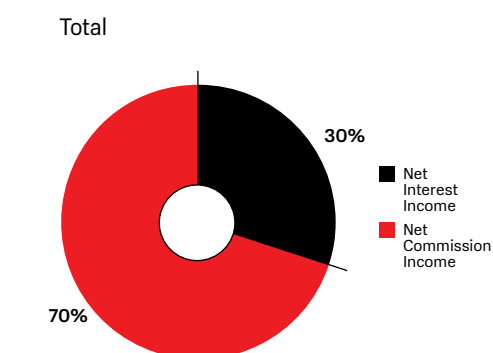
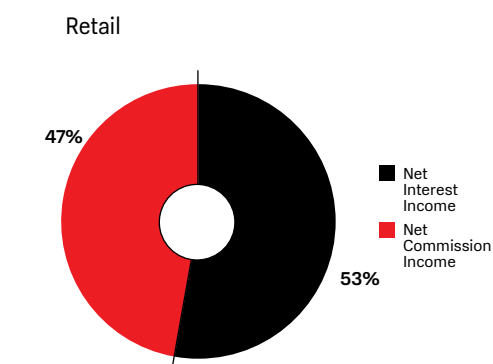
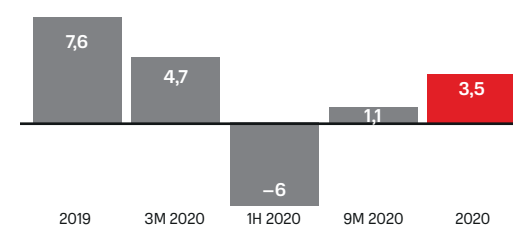
¹ Russian.

RUSSIA*Fintech**

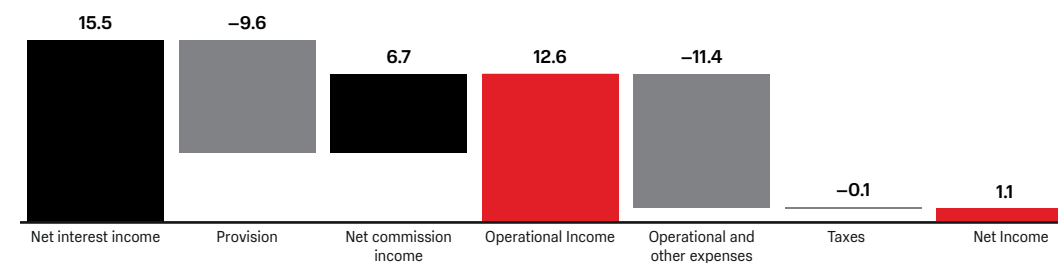
MTS Bank, key indicators

\\ Assets, bln rubles**\\ Liquidity Sources, billion rubles at the end of the period****\\ Changes in monthly issued credits in relation to January 2020¹**

- › MTS Bank entered TOP 5 for its growth rates of the retail credit portfolio, top 10 for the amount of the credit card portfolio, top 10 of the best mobile banks for daily tasks²

\\ Credits of physical persons, bln rubles. End of period**MTS Bank: positive net profit****\\ Gross loan portfolio (bln rubles)****\\ Sources of income, % of operating revenue before deduction of reserves****\\ Return on Equity¹, %**

- › Notwithstanding significant negative consequences of the pandemic for the whole bank sector MTS Bank completed the year with a growth in the credit portfolio and positive financial result

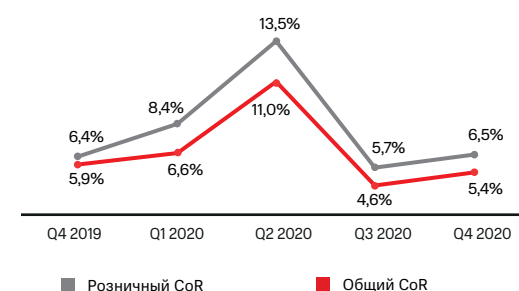
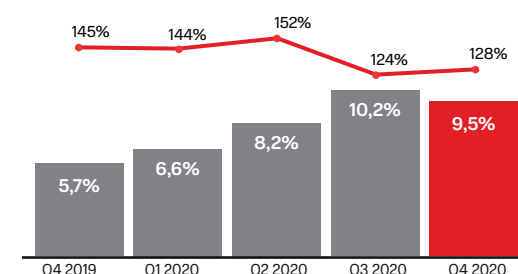
\\ 2020 MTS Bank Income (bln rubles)

¹ Other assets include real estate, fixed assets, deferred taxes, intangibles and other assets
² The source is Frank RG, data by MTS Bank.
³ По данным Banki.ru, Frank RG, Markswebb.

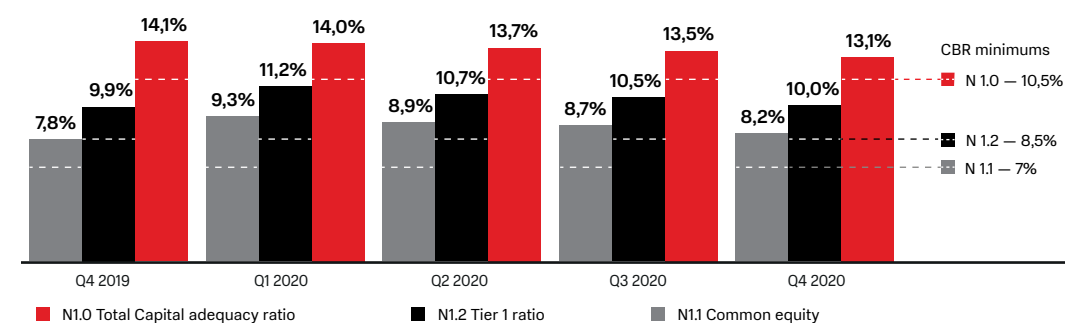
¹ Source: IFRS statements, Q4 2020 data calculated by MTS

MTS Bank NPL decreased, COR stable

\\ Cost of Risk (CoR), %

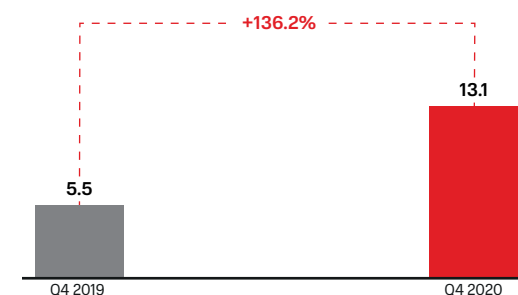
\\ Overdue credits,
% of the retail portfolio,
% of NPL coverage with provision

\\ Capital adequacy ratios (Quarter-end, Basel III), %



> The bank maintains a comfortable capital stock in excess of the standards, taking into account regulatory surcharges. Risk is assessed as low

\\ Factor analysis of the Group net profit, %



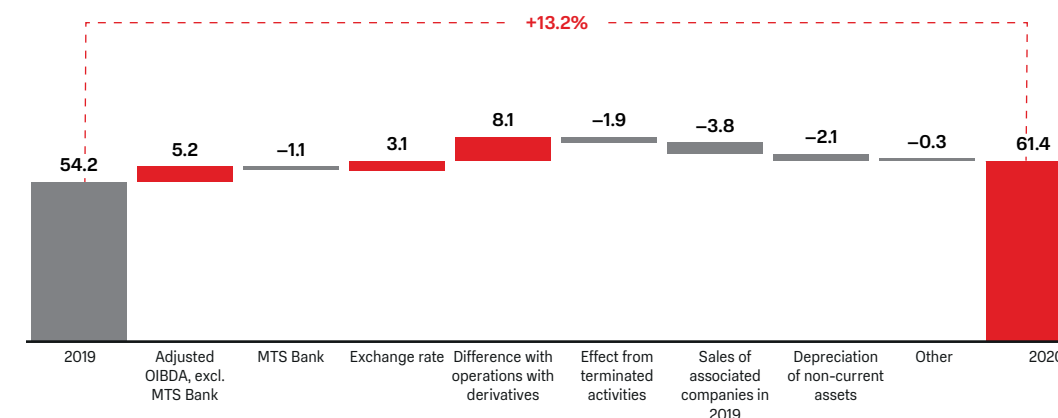
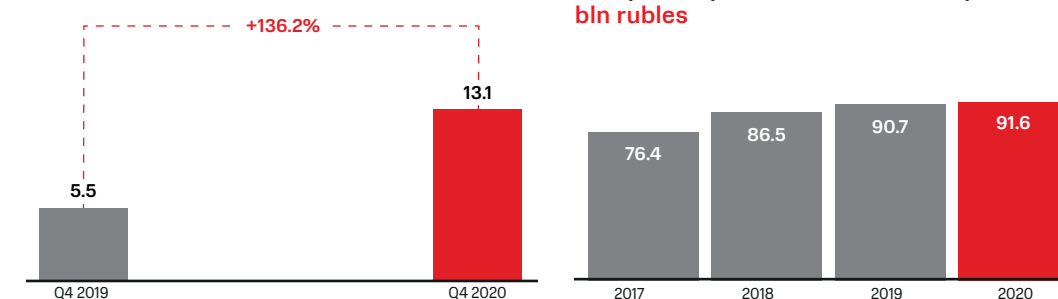
FINANCE

Stability of the main business

The growth of the net profit was due to stable indicators of the main business and an increase in net interest expenses, which reflects current MTS' steps for optimization of the debt portfolio as well as effect from changes in exchange rates and operations with derivative instruments regularly used by the company to decrease volatility

The negative impact on the net profit was made by results from terminated activities, transaction of MTS Bank, and depreciation of assets in sales of tickets and entertainment

\\ Factor analysis of net profit of the Group, bln rubles

\\ Capital expenditures of the Group¹,
bln rubles

Development of infrastructure and new areas

In 2020 MTS Group constructed 16.3 thousand stations in 78 regions of Russia including 14.5 4G stations

For the entire 2020 consumption of mobile Internet at smartphones in MTS network increased by 38.6% vs. 2009, and penetration of smartphones in the MTS network was 78.1% vs. 74.5% late 2020 in the fourth quarter of 2019

	2020		2019	
	Capital expenditures of the Group, bln rubles	In % of the revenues	Capital expenditures of the Group, bln rubles	In % of revenues
Russia ²	95.0	n/a	81.0	n/a
Armenia ³	1.9	26.0%	1.5	19.7%
Group ⁴	96.9	n/s	90.7	n/s

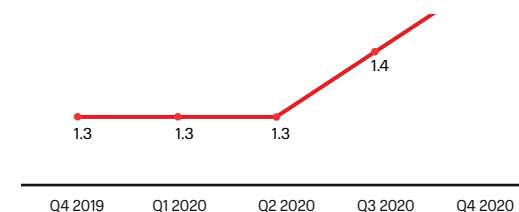
¹ CAPEX of the Group in 2020 was 91.6 billion rubles, taking into account money receipts under swap contracts related to changes in foreign exchange rates against the ruble; excluding this factor, CAPEX of the Group in 2020 was 96.9 billion rubles

² Excluding money receipts under sharing agreements

³ Excluding 0.3 billion rubles for the purchase of 4G licenses in Armenia in 2019

⁴ Excluding the expenses to purchase 4G licenses in Armenia in 2019, excluding money receipts under sharing agreements

Financial stability and decrease in the debt value

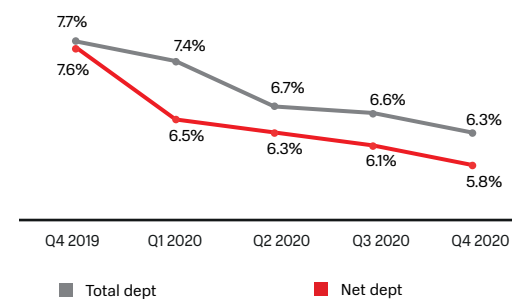
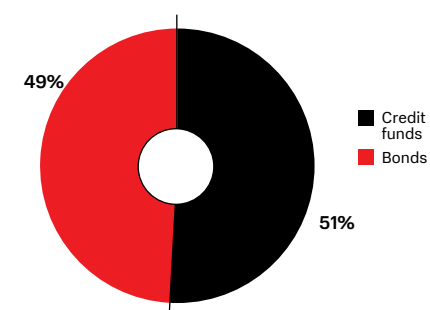
\\ Net debt¹ to LTM of adjusted OIBDA

BO-02 Ruble bonds contains put options which can be executed in March 2021 as of December 31, 2020

Relation of the net debt to LTM of adjusted OIBDA remains at the 1.5x comfort level which allows to retain financial stability and the ability of the company to support both the volume of investment and high profitability for shareholders

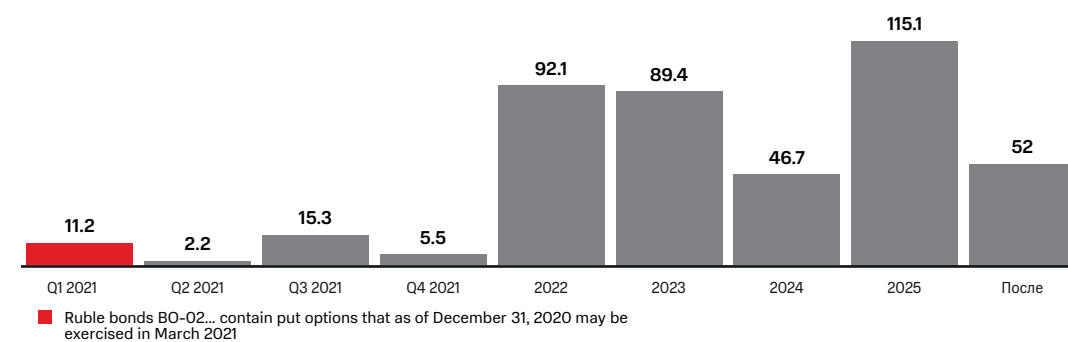
In the 4th quarter of 2020 MTS decreased the average weighted interest rates of the total debt from 7.7% to 6.3% in the 4th quarter of 2020 thankful to optimization of the debt portfolio.

\\ Weighted average interest rates

\\ Total dept structure³

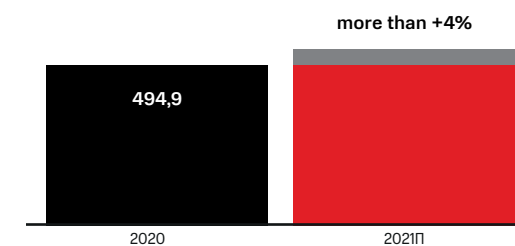
\\ Schedule of debt payment, bln rubles

Total debt of the Group = 429.5 bln rubles
Net debt of the Group = 317.6 bln rubles

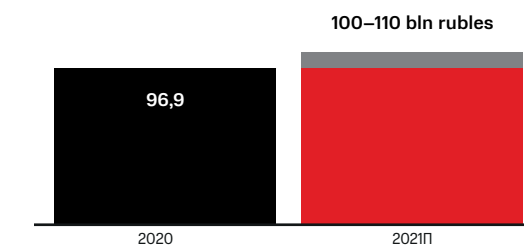


Forecast for 2021

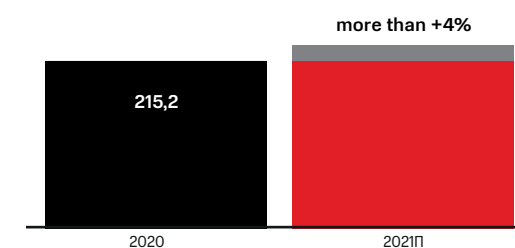
\\ Revenue of Group, bln rubles



\\ Group Capex, bln rubles



\\ Adjusted OIBDA of Group, bln rubles



¹ Excluding leasing obligations
² Excluding debt raising costs

CORPORATE GOVERNANCE

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REPORT BY THE BOARD OF DIRECTORS

RESULTS OF 2020 IN THE CONTEXT OF IMPLEMENTING THE COMPANY'S STRATEGY

The Board of Directors is the senior collective corporate governance body of MTS PJSC. Its key functions include:

- › making managerial decisions of a strategic nature, ensuring the company's long-term sustainable development;
- › selecting an effective management team;
- › ensuring comprehensive protection of investors' rights and interests;
- › ensuring the transparency and efficiency of financial flows;
- › monitoring compliance with standards and implementing best corporate governance practices.

Throughout 2020, the MTS Board of Directors met 14 times in the form of face-to-face meetings, video conferences and absentee voting to make decisions on key issues. Preliminary elaboration of decisions, as well as consideration of less significant issues that do not require approval by the Board of Directors, were arranged within the framework of six dedicated committees with the participation of invited experts, representatives of the management and members of the Board of Directors.

It is worth recalling that in October 2019, the Board of Directors approved a new strategy of the MTS Group, Customer Lifetime Value 2.0 (CLV 2.0), which provides for building up an ecosystem of digital services around the client and their needs. The primary goal of the ecosystem approach is to increase the frequency of contacts with the client, enhance the client's loyalty and make

interaction with the client more durable. This will make it possible to transfer more value to the client and in turn get more value from the client¹.

Implementation of the new strategy, in fact, was the transition from a single-industry (telecommunications) to a multi-industry business logic and, as a consequence, to a new organizational structure of the company. Throughout 2020, we fine-tuned this structure, making targeted personnel decisions aimed primarily at strengthening digital areas and individual product teams working in them. The most outstanding decision within this line of activity was the introduction of the position of a member of the Management Board — Vice President for Artificial Intelligence, which demonstrates our desire to give the maximum impetus to the development of digital competences at MTS.

The company's entry into new digital markets, characterized by high dynamics and increased requirements to the pace of product development and the ability to quickly respond to the competitive environment and clients' demands, assigned us with a task of finding new formats for organizing the workflow of product teams and methods of interaction between departments. We came to the conclusion that this task requires a systematic approach, and after evaluating all arguments, we decided to implement a program for comprehensive transformation of the corporate culture. It is noteworthy that the process of "Digital transformation of the company" had been previously one of our strategic priorities, therefore, more profound changes in the cultural environment became its natural continuation. Examination of issues related to this area, its elaboration together

with the management and at the level of committees constituted a significant part of the Board's activities in 2020.

In the field of M&A, we considered the feasibility and made decisions on the participation in a number of companies and projects related mainly to digital business areas that are new to us. We plan to continue using the full array of tools (including M&A), which enable us to enter promising markets and strengthen our presence there, as well as to build up the relevant product competences.

The 2020 realities required the company to make quick decisions regarding the distribution of financial flows, in particular, the dynamic adjustment of budget revenue and expenditure items. As a result of hard work, we managed to compensate for the loss of some part of income and origination of additional costs for measures to protect the health of clients and employees by reducing operating costs in other areas (operating costs for offices, temporary closure of retail network points of sale and branches of MTS Bank, etc.). Meanwhile, all the necessary approvals for budget changes were promptly considered and approved by the Board.

One of the key functions of the Board of Directors is to protect the rights and interests of shareholders, in particular, to monitor compliance with the company's Regulations on Dividend Policy and to ensure the approved amount of dividends¹. As part of this function, the Board made decisions regarding the dividend payments, as well as the implementation of the share redemption

¹ Detailed information on the strategy is provided in the section "Our Strategy".



program.
It should be noted that as a result, 2020 became a record year in the history of MTS in terms of the amount of payments to shareholders, which once again confirms our commitment to translate the company's financial results into shareholder value¹.

The following can be noted among other issues considered by the MTS Board of Directors in 2020 and the respective decisions made.

- › The Board reviewed and made decisions regarding the strategies of individual business areas. Furthermore, promoting MTS right to form its position as a shareholder, the Board reviewed reports on performance results and strategies of subsidiaries.
- › In order to ensure the continuity of cash flow, the proper level of company funding and to maintain the optimal structure of debt and the level of debt burden, decisions were made regarding the attraction of borrowed funds and exchange bonds program.
- › The MTS budget and capital expenditures program have been reviewed and approved.
- › A program of motivation and long-term material incentives for employees was considered and adopted in order to ensure a high level of labor productivity and quality of company management. A comprehensive and qualified assessment was also given as to the effectiveness of company management.
- › Following the best corporate governance practices, the Board considered a number of issues related to functioning of the internal audit, control and compliance system, as well as the risk management system.
- › Within the framework of ensuring shareholders' rights and interests, all necessary procedures for convening general meetings of shareholders were carried out; the materials were prepared to provide information about the results of the company's activities; and voting was provided on all issues requiring shareholders' approval.
- › A Special Committee under the Board has been established for the project to unite the personnel of MTS PJSC in the integrated office space in Moscow.

In June 2020, in accordance with the decision of the General Meeting of Shareholders, the composition of the Board of Directors of MTS PJSC

was changed. Instead of Vsevolod Rozanov, Aleksey Katkov and Antoniou Antonios Theodosiou, who left the Board, Konstantin Ernst, Nadia Shouraboura and Shaygan Kheradpir were elected as independent directors, while the number of independent directors reached six out of a total of nine persons. These appointments were made in order to strengthen the competence and expertise of the Board in respect of promising industries and markets and are in line with the best corporate governance practices, in particular, the recommendations regarding the regular rotation of directors. We are confident that the renewal of the Board's composition will facilitate the new views and ideas and have a positive impact on the Board's activity.

DEVELOPMENT OF THE CORPORATE GOVERNANCE SYSTEM AND PLANS FOR 2021.

In previous years, one of the priority tasks within the framework of the Company's corporate governance development was to implement the recommendations of the Corporate Governance Code. We put a lot of effort into implementing its recommendations. It is important to remember that we fully complied with more than 80% of all principles and recommendations of the Code by the end of 2017, according to our estimates. The results of our work were evaluated by the Bank of Russia and the expert community.

For example, in 2019, our company entered the calculation base of the corporate governance index RUCGI, becoming one of the TOP 10 companies in the index.

In 2020, our main efforts were aimed at maintaining the achieved level of development of the corporate governance system and fine-tuning it. In particular, we put much effort to maintain a high position of MTS in the annual National Corporate Governance Index and conducted the first external assessment of the MTS Board of Directors.

One of the important tasks for the development of the corporate governance system of MTS in 2021 will be to implement measures based on the results of an external assessment of the MTS Board of Directors.

ASSESSMENT OF THE BOARD OF DIRECTORS PERFORMANCE



Determining the right business development strategy is one of the main components of its success. The Board of Directors is responsible for strategic management of the company; therefore, it is very important that its activities always remain effective. This goal can be achieved through evaluation of performance of the Board of Directors.

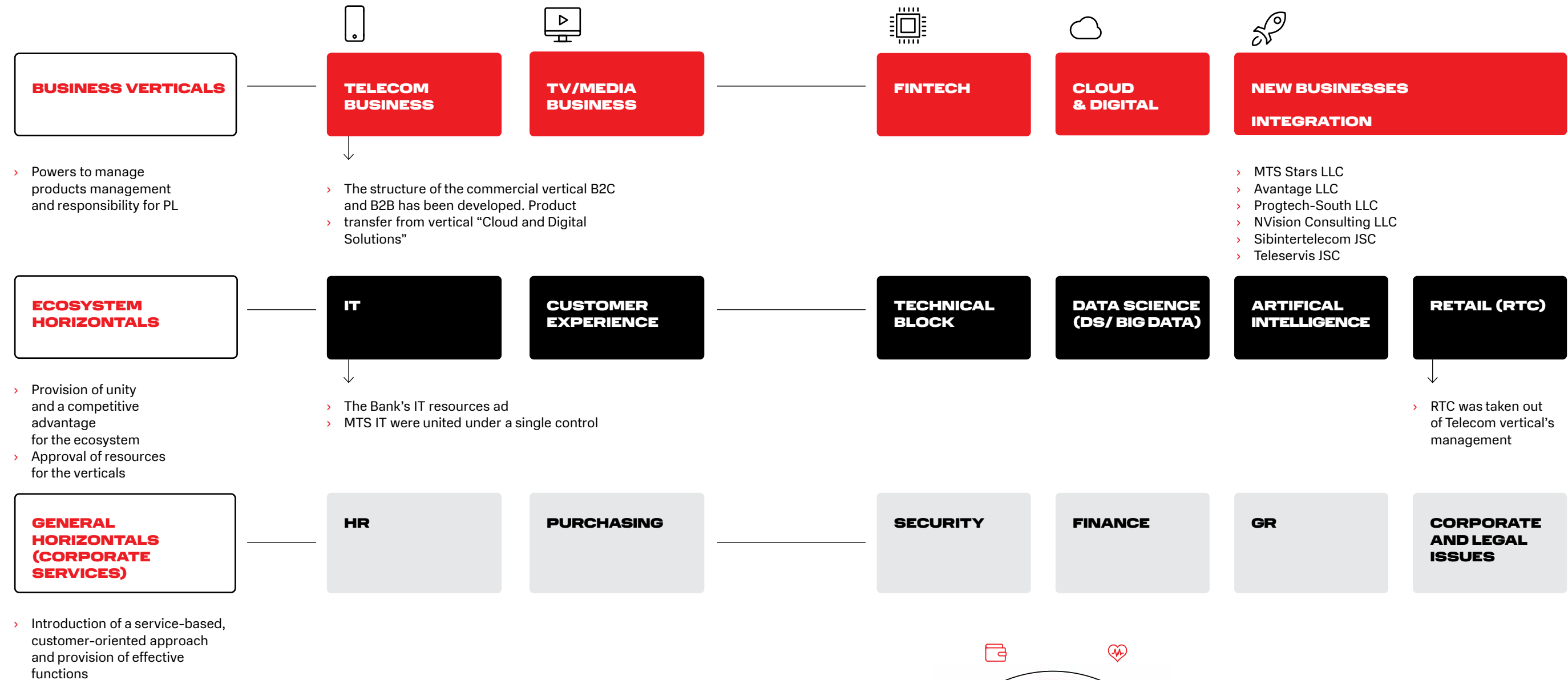
In 2020, we conducted the first external assessment of the BoD performance with the involvement of a team of independent consultants. You may find out more details about its results below in this section.

F.V. Yevtushenkov,

**Chairman of Board of Directors,
MTS PJSC**

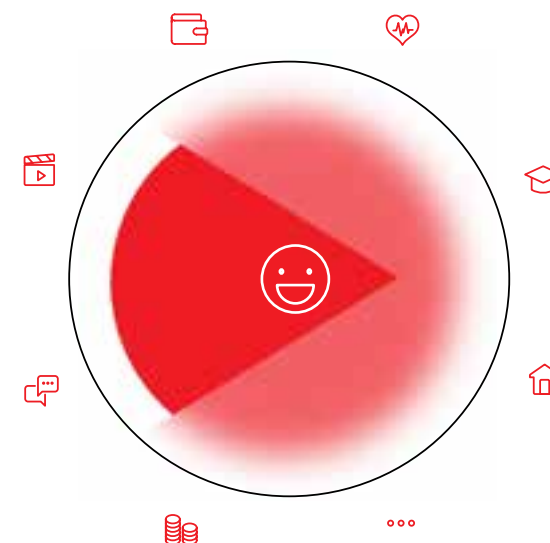
¹ For detailed information see section "Interaction with Shareholders and Investors".

MTS GROUP GOVERNANCE SYSTEM



MTS developed a strategy to build an ecosystem

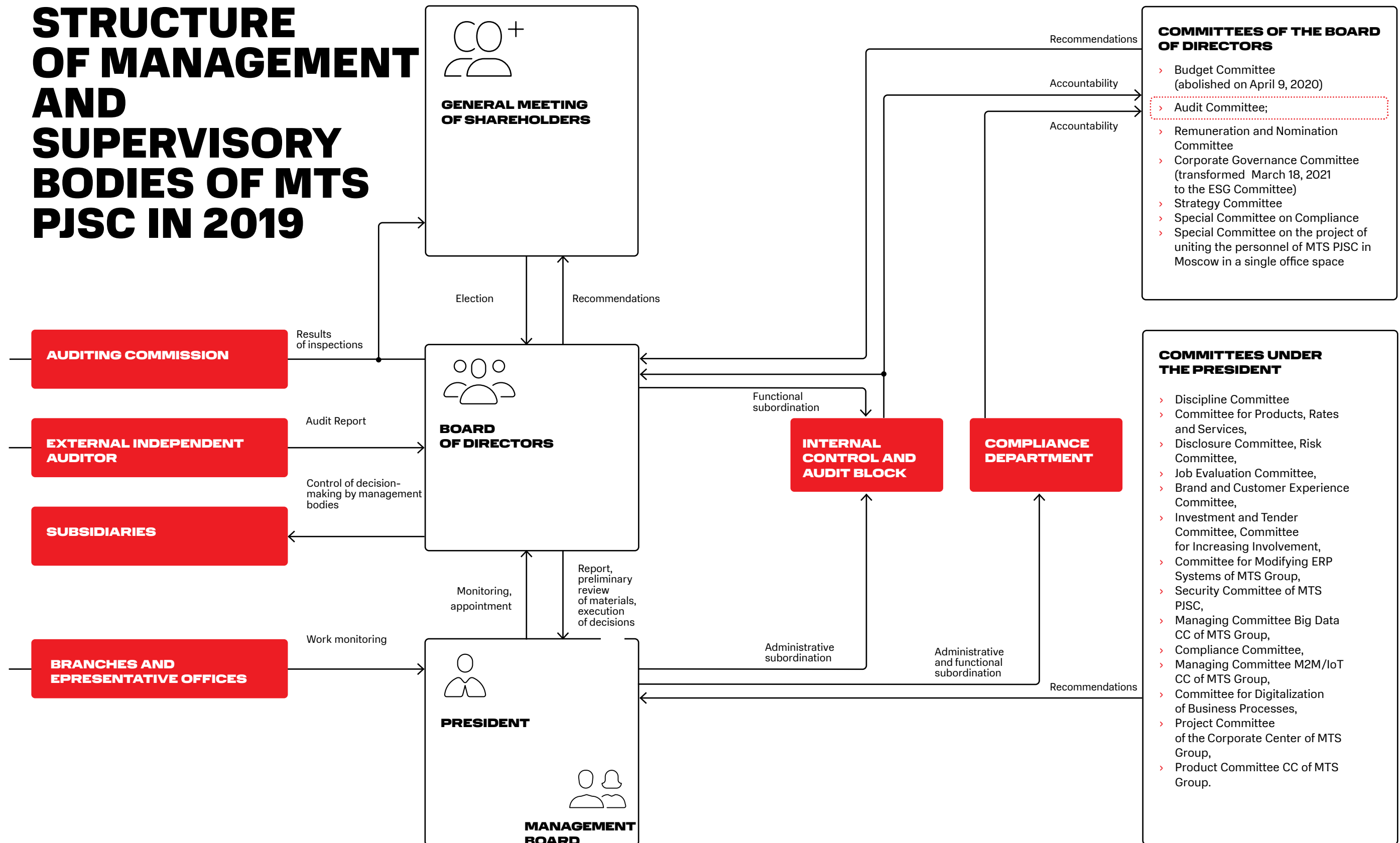
where 4 verticals and ecosystem horizontals were distinguished on the basis of the legacy telecom-centered MTS business. The verticals contain products, while the horizontals "permeate" and support them.



We maximize CLV of every client due to:

- › Multi-product approach
- › Seamless and personalized customer experience
- › Focus on long-term relationships and loyalty

STRUCTURE OF MANAGEMENT AND SUPERVISORY BODIES OF MTS PJSC IN 2019





Management bodies	
General Meeting of Shareholders	Higher Governance Body of MTS PJSC. Procedure for holding the General Meeting of Shareholders is aimed at ensuring the adherence to the rights of shareholders, and meets all the requirements of the Russian Federation legislation. Procedure for the preparation, convocation, holding and summarizing of results of the General Meeting of Shareholders is defined by the Chart and the Regulations on the General Meeting of Shareholders of MTS PJSC ¹ .
Board of Directors	The Board of Directors carries out general management of MTS PJSC activities. It is a key element of the Company's corporate governance system, representing the interests of shareholders through an effective management organization. Establishment procedure, status, composition, functions, tasks and objectives, powers of the Board of Directors, its operating procedure and interaction with other management bodies of the company are determined by the Charter and the Regulations on the Board of Directors of MTS PJSC ² .
Management Board	Collective executive body of MTS PJSC. It organizes the effective day-to-day management of the Company's current activities, including the implementation of decisions taken by the Board of Directors within its current competences. The number and identities of the Management Board members shall be approved by the Board of Directors upon a proposal by the President. The Management Board Chairman is the President of the Company. The Management Board follows the Charter and the Regulations on the Management Board of MTS PJSC in its activities ³ .
President	The sole executive body of MTS PJSC who exercises a day-to-day management of the Company's current activities. The activities of the President shall provide for profitability and competitiveness of the Company, its financial and economic stability, enforcement of rights of the shareholders and social guarantees of the Company's employees. The President governs the Company's activities in accordance with the Charter and the Regulations on the President of MTS PJSC ⁴ .
Internal Control System	
Audit Committee of the Board of Directors	The Audit Committee is a collective advisory body of the Board of Directors that reviews issues related to the monitoring of risk-management and internal-control system's performance, compliance and corporate governance system, reliability of the financial statements of the MTS Group, the independence and objectivity of internal and external audit functions performance, consideration of nominees and assessment of the performance of external auditors, and also provides recommendations to the Board of Directors for it to make decisions on such issues.
Auditing Commission	The Auditing Commission is a permanent elective body of the Company, exercising periodic control over the financial and economic activities of the Company, and the activities of its management bodies and executive officers. Its activities are regulated by the Charter and the Regulations on the Auditing Commission of MTS PJSC ⁵ .
Internal Audit Block ⁶	The Internal Audit Block is a standalone structural division of MTS PJSC and consists of the Corporate Interaction Department, the Special Audit Department, and the Process Audit Department ⁷ . Head of the Internal Audit Block is the Director for Internal Audit who is functionally subordinated to the Board of Directors of MTS PJSC, and administratively subordinated directly to the President of MTS PJSC. The objectives, tasks, obligations, principles of functioning and powers of the Internal Audit Block are set forth in the "Internal Control and Audit" Policy ⁸ . The Internal Audit Block carries out its activities while complying with the mandatory guidance of the international Institute of Internal Auditors, which includes the Main Principles of Professional Practice of Internal Audit, Code of Ethics, International Professional Standards of Internal Audit and Internal Audit Definition.

Internal Control Systems Department	The Internal Control Systems Department is a structural division to be a part of the Finance Block of the Corporate Center of MTS PJSC and consists of the ICS development department for the key business, the ICS development department for integrator business, the ICS development department for financial technologies and commerce, the Functional Group for Certification and General ICS Methodology. The Internal Control Systems Department is headed by the director of the department, who is directly subordinated to the Member of the Management Board and Vice President for Finance of MTS PJSC and reports to the Audit Committee under the Board of Directors of MTS PJSC.
Ethics & Compliance Department	The Ethics and Compliance Department is a standalone structural division consisting of the Risk Assessment and Operational Support Department, the SC Transactional Compliance and Compliance Integration Group, the Center for Relations with Regulators, the Regulatory Functional Group, the Internal Investigation Functional Group, and the Communications and Training Compliance Functional Group. The Vice President for Ethics and Compliance is directly subordinated to the President of MTS PJSC and reports to the Audit Committee under the Board of Directors and the Board of Directors of MTS PJSC. The activities of the department are regulated by the Regulations on the Ethics and Compliance Department.
Auditor	Independent assessment of reliability of the Company's accounting (financial) statements. In order to audit and approve the annual financial statements of the Company, the General Meeting of Shareholders annually approves the Auditor.

CORPORATE GOVERNANCE SYSTEM IMPROVEMENT

Key MTS corporate governance principles include:

- › comprehensive protection of shareholder rights and interests;
- › information openness and transparency;
- › single corporate policy in respect of subsidiaries;
- › independence of the Board of Directors when defining the Company's strategy, approving business plans, and making other important decisions;
- › control over management activities;
- › observance of business ethics when doing business;
- › doing socially responsible business aimed at ensuring the sustainable development of the Company and its welfare.

The procedures for preparing and conducting the General Shareholder Meeting enable MTS to ensure equal attention to all shareholders from the company when they exercise their rights to participation in the company's management and receipt of profits.

The remuneration system applied in MTS is designed to increase the Company's shareholder value, and the level of remuneration paid is fair and sufficient for the motivation of employees and members of management bodies.

The risk management and internal control system, developed taking into account the generally accepted conceptual foundations COSO (Committee of Sponsoring Organizations of the Treadway

Commission), is efficient and is aimed at ensuring reasonable confidence in the achievement of the objectives set by the company.

The Company has an efficient system of control over transactions made under a conflict of interests.

The information disclosure system, built with consideration for the requirements of listing rules of the Moscow Exchange and NYSE, is efficient and ensures compliance with the transparency principle.

The Company's systemic approach also covers areas where compliance with legislation is essential. Thus, systems of assurance of compliance with anti-corruption, antitrust, insider legislation and intellectual property legislation were built at the Company based on the best international compliance standards.

In 2020, we continued the work on development of the company's corporate governance system. In the recent years, our attention has been primarily focused on introduction of Corporate Governance Code provisions and we have achieved good results in this area.

We also continued monitoring practices for compliance with the recommendations of the Code by other Russian public companies and take them into account for drawing up our own plan for further development of the corporate governance system.

¹ Regulations on the General Meeting of Shareholders of MTS PJSC — Moscow (mts.ru) .
² Regulations on the Board of Directors of MTS PJSC — Moscow (mts.ru).
³ Regulations on the Management Board of MTS PJSC — Moscow (mts.ru).
⁴ Regulations on the President of MTS PJSC — Moscow (mts.ru).
⁵ "Internal Control and Audit" Policy — Moscow (mts.ru).
⁶ Changes in the organizational structure of MTS PJSC: change of the name of the block (until March 5, 021 - the Internal control and Audit block).
⁷ Control and audit - Moscow (mts.ru).
⁸ Internal Control and Audit Policy - Moscow (mts.ru)..



In 2020, a number of projects were implemented that were aimed both at developing corporate governance practices, and at maintaining them at the achieved level.

Three new directors were elected to the MTS Board of Directors, each of whom has the status of an independent director. Therefore, currently, independent directors constitute the majority in the MTS Board of Directors.

COVID-19 has become a big challenge for us, as well as for the rest of the world. In view of the above, we had to restructure certain corporate processes and procedures, which has ensured the high-quality functioning of the corporate governance system of MTS. For example, we ensured the high-quality work of management bodies in the context of the necessary increase in the number of remote forms of communication between directors and management. The annual general meeting of shareholders was held on June 24, 2020 in absentia using the electronic voting services E-Voting of the National Settlement Center and Register-Online of the Registrar “Reestr” JSC, which made it possible to provide shareholders with the most comfortable conditions for exercising their rights with a possibility to choose the electronic voting system.

In the pursuit of ensuring a more efficient consideration of budgeting and strategy issues, the MTS Board of Directors adopted a resolution to merge the Budget Committee of the MTS Board

of Directors and the MTS Strategy Committee into one committee under the MTS Board of Directors.

There is no doubt that one of the most important events of the reporting year in the field of corporate governance development was the first external assessment of the MTS Board of Directors. We consider this assessment to be planning of the company’s future and one of the tools to achieve long-term objectives.

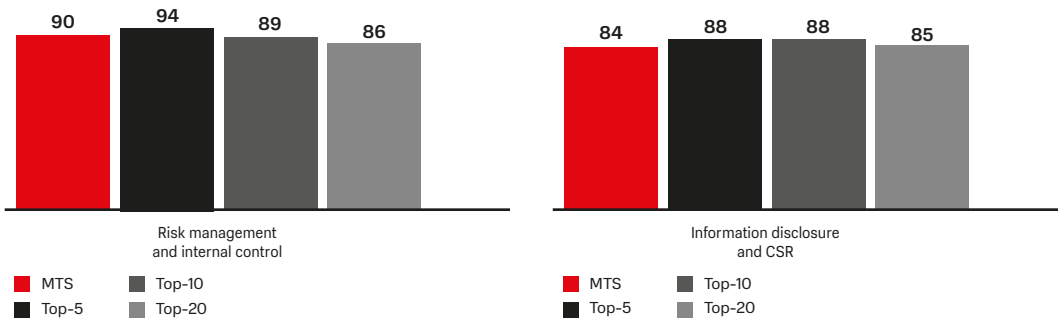
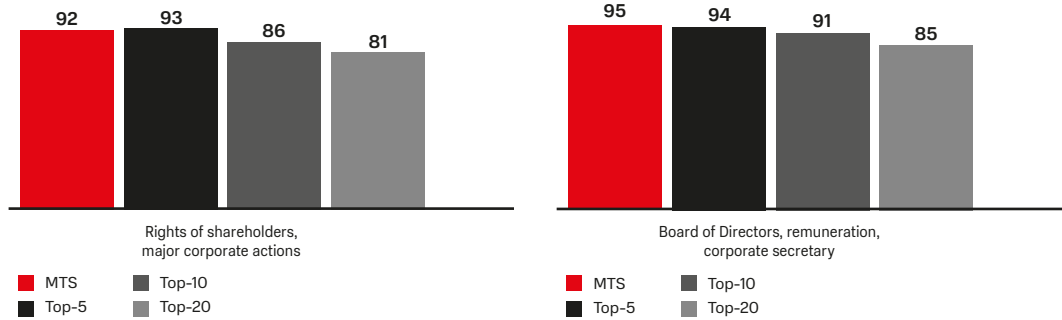
In 2021, we will focus on implementation of the action plan based on the results of the assessment of the MTS Board of Directors.

CORPORATE GOVERNANCE INDEX

Based on the 2020 results, MTS has remained in the top 10 companies of the National Corporate Governance Index for the fourth year in a row.

OVERVIEW OF THE CHANGES TO THE NATIONAL CORPORATE GOVERNANCE INDEX 2019/2020

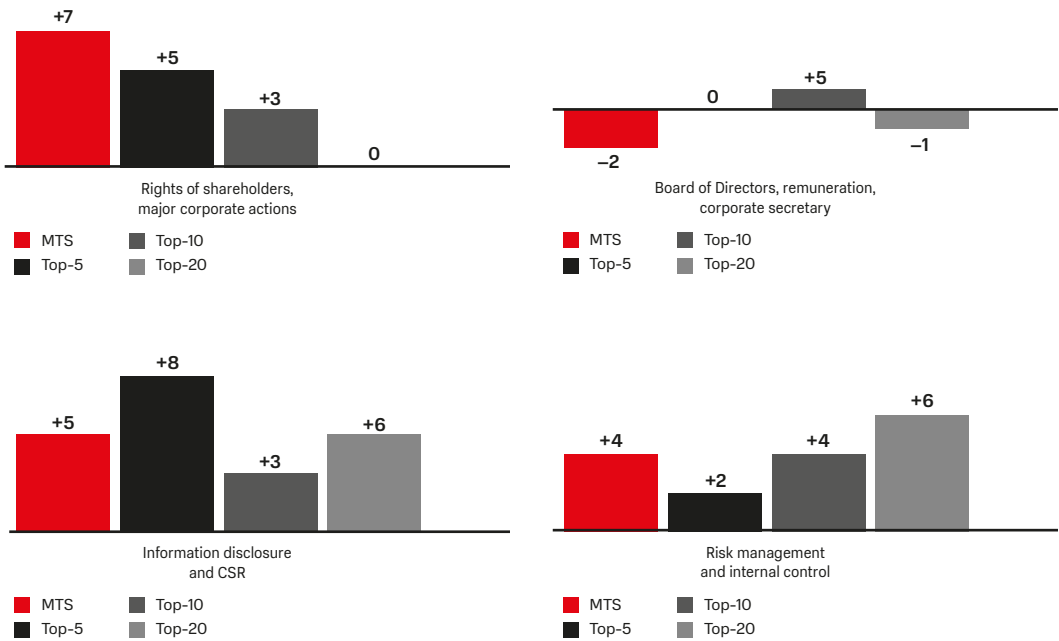
Level of compliance with key principles of corporate governance, %



MTS. Despite lowering of the ranking position, there is growth in the total percentage of commitment to the principles of MTS best corporate governance practices as compared to the previous year. Due to the absence of the results in the Company’s Annual Report, the external evaluation of the MTS Board

of Directors has not been fully taken into account in the National Corporate Governance Index, which affected MTS dynamics in the block of the Board of Directors, remuneration, corporate secretary.

Level of compliance with key principles of corporate governance (Dynamics), %



GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the supreme management body of the Company, exercising its activities in accordance with provisions of the Company's Charter, Regulations on the General Meeting of Shareholders of MTS PJSC, and the requirements of the legislation of the Russian Federation.

In making decisions at the General Meeting of Shareholders, the Company's shareholders take part in governance over the Company and may significantly influence its business. In particular, powers of the General Meeting of Shareholders on their meetings encompass the approval of an annual report and financial statements, distribution of profit, including payment of dividends, election of key management and control bodies of the Company, adoption of decisions on reorganization of the Company and a number of other important matters.

Procedure for holding the General Meeting of Shareholders is aimed at ensuring the adherence to the rights of shareholders, and meets all the requirements of the Russian Federation legislation.

NOTIFYING SHAREHOLDERS ON THE HOLDING OF THE GENERAL MEETING OF SHAREHOLDERS

Shareholders shall be notified on holding of the General Meeting of Shareholders through publication of this information on the official website of the Company¹ at least thirty (30) calendar days prior to its date.

The message on holding of the General Meeting of Shareholders may be additionally sent to the persons entitled to participate in the General Meeting of Shareholders and registered in the Company's shareholders register, by registered mail to the address specified in the register of the Company's shareholders, or delivered personally to such persons against signature simultaneously with sending or handing over the voting ballots. The information and files on the agenda of the General Meeting of Shareholders are provided to persons registering their rights to the Company's shares in a depositary by providing them to the Company's

registrar for direction to a nominee holder entered in the register of shareholders in accordance with the Russian Law on securities.

With regard to recommendation of the Corporate Governance Code, aimed at creation for the shareholders of best possible conditions for participation in the general meeting, a model proxy form for voting shall be published on the official website of the Company.

Within the framework of preparation to the General Meeting of MTS Shareholders, the shareholders get the opportunity to ask members of executive bodies and the Board of Directors on issues of the agenda of the General Meeting of Shareholders, and to voice their opinion on issues of the Meeting's agenda by sending e-mails to the address: shareholder@mts.ru.

The Company aims to present materials for the General Meeting in a comprehensible form. That is why we create a special section (micro-site) dedicated to the Annual General Meeting of Shareholders where we publish required documents (presentations, document comparisons, comments to them, details on candidates) and provide an access to the online broadcasting of the Annual Meeting.

HOLDING OF THE GENERAL MEETING OF SHAREHOLDERS

Shareholders may implement their voting right by most simple and convenient for them ways without any encumbrance. Voting at General Meetings of Shareholders is carried out by direct participation in the meeting or by filling out and sending to the Company (as well as its registrar) ballots on agenda items or by filling out an electronic form of voting ballots on the MTS website www.mts.ru/shareholder/ via electronic services.



<https://www.mts.ru/shareholder/>

The General Meetings of Shareholders shall be organized and held in a way allowing for easy access of all the shareholders. General meetings held in the form of joint attendance shall be organized at locations convenient for coming and personal participation of the shareholders and their representatives. During the registration

and during the break, the innovative technologies of MTS are demonstrated to shareholders, and the shareholders are also provided with an opportunity to receive the necessary consultations on various projects of the Company.

Over the past years, the Company has been giving its shareholders the opportunity to follow the meeting in real time on the MTS website. Video record of the meeting is available after the end of the meeting on the MTS website in the "General Meetings of Shareholders" section.¹

Approach to the annual meetings of MTS shareholders

Over the past years, the annual meetings of MTS shareholders have been held in a unique format. Each meeting has its own concept and original format. We



It is important for us to show that MTS of today is a conduit between shareholder expectations and innovative solutions. We strive to ensure that the idea of changes passes through all channels of interaction with shareholders. At every point of contact with a shareholder, we emphasize that we are living in an era of change, and gradually encourage shareholders to change with the Company, keep up with the times and use the offered products and services to participate in shareholder meetings.

have beyond the traditional view of the shareholders meeting as a purely formal event, and we turn it into a spectacular newsworthy event.

MTS is a company for shareholders

Our services help MTS shareholders save time!

We have created digital products and services targeted at our shareholders.

State-of-the-art technologies make it possible not to waste time attending offline events, but to vote in comfortable conditions right from home.

Introduction of innovations in the voting procedure has a positive impact on the attitude towards MTS on the part of shareholders and investors.

GENERAL MEETINGS OF SHAREHOLDERS IN 2020

Hybrid formats for holding meetings of shareholders: experience and expectations

The experience gained over previous years in holding general meetings of shareholders enabled us, for the first time in our practice, to hold an annual general meeting in a hybrid format in 2020 — absentee voting and an online conference following the results of the AGMS held.

Information support for the shareholders when holding the 2020 AGMS

On June 24, 2020, MTS PJSC held the Annual General Meeting of Shareholders (AGMS) using the E-Voting services of the National Settlement Depository (NSD) and Registry-Online of "Reestr" JSC.

According to the recommendation of the Bank of Russia, aimed at containment of the spread of coronavirus, the MTS AGMS was held in absentia. The shareholders were provided with the most comfortable conditions for the exercise of their rights with the possibility to choose an electronic voting system.

On June 25, an online conference following the results of the 2020 AGMS was held on the dedicated website named "2020 AGMS", and the top management of MTS presented their speeches with a detailed review of the results of MTS work in 2019 and answers to questions in real time..

Electronic services for shareholders

In 2020, the successful experience in using e-voting through the internet when holding shareholder meetings was continued. For the first time, MTS shareholders voted electronically at the extraordinary general meeting of shareholders on September 30, 2016. For the last years of using e-voting, the number of shareholders voting through the Internet has increased substantially. At the annual General Meeting of Shareholders held on June 24, 2020, 82% of those participating in the meeting voted electronically.



One of the important tasks faced by MTS as a joint stock company is to improve the level of its corporate governance.

¹ <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/obshhie-sobraniya-akcionerov/resheniya-obshhih-sobraniy-akcionerov-paomts>.

¹ <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/obshhie-sobraniya-akcionerov/>.



Following the trends in the financial market, we have provided our investors with more opportunities and a chance to choose from two services for e-voting at the AGMS: through the Registry-Online service (“Reestr” JSC) and E-voting (National Settlement Depository).

This was especially relevant during the pandemic, when shareholder meetings were held in absentia. The synergy of the companies’ services enabled us to offer shareholders the maximum range of services, and also ensured security and confidentiality.

Trend of holding hybrid meetings of shareholders
We can expect a further strengthening of the role and spread of hybrid forms of shareholder meetings. This is facilitated by a variety of factors.

Factors contributing to more frequent use of hybrid forms of meetings

- Global factors
- › Development of information technologies that allow people to communicate effectively and make joint decisions without being physically present all together in one venue.
 - › This gives impetus to new forms of interaction between people in the area of business, culture and social life, teaches people to use remote forms of communication, and makes them a new norm of life.
 - › The situation with COVID is a new factor that exponentially increases the global trend for remote forms of communication in all (or virtually all) spheres of life and the demand for improvement of information technologies.

- Factors specific to MTS meetings of shareholders
- › Thousands (tens of thousands) of shareholders worldwide, it is not possible to ensure their joint attendance at the meeting.
 - › The AGMS is not just a meeting, but an annual milestone event for investors, which requires a special format covering all shareholders, investors and stakeholders.

- Results of the 2020 General Meetings of Shareholders
- › Extraordinary general meeting of shareholders of MTS JSC on February 4, 2010 — Report (mts.ru).
 - › Annual general meeting of shareholders of MTS PJSC on June 14, 2020 — Report (mts.ru).
 - › Extraordinary general meeting of shareholders of MTS PJSC on September 30, 2020 — Report (mts.ru).

- Events after the reporting date
- › Extraordinary general meeting of shareholders of MTS PJSC on February 15, 2021 — Report (mts.ru).

BOARD OF DIRECTORS

A high-quality corporate governance system and an efficiently operating Board of Directors are the most important prerequisites for long-term sustainable development of a modern company. The role of the Board of Directors increases dramatically at companies aimed at long-term successful development.

The Board of Directors is a strategic management body, whose main objective is to implement general (directing) management of the company’s activities, as well as to exercise supervisory and overseeing functions. First of all, its competences include the most important issues of the Company’s management, such as strategy definition, investment and budget planning, developing management motivation and assessment system, as well as supervision of the company’s assets, reliability and effectiveness of risk management systems, internal control, internal audit and corporate governance system.

The Board of Directors of MTS PJSC exercises general governance over the Company’s activities in accordance with the provisions of the Company’s Charter, the Regulations on the Board of Directors of MTS PJSC, and the requirements of the legislation of the Russian Federation.

- The primary goals of the Board of Directors include:
- › developing and analyzing general corporate strategy, and exercising control over its implementation;
 - › providing for the control over executive bodies and chief executive officers of the Company, and assessing their activities;
 - › increasing the Company’s capitalization, expanding its market positions, achieving and preserving the Company’s competitiveness;
 - › maintaining financial stability, and increasing revenues and profitability;
 - › protecting rights and lawful interests of the Company’s shareholders.

COMPOSITION OF THE BOARD OF DIRECTORS

The composition and structure of the Board of Directors affects its performance, and thus the performance of the entire Company; herewith, an important aspect is the balance of the composition in terms of qualifications of its members, their background, knowledge and business qualities.

A member of the Board of Directors should, first of all, be able to communicate effectively with people, participate efficiently in a discussion, understand a difficult situation based on information prepared by management, relying on their experience and ability to quickly analyze information, checking responses to the questions asked.

The numerical composition of the Company’s Board of Directors is permanent. The Board of Directors was elected at the annual General Meeting of Shareholders of MTS PJSC on June 24,

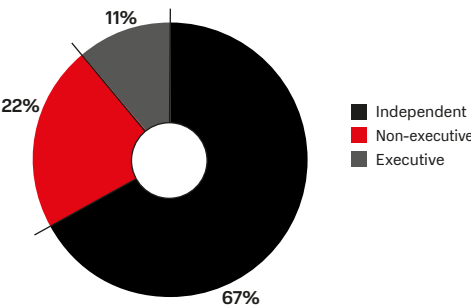
2020, and for the duration of 2020 it consisted of nine members. Such number of members of the Board of Directors makes it possible to form the composition, which is balanced from the point of view of professional qualification, experience and business skills of the members of the Board of Directors, and to provide high efficiency of work, and it fully meets the needs of the Company and the interests of its shareholders. Issues related to the needs of the Board of Directors in the area of professional qualification, background and business skills of the members of the Board of Directors, and also to the numerical composition, were considered within the framework of the procedure for assessing the Board of Directors’ work (for more details, see section “Assessment of the Performance of the Board of Directors”).

A high-quality corporate governance system and an efficiently operating Board of Directors are the most important prerequisites for long-term sustainable development of a modern company.

Boards of Directors’ compositions effective in 2020

June 27, 2019 — June 24, 2020	June 24, 2020 — December 31, 2020
Felix Vladimirovich Yevtushenkov — Chairman of the Board of Directors	
Artyom Ivanovich Zassoursky — Non-Executive Director	
Aleksey Borisovich Katkov — Non-Executive Director	Shaygan Kheradpir — Independent Director
Aleksey Valerievich Kornya — Executive Director ¹	
Antoniou Antonios Theodosiou — Independent Director	Nadia Shouraboura — Independent Director
Vsevolod Valerievich Rozanov — Non-Executive Director	Konstantin Lvovich Ernst — Independent Director
Regina Dagmar Benedicta von Flemming — Independent Director	
Thomas Holtrop — Independent Director	
Valentin Borisovich Yumashev — Independent Director	

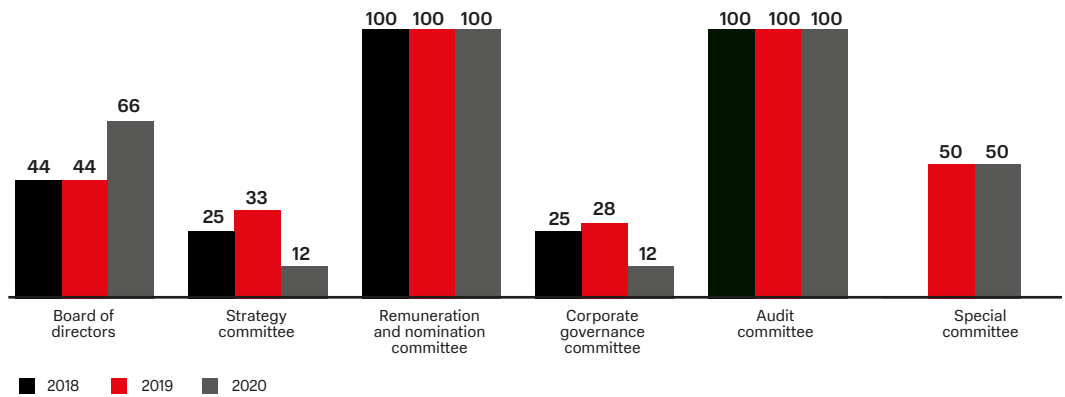
Composition of the Board of Directors as of December 31, 2020



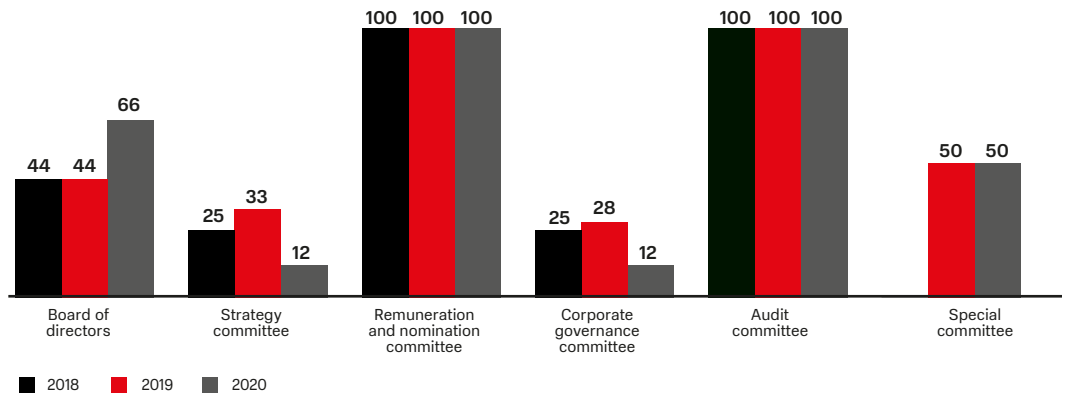
¹ By the decision of the Board of Directors dated March 18, 2021 the status was determined - non-executive director.



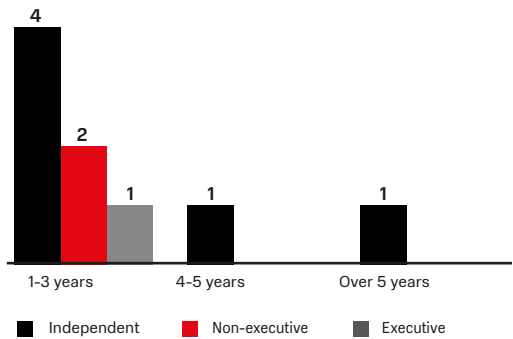
\\ Numerical composition of the Board of Directors and Committees in 2018 to 2020, %



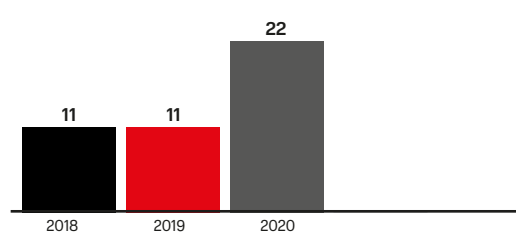
\\ Share of Independent Directors in the composition of the Board of Directors and Committees in 2018 to 2020, %



\\ Experience of work in the BoD



\\ Share of female directors in the composition of the Board of Directors in 2018 to 2020, %



\\ Key competences of the Board of Directors members¹

Member of the Board of Directors	Duration of work in the Board of Directors	Key competences							
		Strategy	Finance and Auditing	Industry Specialization (telecoms)	Legal Issues and Corporate Governance	HR Management	Risk Management	M&A	GR/IR
F.V. Yevtushenkov	2 years (from June 2019)	*	*	*	*	*	*	*	*
A.I. Zassoursky	4 years (from June 2017)	*	*	*	*	*	*	*	*
A.V. Kornya	3 years (from June 2018)	*	*	*	*	*	*	*	*
Regina Dagmar Benedicta von Flemming	6 years (from June 2015)	*	*	*	*	*			*
Shaygan Kheradpir	1 year (from June 2020)	*		*			*		
T. Holtrop	8 years (from February 2013)	*	*	*	*	*	*	*	
Nadia Shouraboura	1 year (from June 2020)	*							*
K.L. Ernst	1 year (from June 2020)	*							
V.B. Yumashev	2 years (from June 2019)	*			*	*	*		*

¹ According to the information available to the Company, in the reporting year, there were no conflicts of interest among the members of the Board of Directors, including those related to the participation of these persons in the management bodies of competitors of MTS PJSC. Board of Directors members did not make transactions with the Company's shares in the reporting year. None of the Board of Directors members received loans (credits) from the Company in 2020. Claims were not brought against members of the Board of Directors by the Company.



Information on members of the Board of Directors as of December 31, 2020¹



Felix Vladimirovich Yevtushenkov

Non-Executive Director

Chairman of MTS PJSC Board of Directors

Chairman of the Strategy Committee under the Board of Directors

He was born in 1978, in Moscow.
In 2000, he graduated from the Griboedov Institute of International Law and Economics, majoring in Law.
Professional experience
1999–2000 — Assistant to the President of Sistema-Invest CJSC, Executive Director of the Industry Department of Sistema PJSC.
2000–2006 — Deputy General Director, General Director of Sistema-Gals CJSC.
2006–2008 — President of Sistema-Gals OJSC.
2008–2011 — Vice President, Head of the Consumer Assets Business Unit of Sistema PJSC.
2011–2012 — First Vice President, Head of the Basic Assets Business Unit of Sistema PJSC.
2012–2018 — First Vice President of Sistema PJSC.
2018–2020 — Chairman of the Board of Sistema Charitable Fund.
2020 — till present — Chairman of the Board of Trustees of Sistema Charitable Fund.
2018 — till present — Director of Sistema PJSC.
Citizenship: Russian Federation.
Member of the Board of Directors of Sistema PJSC, Element JSC, Binnopharm JSC and other companies.
Member of the Board of Directors of MTS PJSC in 2011 to 2012.
He was reelected as a member of MTS PJSC Board of Directors at the General Meeting of Shareholders on June 27, 2019.
As of December 31, 2020, he did not own shares in MTS PJSC (directly/indirectly).

Artem Ivanovich Zassoursky

Non-Executive Director

Chairman of the Corporate Governance Committee under the Board of Directors (until March 18, 2021)

Member of the Committee on Corporate Governance, Environmental and Social Responsibility under the Board of Directors (since March 18, 2021)

Member of the Strategy Committee under the Board of Directors

Member of the Special Committee for Compliance under the Board of Directors

He was born in October 1979, in Moscow.
In 2005, he graduated from the fellowship of the Faculty of Journalism in the Lomonosov Moscow State University.
In 2001, he graduated from the Lomonosov Moscow State University with a degree in “Social and Economic Geography of Foreign Countries, Translator/Interpreter”.
Professional experience
2002–2003 — Director, Directorate of Development Department, Crossmedia Solutions LLC.
2003–2005 — founder of several companies in the field of digital services and content.
2005–2006 — Executive Director of Game Territory, LLC.
2007–2011 — General Director, Dragonara LLC.
2011–2011 — Development Director, Stream LLC.
2012–2013 — Vice President for Development, SMM OJSC.
2013–2016 — CEO, Stream LLC.
2016–2018 — Vice President, Head of the Strategy Complex, Sistema PJSC.
2018–2020 — Vice President for Strategy of the Strategy Department, Sistema PJSC.
2020 — till present — Vice President, Strategy and Development, Sistema PJSC.
Member of the Board of Directors of Medsi Group of Companies JSC, Sistema Asia Capital PTE, LTD, ALIUM JSC.
Citizenship: Russian Federation.
He was elected as a member of MTS PJSC Board of Directors for the first time at the General Meeting of Shareholders on June 29, 2017.
As of December 31, 2020, he did not own shares in MTS PJSC (directly/indirectly).



¹ Information on the members of the Board of Directors whose powers were terminated in 2020 is presented in the Annual Report of MTS PJSC for 2019.



Alexey Valerievich Kornya

**President, Chairman of the Management Board of MTS PJSC
(until March 12, 2021)**

Executive Director (until March 18, 2021)

Non-Executive Director (from March 18, 2021)

**Member of the Corporate Governance Committee under
the Board of Directors (until March 18, 2021)**

He was born in 1975, in Bryansk.
In 1998, he graduated from the St. Petersburg State University of Economics and Finance.
Professional experience
2000–2000 — PricewaterhouseCoopers Audit CJSC, consultant-auditor.
2000–2004 — North-West Telecom OJSC, chief financial consultant, chief specialist on financial consultation.
2011–2012 — MTS PJSC, in July 2004 — financial director of the branch of MTS PJSC of Urals macro region; in October 2007 — director of the Financial Planning and Analysis Department of the Financial Block, MTS Group.
2007–2008 — MTS PJSC, controlling director of the Finance and Investment Block.
2008–2009 — MTS PJSC, Deputy of the Vice-President for Finance and Investments, acting Vice-President for Finance and Investments.
2010–2013 — MTS PJSC, Vice President for Finance and Investments.
2013–2016 — MTS PJSC, member of the Management Board — Vice President for Finance and Investments.
2016–2018 — MTS PJSC, Member of the Management Board — Vice President for Finance and Investments, Mergers and Acquisitions.
2018 – 2021 — MTS PJSC, President, Chairman of the Management Board.
Member of the Board of Directors of Mobile TeleSystems JLLC, MTS Bank PJSC, Sistema Capital MC LLC, Member of the Board of Trustees of Sistema Charity Fund, member of the Board of GSM Association (GSMA).
Citizenship: Russian Federation.
He was elected as a member of MTS PJSC Board of Directors for the first time at the General Meeting of Shareholders on June 28, 2018.
As of December 31, 2020, the share in the authorized capital of MTS PJSC and the share of ordinary shares held is 0.0310%.

Regina Dagmar Benedicta von Flemming

Independent Director

**Chairman of the Remuneration and Nomination Committee
under the Board of Directors**

**Chairman of the Committee on Corporate Governance,
Environmental and Social Responsibility of the Board
of Directors of MTS PJSC (since March 18, 2021)**

**Member of the Audit Committee under the Board
of Directors**

**Member of the Special Committee for Compliance under
the Board of Directors**

**Member of the Special Committee under BoD on the project
for uniting the personnel of MTS PJSC in the integrated office
space in Moscow**

In 2021, she won the Director of the Year award in the Independent Director 2020 nomination
She was born in 1965, in Lubeck.
In 1992, she graduated from the Free University of Berlin with a specialty in Political Science, and from the Institute for Political Studies (Paris).
In 1993, she was a fellow of INSEAD Business School (Paris), and also completed an advanced training course at the German Development and Trade Institute (Germany).
Professional experience
1996–1999 — CEO of Krone Russia.
1999–2000 — CEO of Ehrmann AG.
2000–2003 — Vice President of the American-Russian Investment Fund “Delta Capital”.
2003–2009 — founder and owner of the consulting company Flemming&Partner GmbH Berlin.
2005–2015 — CEO of Axel Springer Russia Publishing House.
2014–2018 — Advisor to ANK company.
2018 — till present — Advisor to the General Director of ACCENTURE LLC.
2020–2020 — Weinstube LLC, Marketing Director.
Member of the Board of Directors of INTECO, Member of the Audit Committee, Member of the Board of Directors, Chairman of the Audit Committee, Member of the ESG Committee of Sovcombank PJSC, Member of the Board of Trustees of the Russian Standard Charitable Fund, Member of the Board of Trustees of the German-Russian Forum in Berlin, member of the Board of the Russian-German Chamber of Commerce, member of the Board of Trustees of a dedicated fund for managing the endowment of a private cultural institution “Jewish Museum and Tolerance Center”.
Citizenship: Germany.
She was elected as a member of MTS PJSC Board of Directors for the first time at the General Meeting of Shareholders on June 25, 2015.
As of December 31, 2020, the share in the authorized capital of MTS PJSC and the share of ordinary shares held is 0.00194%.





Shaygan Kheradpir

Independent Director

Member of the Remuneration and Nomination Committee under the Board of Directors

Member of the Audit Committee under the Board of Directors

Member of the Special Committee for Compliance under the Board of Directors

He was born in 1960, in London.
Graduated from the Cornell University (USA) with BA/MA and PhD in Electrical Engineering.
Professional experience
2015–2018 — CORIANT Inc., President, Chairman of the Board of Directors.
2014–2014 — JUNIPER NETWORKS, CEO.
2011–2014 — BARCLAYS BANK, Chief Operating Officer.
2000–2010 — VERIZON, Vice President for Engineering, previously IT Director.
2020 — till present — President of Shaygan Technology Partners.
Chairman of the Board of Directors of Live Earth, Member of the Board of Directors of R9B, MTN Group, Aura Network Systems, Pivotal Commware.
Citizenship: USA
He was elected as a member of MTS PJSC Board of Directors for the first time at the General Meeting of Shareholders on June 24, 2020.
As of December 31, 2020, he did not own shares in MTS PJSC (directly/indirectly).



Thomas Holtrop

Independent Director

Chairman of the Audit Committee under the Board of Directors

Chairman of the Special Committee for Compliance under the Board of Directors

Chairman of the Special Committee of BoD on the project for uniting the personnel of MTS PJSC in the integrated office space in Moscow.

Member of the Remuneration and Nomination Committee under the Board of Directors

Member of the Corporate Governance Committee under the Board of Directors (until March 18, 2021)

Finance Expert

He was born in 1954, in Dortmund.
He studied psychology at the University of Freiburg and business administration with a specialty in economics and production organization at the German Academy of Civil Employees.
Professional experience
1990–1999 — Vice President of American Express International Inc. in New York, Frankfurt and London, member of the Board of Directors at Bank 24 AG and Deutsche Bank 24 AG.
2001–2004 — President of T-Online International AG.
2002–2004 — member of Deutsche Telekom AG Board of Directors.
2005–2006 — Chief Executive Officer of Thomas Cook AG.
2005–2011 — member of the Supervisory Board of Gruner + Jahr Publishing House (Hamburg).
2009–2011 — member of Komstar-OTS OJSC Board of Directors, Chairman of the Audit Committee, the Strategy Committee and the Remuneration and Nomination Committee under the Board of Directors of Komstar-OTS OJSC.
Citizenship: Germany.
He was elected as a member of MTS PJSC Board of Directors for the first time at the General Meeting of Shareholders on February 14, 2013.
As of December 31, 2020, the share in the authorized capital of MTS PJSC and the share of ordinary shares held is 0.00156%.



Nadia Shouraboura

Independent Director
Member of the Audit Committee under the Board of Directors
Member of the Strategy Committee
under the Board of Directors
Finance Expert

She was born in 1970, in Moscow.
1994 — Princeton University (USA), PhD in Mathematics
1991 — Tel Aviv University (Israel), master
1990 — M.V. Lomonosov Moscow State University, Faculty of Mathematics and Cybernetics
Professional experience
2012–2018 — HOINTER (USA), founder and CEO.
2004–2012 — AMAZON (USA), Vice President for Technology (Supply Chain/Fulfillment Global Platform).
2002–2004 — EXELON CORPORATION (USA), Head of Energy Trading Systems Development.
1994–2001 — DIAMOND MANAGEMENT & TECHNOLOGY (USA), chief principal.
1989–1991 — ROBCAD (Israel), robotics engineer.
Member of the Board of Directors of X5 Retail Group, TOSCA, FERGUSON PLC and Blue Yonder.
Citizenship: USA
He was elected as a member of MTS PJSC Board of Directors for the first time at the General Meeting of Shareholders on June 24, 2020.
As of December 31, 2020, she did not own shares in MTS PJSC (directly/indirectly).

Konstantin Lvovich Ernst

Independent Director

Member of the Committee on Corporate Governance,
Environmental and Social Responsibility
under the Board of Directors
(since March 18, 2021)

He was born in 1961, in Moscow.
Graduated from the Leningrad University (St. Petersburg State University), Faculty of Biology.
Professional experience
1999 — till present — Channel One JSC, CEO
1995–1999 — ORT, General Producer.
since 1996 — academician, Board member of the Academy of Russian Television.
since 1994 — Secretary of the Filmmakers' Union of Russia.
Member of the Board of Directors of Channel One JSC, National Association of TV and Radio Broadcasters, National Advertising Alliance LLC and other companies.
Citizenship: Russia.
He was elected as a member of MTS PJSC Board of Directors for the first time at the General Meeting of Shareholders on June 24, 2020.
As of December 31, 2020, he did not own shares in MTS PJSC (directly/indirectly).





Valentin Borisovich Yumashev

Independent Director

Member of the Remuneration and Nomination Committee under the Board of Directors

Member of the Committee on Corporate Governance, Environmental and Social Responsibility under the Board of Directors (since March 18, 2021)

Member of the Special Committee under BoD on the project for uniting the personnel of MTS PJSC in the integrated office space in Moscow

Born in 1957 in Perm.
In 1984, he graduated from the Lomonosov Moscow State University, Faculty of Journalism.
Professional experience
1987–1995 — Member of the editorial board, editor of department, deputy chief editor, general director of the magazine Ogoniok.
1996–1997 — Advisor to the President of the Russian Federation on interaction with the media.
1997–1998 — Head of the Administration of the Russian Federation President.
1998 — till present — Advisor to the President of the Russian Federation on a voluntary basis.
2006–2020 — Millhouse LLC, General Director’s Office, Advisor.
In 2000, he became one of the founders of the Fund of the first Russian president B.N. Yeltsin, currently called the Yeltsin Presidential Center Foundation, or the Yeltsin Center.
He is an advisor to the Fund and since 2009 he has been a management board member of the Yeltsin Presidential Center .
Acting State Advisor of the Russian Federation, Class I (1997).
He was twice honored with Commendation by the President of the Russian Federation (1996, 1997).
Citizenship: Russian Federation.
He was elected as a member of MTS PJSC Board of Directors for the first time at the General Meeting of Shareholders on June 27, 2019.
As of December 31, 2020, the share in the authorized capital of MTS PJSC and the share of ordinary shares held is 0.00092%.

CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors of MTS PJSC bears the main responsibility for ensuring the implementation of the rights and interests of the shareholders and achieving a balance between the short-term financial result and the long-term strategic positioning of the business. In terms of the personal qualities of the chairman, this means the ability to combine pragmatism and specificity in solving tactical issues with the role of a strategist and visionary who deeply understands the processes occurring in the company and has a clear vision of the local market situation. The Chairman of the Board of Directors has the highest level of personal responsibility for the long-term sustainability of the business and strives to ensure the growth of shareholder value.

Feliks Vladimirovich Yevtushenkov was elected Chairman of the Board of Directors of MTS by unanimous decision of the MTS Board of Directors on June 24, 2020.

According to members of the MTS Board of Directors, the nomination of F.V. Yevtushenkov is most suitable for fulfilling the role of the Company’s Chairman of the Board of Directors, defined by corporate law, the Corporate Governance Code and the Regulations on the Board of Directors of MTS.

The Chairman of the Board of Directors is not an independent director, a senior independent director is not defined. Thus, one of the recommendations of the Bank of Russia Corporate Governance Code is not respected. At the same time, the expanded Corporate Governance Committee of the MTS Board of Directors (with participation of all independent directors) regularly analyzes the recommendations of the Bank of Russia Corporate Governance Code that are not respected by the Company and assesses the possibility of their implementation. This non-respected recommendation was considered at all past meetings, including at the last meeting on December 11, 2020: the directors did not consider its implementation appropriate . The level of corporate governance of the Company and the atmosphere of constructive discussion formed by the previous Chairman of the MTS Board of Directors do not currently require, according to the members of the Board of Directors, the implementation of this recommendation of the Bank of Russia Corporate Governance Code and the appointment of another chairman, albeit formally meeting all independence criteria.

The Board of Directors is a well-coordinated mechanism, a single team, in which everyone contributes to the management decision-making process. Within the MTS Board of Directors, there is a strong independent block of directors, and four places out of nine have been occupied by independent directors for the last four years. The Board of Directors is well-balanced both in terms of numerical composition and in terms of experience and qualification of its members. Each member of the Board is a professional of the highest level, a carrier of industry knowledge and business expertise, and a generator of advanced ideas. The Chairman is the leader, the central figure of the Board whose main task is to make his team of professionals work as productively as possible. While forming a businesslike, dynamic, positive atmosphere in the Board of Directors, he moderates the discussions so that each participant can show their best qualities but the result of discussions is a unified, balanced, justified and specific managerial decision.

INDEPENDENT DIRECTORS

Independent directors should be included in the composition of the Board of Directors for effective implementation of its functions and making informed, grounded decisions, ensuring control over management in the interests of the company’s owners. Independent directors make it possible to ensure a reasonable balance of interests of all the parties concerned: the Company itself, its shareholders and other stakeholders. For the independent directors to be able to influence the decisions taken by the Board of Directors, their number must be equal to at least one third of the total composition of the Board of Directors. In this connection, the number of independent directors in our Board of Directors is over one third.

In June 2020, the number of independent directors in the Board of Directors was increased to six directors. The increase of the independent directors’ number allows the independent standpoint within the Board of Directors to exercise greater influence on the business decisions taken, on the Company’s corporate policy and strategy. In addition, for the first time in the history of our Company, two female independent directors became members in the Board of Directors.

Criteria of independence of the Board of Directors’ members are defined in the Regulations on the Board of Directors of MTS PJSC ¹ and correspond to advanced international practices of corporate governance.

¹ Detailed information is presented in the appendix to this report, “Report on Compliance with the Bank of Russia Corporate Governance Code”.



NYSE listing also adds additional obligations for us related to the composition of the Board of Directors: the Company is required to have at least one member of the Board of Directors (in the Audit Committee) with expertise in accounting or relevant financial management experience (financial expert). The Audit Committee of the Board of Directors is headed by Thomas Holtrop, who has experience and knowledge in the preparation, analysis, evaluation and audit of financial statements.

According to recommendations of the Code, the key committees of the Board of Directors (Audit, Remuneration and Nomination) are formed exclusively from independent directors. Other committees include at least one or two independent directors.

For key projects, Special Committees are established, which also include independent directors. For example, in 2019, a Special Committee for Compliance was established, and in 2020 — a Special Committee of Independent Directors on the project for uniting the personnel of MTS PJSC in the integrated office space in Moscow.

An important factor for the company is the professional experience and reputation of its independent directors. As a rule, it is the care for reputation and professionalism of a person that help them take very seriously the work in the Board of Directors, observe the principles of absence of conflicts of interests, carefully study the materials and make informed decisions when voting at meetings of the Board of Directors.

From the moment BoD included independent members, their role and contribution to representation of interests of our Company got stronger.

Independent directors participate in strategic sessions for discussing the Company's strategy update with participation of BoD members, representatives of the majority shareholder and the Company' management. Following the strategic sessions results, a matter concerning update of the Company's strategy and development plan shall be presented to the Board of Directors for review.

Independent directors are actively involved in preliminary discussions of many related party transactions that are significant to the Company. The Company has also introduced the practice of preliminary consideration of a number of related party transactions, including transactions with companies being part of the Sistema Group (majority shareholder), at a meeting of the Audit Committee under the Board of Directors, which

consists exclusively of independent directors. As common practice shows, this noticeably facilitates the work of independent BoD members as to approval of and agreeing upon transactions.

Our independent directors are professional managers, whose experience and knowledge make a significant contribution to the development of the Company's corporate governance system. Mastering of the best practices, great managerial experience, understanding of business needs and HR management specifics, proactive approach, strategic thinking, openness in discussions: all this makes an invaluable contribution not only to the results of the activity of the Board of Directors, but also to those of the Company in general.

INFORMING NEWLY ELECTED MEMBERS OF THE BOARD OF DIRECTORS ABOUT THE COMPANY'S OPERATION

In accordance with best corporate governance practices, an orientation (information) course is held for newly elected members of the Board of Directors in the format of interactive presentation in Russian and English. This course makes it possible to briefly familiarize new members of the Board of Directors with the Company's development history, operation of the Board of Directors, main documents governing the Company's operations, annual financial reporting, development strategy, the Company's management structure, etc.

The President, the Company's management and the secretary of the Board of Directors take part in the presentation. Individual meetings with senior functional management of the Company are also offered to members of the Board of Directors, at which members of the Board of Directors may obtain any information required for their work.

THE ROLE OF THE BOARD OF DIRECTORS IN THE ORGANIZATION OF AN EFFICIENT RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM²

Within its competences, the Board of Directors is responsible for monitoring the effectiveness of the structure and functioning of the Company's systems for risk management, compliance and internal control; twice a year it reviews and approves the reports of the Audit Committee on the work of internal audit, business ethics, compliance and risk management units and the internal control system,

as well as reports on risk management in the MTS Group and reports on the development of the Unified Compliance System.

Today, an efficiently-operating risk management, compliance and internal control system is in place designed to ensure a reasonable level of confidence in the company achieving its objectives.

ORGANIZATION OF THE BOARD OF DIRECTORS ACTIVITIES

At least six in-person meetings shall be conducted each year in accordance with the approved plan of meetings of the Board of Directors. If necessary, it is possible to participate in a joint meeting through video conferencing. Extraordinary meetings shall be convened to take decisions on urgent matters. Meetings in the form of absentee voting shall be conducted to vote on issues that members of the Board of Directors do not have significant contradictions over.

Plan of the Board of Directors activities for the next year shall be approved in December of the current year. Dates, periods and locations of meetings shall be determined according to the schedules of activities of the Board of Directors members in order to provide for participation of all the directors.

Traditionally, the plan of activities includes the main issues of the Company's operation: strategy, finances, budget and risks, HR. Such a plan shall be prepared with regard to the suggestions of the Board of Directors members and the Company's management. All issues on the BoD meeting agenda shall normally be reviewed by dedicated committees, allowing to discuss and draw up recommendations for a final decision of the Board of Directors.

In-person meetings of the Board of Directors are usually held in Moscow headquarters. First meeting of the newly elected Board of Directors shall be held with personal attendance, on the day of the General Shareholders' Meeting which decided on election of the Board of Directors.

The situation with COVID and, as a result, more frequent use of the remote forms of communication influenced the format of holding meetings of the Board of Directors of our Company in 2020. All meetings were held in an online format. This situation gave impetus to new forms of interaction between people in the field of business, to the use of remote forms of communication, making them a new norm of life.

In order to hold a meeting in the headquarters it is necessary to plan and approve the schedule of activities for two days: meetings of committees under the Board of Directors, a meeting of the Board of Directors, and to make all practical arrangements: on simultaneous translation, hotel booking services, transfers, catering, etc.

The Chairman of the Board of Directors holds monthly meetings/consultations with representatives of shareholders and/or management of the Company. Main topic of such meetings is a matter of the management of strategic changes. This allows to initiate global strategic changes outside of routine management and to change the focus of a common perception of the Company's systems and processes.

The Company believes it is a good practice allowing to share ideas and observations from our experience of working with other companies and businesses, which eventually enriches our discussions in the Board of Directors and forms a strong base for right decisions to be made by the senior executives.

CORPORATE SECRETARY¹

The Corporate Secretary shall ensure effective current interaction with the shareholders, coordinate the Company's activities for protection of rights and interests of shareholders, and support effective work of the Board of Directors.

The functions of the Corporate Secretary at MTS PJSC are performed by a dedicated structural subdivision — the Corporate Governance Department, whose main functions, rights and obligations are defined in the Regulations on the Corporate Governance Department².

- The Functions of the Corporate Governance Department at MTS PJSC include:
- › participating in the improvement of the Company's corporate governance system and practice;
 - › participating in the organization of the preparation and holding of the Company's general meetings of shareholders;
 - › supporting the work of the Board of Directors and Committees of the Board of Directors of the Company;
 - › participating in the implementation of the Company's policy on information disclosure, and also ensuring storage of the Company's corporate documents;
 - › ensuring the Company's interaction with its shareholders and participating in the prevention of corporate conflicts;

¹ More complete information is provided in the section "Risk Management".

- › ensuring the implementation of the procedures established by the law and the Company's internal documents, ensuring the rights and legitimate interests of shareholders and control over their use;
- › ensuring the Company's interaction with regulators, trade organizers, the registrar, other professional participants of the securities market within the powers assigned to the Corporate Secretary;
- › immediately notifying the Board of Directors of all identified violations of the law and the Company's internal documents, the observance of which is within the functions of the Corporate Governance Department.

The Corporate Governance Department is headed by the Director of Corporate Governance, an officer of the Company reporting to the Company's Board of Directors.

The Board of Directors approves the nominated Director of Corporate Governance as the manager of the unit serving as the Corporate Secretary.

The Director of Corporate Governance Department in the reporting period was Corporate Governance Director of MTS PJSC, Maxim Aleksandrovich Kalinin.

SECRETARY OF THE BOARD OF DIRECTORS

Main purpose of the BoD Secretary of MTS PJSC is to ensure compliance of the Company's management bodies with the requirements of legislation and internal regulations of the Company which guarantee the enforcement of rights and interests of its shareholders.

Regulatory base for implementation of the Board of Directors Secretary's functions, besides the Charter, is the Regulations on MTS PJSC Board of Directors³.



MTS (Board of Directors, Management Board, Committees of the Board of Directors and the President) and subsidiaries of the MTS Group effectively operate an electronic document management system — the Portal of the Board of Directors, installed on personal tablets of members of the management bodies. The Portal of the Board of Directors has enabled the Company to accumulate, in the single information space, a necessary and up-to-date set of options for activities of members of the Company's collective management bodies, to automate their work, and has also ensured the mobility of process participants for taking important managerial decisions.

Secretary of the Board of Directors:

- › carries out an onboarding of newly elected members of the Company's Board of Directors;
- › informs members of the Board of Directors and invited persons on forthcoming meetings of the Board of Directors;
- › sends to members of the Board of Directors materials on issues of the Board of Directors agenda;
- › upon request, provides to members of the Board of Directors an additional information on the Company's activities;
- › calculates the votes on issues put to a vote and keeps record of the Board of Directors meetings;
- › ensures storage of the Board of Directors documents;
- › controls the implementation of the Board of Directors decisions;
- › assists the Chairman of the Board of Directors in planning for activities of the Board;
- › ensures communication of members of the Board of Directors with management;
- › assists in solving organizational and technical issues.

Since 2005, the Board of Directors Secretary has been the Corporate Governance Director of MTS PJSC

Maksim Alexandrovich Kalinin

He was born in 1972, in Moscow. In 1997, he graduated from the Lomonosov Moscow State University with a specialty in law. Before coming to the Company, he worked in private business with foreign participation where he was responsible for legal support in the sphere of corporate management, real estate and contractual work. In June 2001, he joined MTS. He worked in the Investments and Securities Department: was responsible for projects of mergers and acquisitions in the territory of the Russian Federation and CIS, supported the reorganization of MTS Group subsidiaries, and was responsible for corporate governance at MTS and subsidiaries. He went from legal counsellor to deputy director of the department. From 2005 to the present day, he has exercised the powers of the Board of Directors Secretary of MTS PJSC. In 2010, he won the fifth national "Director of the Year" awards in the nomination "Corporate Governance Director — Corporate Secretary". In recent years, he was regularly included in the rankings of the 25 best Corporate Governance Directors and Corporate Secretaries during the ceremony of the national "Director of the year" awards. He is a member of the Council of Corporate Secretaries National Association (CSNA), which allows MTS to exchange experience in the corporate governance sphere and promotes a development of the institute of corporate secretaries in general.

The Corporate Governance Director of MTS PJSC is also responsible for:

- › preparation and holding of meetings with the shareholders of MTS PJSC;
- › management of subsidiaries of the MTS Group;
- › ensuring the timely disclosure of information in accordance with the requirements of the securities market legislation;
- › development of the Corporate Governance System of the MTS Group;
- › integrated management of intangible assets;
- › other functions.

Citizenship: Russian Federation. He owns (directly/indirectly) neither MTS PJSC shares nor stocks or shares in MTS PJSC subsidiaries; he is not a relative of any persons who are members of management and/or control bodies overseeing financial and business activities of MTS PJSC.

According to the information available to the Company, in the reporting year, there were no conflicts of interest among the Secretary of the Board of Directors, including those related to his participation in the management bodies of competitors of MTS PJSC.



¹ <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/departament-korporativnogo-upravleniya>.
² http://static.mts.ru/uploadmsk/contents/1655/Regulations_on_MTS_CG_Department-rus.pdf.

REPORT ON THE WORK OF THE BOARD
OF DIRECTORS

In 2020, 14 meetings of the Board of Directors were held, including eight in-person and six in the form of absentee voting.

224
issues

were considered at the BoD meetings in 2020

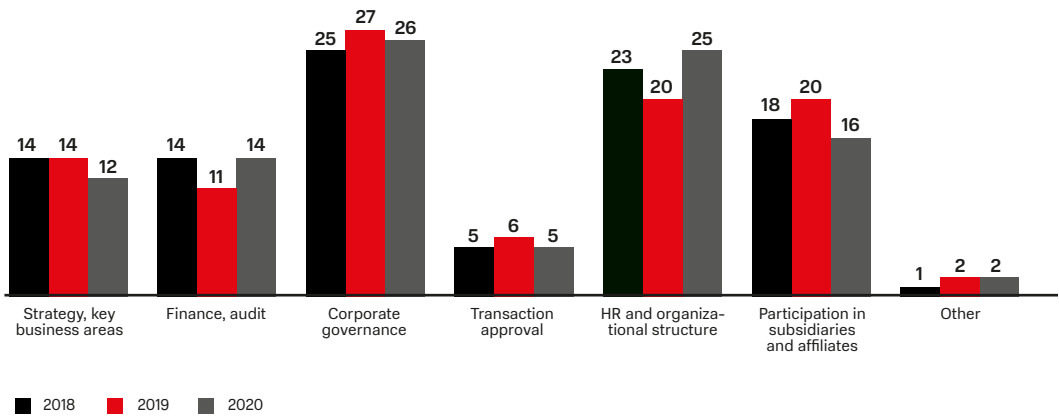
Participation of the directors in meetings of the Board of Directors in 2020

Director	In-person meeting	In-absentia meeting
Felix Vladimirovich Yevtushenkov	8/8	5/6
Artem Ivanovich Zassoursky	8/8	5/6
Alexey Valerievich Kornya	8/8	6/6
Regina Dagmar Benedicta von Flemming	8/8	6/6
Independent Director, not a member of MTS PJSC executive management		
Shaygan Kheradpir ¹	5/5	3/3
Independent Director, not a member of MTS PJSC executive management		
Thomas Holtrop	8/8	6/6
Independent Director, not a member of MTS PJSC executive management		
Nadia Shouraboura ²	5/5	3/3
Independent Director, not a member of MTS PJSC executive management		
Konstantin Lvovich Ernst ³	5/5	3/3
Independent Director, not a member of MTS PJSC executive management		
Valentin Borisovich Yumashev	8/8	6/6
Independent Director, not a member of MTS PJSC executive management		
Antoniou Antonios Theodosiou ⁴	3/6	3/6
Independent Director, not a member of MTS PJSC executive management		
Aleksey Borisovich Katkov ⁵	3/6	3/6
Independent Director, not a member of MTS PJSC executive management		
Vsevolod Valerievich Rozanov ⁶	3/6	3/6
Independent Director, not a member of MTS PJSC executive management		

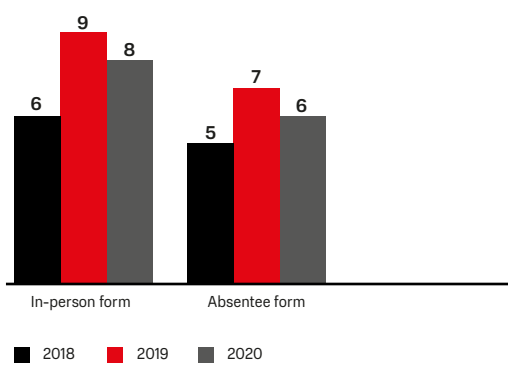
Duration of meetings of the Board of Directors and committees in 2020 (in presence)

Meetings (in presence)	Number	Average duration (h)
Board of Directors	8	2.5
Audit Committee	14	1.5
Remuneration and Nomination Committee	9	1.5
Corporate Governance Committee	2	1.2
Joint meeting of the Corporate Governance Committee and the Remuneration and Nomination Committee	2	1.2
Strategy Committee	11	2
Special Committee on Compliance	4	1

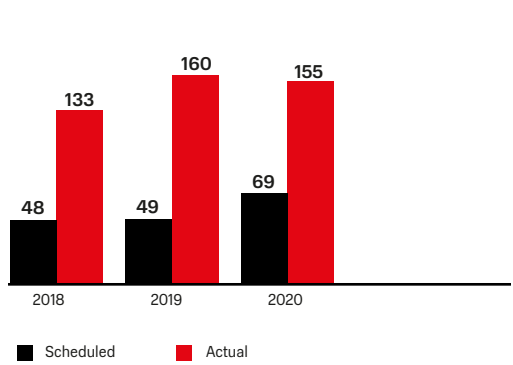
Structure of issues reviewed at meetings of the Board of Directors in 2018–2020, %



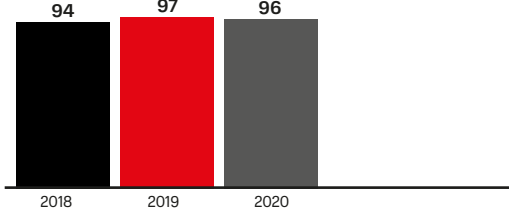
Number of meetings held by the Board of Directors in 2018–2020



Number of issues considered at meetings of the Board of Directors in 2018–2020



Average percentage of participation of the Board of Directors members in the meetings, 2018–2020.



>96%

of meetings of the Company's Board of Directors were held with 100% participation by the Board of Directors members.

¹ Elected as a member of the Board of Directors on June 24, 2020.
² Elected as a member of the Board of Directors on June 24, 2020.
³ Elected as a member of the Board of Directors on June 24, 2020.
⁴ Elected as a member of the Board of Directors on June 24, 2020.
⁵ Powers of the Board of Directors member terminated on June 24, 2020.
⁶ Powers of the Board of Directors member terminated on June 24, 2020.



Significant items on the agenda of the MTS PJSC Board of Directors meetings in 2020

1. MTS Group Strategy for 2021–2023.

2. On strategic challenges of MTS PJSC transformation.

3. Review of the results of MTS Group budget fulfilment for 2019, on MTS Group budget adoption for 2020.

4. On forecast and plan of actions (efficiency improvement) to fulfill the 2020 MTS Group budget.

5. Recommendations of the Board of Directors on payment of dividends for 2019 and first half of 2020.

6. Issues associated with convening the annual and extraordinary general meetings of MTS PJSC shareholders.

7. On approval of the share redemption price and the report on the results of MTS PJSC shares presented for redemption.

8. Acquisition of subsidiaries, participation of MTS PJSC in other organizations.

9. On the status of the organizational structure of the ecosystem.

10. On transformation of MTS PJSC management system.

11. On transformation of MTS PJSC corporate culture.

12. On organizational changes.

13. On the principles of succession of key managers of MTS PJSC.

14. RTC 2.0 strategy

15. On the creation of a Special Committee under the Board of Directors.

16. Review of reports:
- › on risk management;

› on the development of the Unified Compliance System;

› on work of the Corporate Governance Department;

› on evaluation of KPI fulfillment and completion of individual tasks by the President and Management Board members;

› on results of assessment of MTS PJSC Board of Directors performance;

› on the implementation of the CSR program;

› on the fulfilment of compliance controls;

› on the operation of the units for internal audit, control and compliance, including the report on the efficiency of the risk management system.

ASSESSMENT OF BOARD OF DIRECTORS PERFORMANCE

The effectiveness of the Board of Directors affects the quality of the management and performance of the organization and, as a consequence, its market capitalization. In order to improve the practices of the Board of Directors, a systematic assessment is necessary, after which the members of the Board of Directors will better understand their strengths and development areas and can identify opportunities for constructive and sustainable changes in the long term.

The assessment of the Board of Directors performance acts as an efficient tool of corporate governance development and is designed to increase the efficiency of the Board of Directors performance.

After adoption of the Code and completion of the corporate governance audit of MTS in 2015 the Corporate Governance Committee under the Board of Directors (hereinafter, the corporate Governance Committee) made a decision on the need for drafting a new methodology. In 2016, with joint participation of the Remuneration and Nomination Committee under the Board of Directors of MTS (hereinafter, the Remuneration and Nomination Committee), the Corporate Governance Committee and the Board of Directors, an independent consultant was selected to update the existing methodology for the evaluation of the Board of Directors performance. The new methodology was approved by the decision of the Board of Directors.

The Methodology defines the approach to the assessment, aimed to improve the performance of the Board of Directors, its committees, Board of Directors members, and to enhance the quality of corporate governance at MTS as a whole. The Methodology contains a description of the following:

- › objects and subjects (participants) of assessment;

› methods and tools of assessment;

› principles, procedures and main areas of assessment;

› assessment procedure;

› approach to analysis and use of assessment results;

› approach to risk management in process of assessment.

The assessment principles are the following:

- › regular performance;

› relevance;

› practical focus;

› objectivity of results;

› comparability of results;

› confidentiality

The objects of the assessment include:

- › activities of the Board of Directors;

› activities of committees of the Board of Directors;

› individual performance of each member of the Board of Directors and committees, including their chairmen;

› activities of the Corporate Secretary.

The purpose of the Board of Directors performance assessment is to maximize the Board of Directors contribution to the successful development and growth of the company's value by solving such tasks as:

- › ensuring a balanced composition of the Board of Directors from the point of view of professional experience, knowledge, skills and personal qualities of its members;

› analysis of effective approaches and procedures used by the Board of Directors and Committees in their work;

› tracking the presence and level of motivation of the Board of Directors members;

› confirmation of sufficient control from the Board of Directors over operations of the organization and determination of the quality of interrelations between the Board of Directors and the management;

› determination of the Board of Directors contribution to development of the MTS corporate governance system and ensuring efficient cooperation of its subjects.

The main objective of the Board of Directors performance assessment is definition of their efficiency in preliminary elaboration of issues and assistance to the Board of Directors in the decision-making process. This objective can be achieved by solving such tasks as:

- › confirmation of the role, function and objectives of the Committee;

› inspection of the balanced composition of the Committee from the point of view of number of its members, their knowledge, professional experience and competences;

› analysis of the quality and efficiency of the Committee's interaction with the Board of Directors and the management.

The individual assessment of members of the Board of Directors is designed to maximize their contribution to operations of the Board of Directors and Committees, and also to detect directors' need for upgrade or development of certain skills enabling more effective operation of the Board of Directors and the Committees.

The assessment is carried out on a regular basis (annually) and can be conducted both independently (by questionnaire method) and with the involvement of an independent consultant.

Results of an independent assessment of the activities of the Board of Directors for 2019/2020

At the end of 2019, the MTS Board of Directors decided to launch an independent assessment of the performance of the Board of Directors for 2019/2020 with the involvement of the Independent Directors Association in partnership with the international consulting company Oliver Wyman (hereinafter referred to as the Consultants).

The Consultants discussed the project with the Remuneration and Nomination Committee and the Corporate Governance Committee to agree on the scope and methodology for the assessment, as well as the project schedule. Detailed questionnaires were sent to directors and top management to assess the performance of the Board and its Committees. The obtained results were supplemented with extended comments and feedback from members of the Board of Directors, the Corporate Secretary, individual representatives of management and stakeholders in the course of personal interviews. Consultants prepared a Preliminary Assessment Report, which was discussed with the Chairman of the Remuneration and Nomination Committee and the Chairman of the Corporate Governance Committee. The Final Report containing the results of the assessment, including observations and recommendations, as wall the report of the status of their implementation for the period from September 2020 to May 2021 was presented to the MTS Board of Directors in May 2021.

An external assessment has confirmed that the Board of Directors and Committees are functioning effectively. At the same time, several directions were noted for further increasing the effectiveness of MTS Board of Directors activities:

1.

Increasing the involvement of independent directors and the entire Board of Directors in overseeing the strategy formulation and implementation processes, as well as the associated risks;
2.

Raising the Board's focus on corporate governance and ESG;
3.

Strengthening the interaction of the Board and management to form the desired culture in the Company..

As part of the consideration of the external evaluation report and the Final Report by the Board of Directors of MTS PJSC in May 2021, the status of implementation of the Consultants' recommendations and proposals of measures to continue improving Corporate Governance at MTS PJSC was taken into account..

DIRECTORS, EXECUTIVE OFFICERS AND MTS GROUP COMPANIES LIABILITY INSURANCE

The insurance contract enables us to ensure the protection of members of the Board of Directors, Management Board and management of MTS PJSC and its subsidiary companies (hereinafter, the "Executive Officers") and to provide coverage for:

- >

indemnification of Executive Officers, in connection with actions or claims submitted against them or their persecution by authorized state authorities for their actions/omissions while they exercise office duties in the office held, namely:
- compensation of expenses of Executive Officers for lawyers and legal protection in connection with the above actions or claims;
- indemnification of damages caused to plaintiffs by inadvertent actions/ommission of Executive Officers (in the event that the lawsuit is satisfied by the court);

i

The insurance amount under the liability insurance contract is USD 25 million

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indemnification of damages of MTS PJSC and subsidiaries of MTS PJSC for claims related to securities (except for lawsuits related to new IPO of American depositary receipts).

COMMITTEES OF THE BOARD

Committees of the Board of Directors serve as a tool for the preliminary in-depth study of issues before they are submitted to the meeting of the Board of Directors. Committee members thoroughly study an issue under consideration and propose to the members of the Board of Directors the elaborated alternative decisions, making it possible for them to join the discussion of the issue more promptly.

As of the end of 2020, the following committees operated under the Board of Directors in order to increase the efficiency of decisions taken by the Board of Directors, to exercise a detailed preliminary review of the most topical matters and to prepare the corresponding recommendations: Audit Committee, Remuneration and Nomination Committee, Corporate Governance Committee, Strategy Committee, Special Committee for Compliance under the Board of Directors.

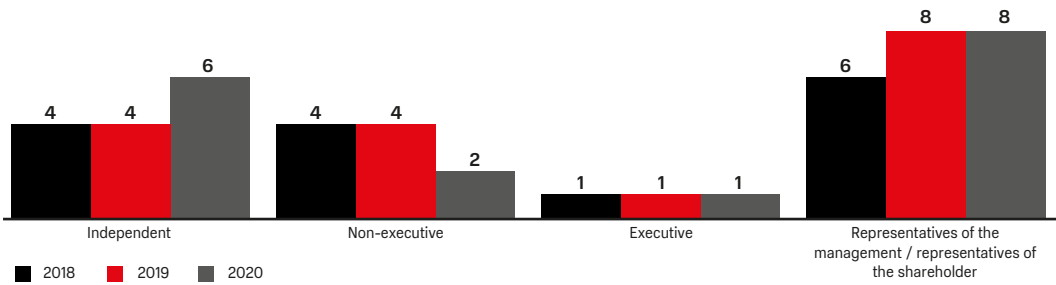
On December 17, 2020, the Board of Directors of MTS PJSC established a Special Committee under the MTS PJSC Board of Directors for the project to unite the personnel of MTS PJSC in the integrated office space in Moscow.

Powers of and requirements to compositions of the committees shall be determined by regulations on the committees approved by the Board of Directors. The committees may involve external experts and advisors in order to resolve their tasks. The results of reviews of agenda issues by the Committees are communicated to the Board of Directors members prior to every meeting of the Board of Directors.

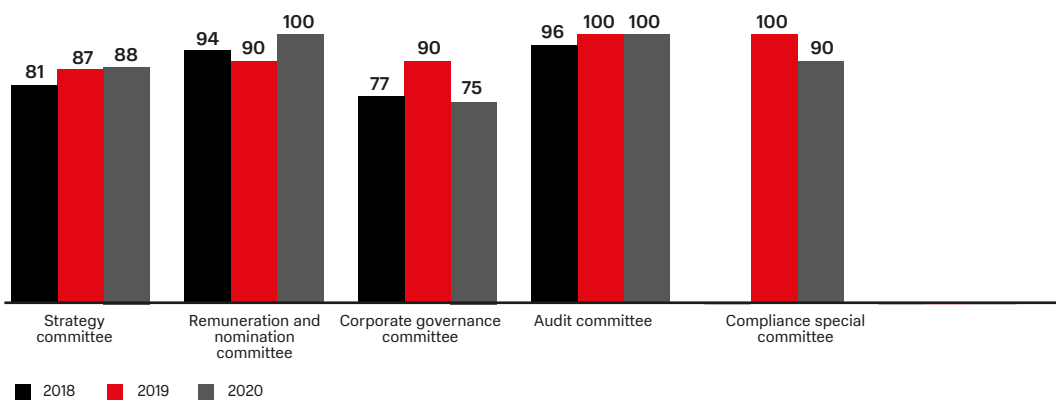
Each BoD member is also a member of one to four committees. Representation of the Company's managers in the committees allows for a meaningful dialog during committee meetings.

Committee	Committee Overview
Audit Committee	Preparation of recommendations to the Board of Directors with respect to supervision over the Company's financial and operational activities
Remuneration and Nomination Committee	Preparation of recommendations to the Board of Directors on issues of HR policy, determination of the incentive and remuneration system, generation of the Company's corporate culture development strategy
Corporate Governance Committee	Preparation of recommendations to the Board of Directors on issues of preliminary review of internal regulations, annual report, sustainability report of the Company and the development of corporate governance practices.
Strategy Committee	Preparation of recommendations to the Board of Directors upon review of a strategic development of key functions, projects and the Company in general, and implementation of investment projects and long-term investment programs
Special Committee for Compliance	Overall supervision in the sphere of compliance, review of issues and preparation of recommendations for the Board of Directors on compliance issues.

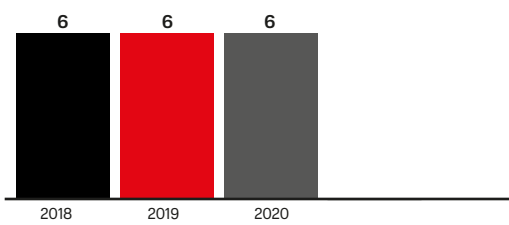
Structure of composition of the committees of the Board of Directors 2018–2020



Average level of attendance of the meetings of the Committees in 2018–2020, %



Number of committees of the Board of Directors in 2018–2020



¹ As of December 31, 2020



Attendance of meetings of committees in 2020¹

Committee Member	Audit Committee (18 meetings, including 12 in-person meetings and 6 meetings in the form of absentee voting)	Remuneration and Nomination Committee (11 meetings, including 8 in-person meetings and 3 meetings in the form of absentee voting)	Strategy Committee (11 meetings in presentia)	Committee for corporate governance (5 meetings including 2 ones in presentia and 3 in absentia)	Joint meetings for the Committee for Corporate Governance and Remuneration and Nomination Committee (3 meetings, including 2 in presentia, and 1 in absentia)	Special committee for Compliance (4 meetings in presentia)
F.V. Yevtushenkov ²			6/6			
A.I. Zassoursky			11/11	3/5	3/3	3/4
A.V. Kornya ³			5/5	3/5	3/3	
Regina Dagmar Benedicta von Flemming ⁴ Independent Director, not a member of executive management of MTS PJSC	18/18	11/11				4/4
Shaygan Kheradpir ⁵ Independent Director, not a member of executive management of MTS PJSC	10/10	5/5				3/3
Thomas Holtrop Independent Director, not a member of executive management of MTS PJSC	18/18	11/11		5/5	2/3	4/4
Nadia Shouraboura ⁶ Independent Director, not a member of executive management of MTS PJSC	10/10		6/6			
V.B. Yumashev ⁷ Independent Director, not a member of executive management of MTS PJSC		11/11	2/3			
Antoniou Antonios Theodosiou ⁸	8/8	6/6	5/5	2/2	2/2	1/1
A.V. Barsegyan ⁹				4/4	2/2	3/3
A.E. Gorbunov ¹⁰			5/5			
A.A. Znamenskaya ¹¹			3/3			
R.S. Ibragimov				5/5	2/3	
A.B. Katkov			10/11			
V.M. Klimovich ¹²			6/6			
L.E. Lukiyanova ¹³						3/3
V.K. Nikolaev ¹⁴			3/3			
V.V. Rozanov ¹⁵			4/5	2/2	2/2	1/1
Y.S. Romashkina ¹⁶						
V.S. Travkov ¹⁷			6/8			
A.A. Khanin ¹⁸			6/6			
M.V. Khanov ¹⁹			6/6			
A.A. Shmakov				4/5	2/3	

¹ Elected as a member of the Audit Committee, Strategy Committee on June 24, 2020.
² Powers of the Strategy Committee member terminated on June 24, 2020.
³ Powers of a member of the Audit Committee, the Remuneration and Nomination Committee, the Corporate Governance Committee, the Strategy Committee, and the Special Committee for Compliance terminated on June 24, 2020.
⁴ Elected as a member of the Corporate Governance Committee and the Special Committee for Compliance on April 09, 2020.
⁵ Powers of the Strategy Committee member terminated on June 24, 2020.
⁶ Powers of the Strategy Committee member terminated on November 19, 2020.
⁷ Elected as a member of the Strategy Committee on June 24, 2020.
⁸ Elected as a member of the Special Committee for Compliance on April 09, 2020.
⁹ Powers of the Strategy Committee member terminated on April 09, 2020.
¹⁰ Powers of the Chairman of the Corporate Governance Committee, a member of the Strategy Committee, the Special Committee for Compliance terminated on June 24, 2020.

¹¹ Authorities of the member of the Committee for Strategy terminated from November 19, 2020.
¹² Elected as a member of the Strategy Committee from June 24, 2020.
¹³ Selected as a member of the Special Committee for Compliance from April 09, 2020.
¹⁴ Authorities of the member of the Strategy Committee terminated from April 09, 2020.
¹⁵ Authorities of the Chairman of the Committee for Corporate Governance, member of the Strategy Committee, Special Committee for Compliance terminated from June 24, 2020.
¹⁶ Powers of a member of the Special Committee for Compliance terminated on April 09, 2020.
¹⁷ Elected as a member of the Strategy Committee on April 09, 2020.
¹⁸ Elected as a member of the Strategy Committee on June 24, 2020.
¹⁹ Elected as a member of the Strategy Committee on June 24, 2020

AUDIT COMMITTEE

In the reporting year, the Audit Committee paid special attention to the efficiency of the internal control and risk management system, taking into account the unprecedented changes in the external environment. During 2020, the Company continued the development of a comprehensive ecosystem environment, and the Committee’s focus remained on compliance by the new digital areas and business lines with the corporate governance rules and compliance requirements, as well as ensuring the effectiveness of the risk management and internal control system.

The Committee continued its work on monitoring the completeness and reliability of the financial statements of the MTS Group, including control over the disclosure of relevant information, as well as over the effectiveness of work of the internal audit and the external auditor, assessing the quality of their work, compliance with the principles of independence and objectivity.

Thomas Holtrop,
Chairman of the Audit Committee

The Audit Committee is an auxiliary, collective advisory body of the Company’s Board of Directors. The committee was established for the purposes of assisting in efficient implementation of functions of the Board of Directors in terms of control over financial and economic activities of the Company.

In their activities, the Committee members are guided by the applicable law, the Charter and the internal documents of the Company, the Corporate Governance Code , the Code of Business Conduct and Ethics of MTS PJSC, decisions of the Company’s management bodies¹, and the Regulations on the Audit Committee².

The main task of the Committee is to assist the Board of Directors in performing its oversight functions in relation to financial reporting, risk management, internal controls system, compliance, adherence to the Code of Business Conduct and Ethics of MTS PJSC, conducting internal and external audits, counteracting unfair actions committed by the members of management bodies and employees of MTS PJSC and its subsidiaries (hereinafter referred to as the “Group” or “MTS Group”) and third parties.

KEY FUNCTIONS OF THE COMMITTEE:

- › overseeing the control over completeness, accuracy and reliability of the financial statements of the MTS Group; review and analysis, together with the management and the external auditor, of the annual financial statements, interim financial data of the Group and related documents submitted to the SEC, the Central Bank of the Russian Federation and other regulatory bodies; consideration of reports on the financial and operating performance of the MTS Group before issue of press releases;
- › overseeing the process of ensuring the effectiveness of risk management, the internal control system and corporate governance of the MTS Group; assessment of implementation of the procedures used by the MTS Group to identify the main risks, and the corresponding control procedures in order to determine their adequacy and efficiency; overseeing the implementation of procedures to ensure that the MTS Group complies with the requirements of the Sarbanes-Oxley Act; consideration, together with the management, internal and external audit, of any cases of violation of the law, possible cases of fraud and significant deficiencies in internal control and risk management procedures;
- › overseeing the updating, communicating the Code of Business Conduct and Ethics of MTS PJSC (hereinafter referred to as the “Code”) to the persons whose activity is regulated by the Code; consideration of measures taken by the management of MTS PJSC to increase the level of corporate, compliance and risk culture, awareness of persons whose activity is regulated by the Code, about the requirements of the Code and the consequences of its violation;

- consideration of the proposed measures to resolve the conflict of interests of members of the management bodies of MTS PJSC;
- › ensuring independence and objectivity of the internal audit function; review and approval of the internal audit policy, internal audit strategy, annual audit schedule and major changes to the schedule during the calendar year; review, jointly with the Director for Internal Audit and approval of the resource plan, budget and KPIs for internal audit; assessing the effectiveness of internal audit activities and meeting KPIs;
 - › assessment of the independence, impartiality and lack of conflict of interests among the Group’s external auditors, including the assessment of candidates for the Group’s auditors, development of proposals for the appointment, re-election and removal of the Group’s external auditors, payment for their services and conditions for their involvement; supervision of the external audit and assessment of the audit quality and audit opinions; supervision over the fulfilment

- of the Group’s procedures determining the principles of rendering and combining by the auditor of audit and non-audit services;
- › oversight of the effectiveness of the reporting system on the potential cases of fraud of the Group’s employees (including violation of anti-corruption policy, unfair use of insider and confidential information) and of third parties, as well as other violations in the Group; consideration of reports on the work of the MTS Group Unified Hotline, as well as the results of internal audits and investigations;
 - › other functions.

NUMBER AND IDENTITIES OF MEMBERS

Composition of the Committee was changed during the reporting year.

New composition of the Committee was approved at the meeting of the Board of Directors dated June 24, 2020.

Members of the Committee in 2020

Committee Member	From June 27, 2019	From June 24, 2020
T. Holtrop, Chairman, Independent Director	●	●
A. Antoniou, Independent Director ¹	●	○
Regina von Flemming, Independent Director	●	●
Sh. Kheradpir, Independent Director ²	○	●
N. Shouraboura, Independent Director ³	○	●
● person was/is a committee member ○ person was/is not a committee member		

¹ Corporate Governance Code recommended for application by the Bank of Russia (Letter dated April 10, 2014, No. 06-52 / 2463).
² <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenti-pao-mts/polozhenie-o-komitete-po-audit/>.

¹ Excluded from the composition of the Committee since June 24, 2020.
² Elected as a committee member on June 24, 2020
³ Elected as a committee member on June 24, 2020

MEETINGS

The Committee’s activities were based on the approved action plan according to main functions assigned to the Committee. In the reporting year, 18 meetings of the Committee took place: 14 in-person meetings and 4 meetings in the form of absentee voting.

Besides these meetings, the Committee members held meetings with financial executives of the Company and managers responsible for the system of management of risks and internal control, as well as with external advisors of the Company on a number of issues.

Participation of the Committee members in meetings in 2020

Committee Member	23.01 In-absentia	12.02	11.03	18.03	08.04 In-absentia	15.04	20.05	22.06	29.07	17.08	16.09	12.10 In-absentia	21.10	28.10 In-absentia	16.11	27.11 In-absentia	16.12	30.12 In-absentia
T. Holtrop	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Regina von Flemming	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
A. Antoniou	•	•	•	•	•	•	•	•	—	—	—	—	—	—	—	—	—	—
N. Shouraboura	—	—	—	—	—	—	—	—	•	•	•	•	•	•	•	•	•	•
Sh. Kheradpir	—	—	—	—	—	—	—	—	•	•	•	•	•	•	•	•	•	•
<div><div>•</div> — committee member participated in the meeting</div> <div><div>○</div> — committee member did not participate in the meeting</div> <div><div>—</div> — person was not a committee member at the time of the meeting</div>																		

KEY AREAS OF THE AUDIT COMMITTEE’S ACTIVITIES AND MATTERS CONSIDERED IN 2020

In financial reporting

During 2020, the Audit Committee reviewed the interim financial data of the MTS Group for the Q1, Q2, Q3 of 2020 in order to determine the completeness, consistency of information and presentation of reasonable assessment of financial standing, performance indicators and prospects of the MTS Group.

The consolidated financial statements of the MTS Group for 2020, prepared in accordance with the international financial reporting standards, and the financial statements of MTS PJSC for 2020, prepared in accordance with the Russian accounting and reporting standards, were considered, and an analysis of audit results was carried out together with the management and the external auditor.

The reports on the financial and operating performance of the MTS Group for Q1, Q2, Q3, Q4 and 2020 as a whole were reviewed and recommended for subsequent disclosure.

In risk management, internal controls and corporate governance system

During 2020, the Committee monitored the effectiveness of risk management, the internal control system and corporate governance of the MTS Group.

The Committee reviewed the reports on risk management at MTS PJSC for the first six months and 2020, gave positive assessment of work in the field of risk management at the MTS Group in 2020. The report on the risk management system at the MTS Group and the report according to Form 20-F for 2020 were reviewed.

At the instruction of the Audit Committee, the management of MTS PJSC assessed the impact of COVID-19 on risk management, internal control, integrated security, preparation of financial reporting, internal audit, business ethics and compliance.

At the instruction of the Audit Committee, a third party consultant completed a project to assess risks in the development of the MTS ecosystem, carried out risk assessment at the stage of adding assets to the ecosystem and in the process of their integration, analyzed existing control procedures aimed at risk mitigation within the framework of building an ecosystem, developed a checklist

for submission to the MTS PJSC collective bodies of information on the specific features of the transaction, taking into account its inherent risks, and prepared recommendations regarding the optimization and automation of processes.

During 2020, the Committee controlled the procedures providing for the Group’s compliance with the requirements of Sarbanes–Oxley Act. Plan for 2020 and the results of activities of the Internal Control Systems Department for the first six months of the year and for 2020 as a whole were reviewed, including the results of testing and certification of the internal control system for reliability of the financial statements of the MTS Group. The Committee gave a positive assessment of the unit performance results.

The Committee discussed and took note of the report of the Internal Audit Unit on the results of assessing the effectiveness of the internal control system, risk management and corporate governance of the MTS Group for 2020.

The Committee approved the updated procedure for review of related party transactions. During 2020, the Committee conducted a preliminary review of MTS PJSC transactions with related parties and subsequent review of transactions of MGTS PJSC, MTS Armenia CJSC and RTC JSC with related parties in accordance with the procedure described in the Regulations on the Audit Committee. The results of analysis of economic feasibility and compliance with the requirements of the regulations when making such transactions carried out by the Internal Audit Block of CC of the MTS Group and subsidiary companies, respectively, were discussed and taken into account.

In compliance and observance of the standards of business conduct and ethics

The Committee reviewed and approved the functional strategy of the MTS Group in the field of business ethics and compliance for 2020–2022.

The report on implementation of the corporate anti-corruption compliance program of MTS PJSC and subsidiaries based on the results of the first six months of the year and for 2020 as a whole was reviewed. The Committee gave a positive assessment to the performance results of the Ethics and Compliance Department.

In December 2020, the Committee reviewed and took note of the 2021 plan for the development of a corporate anti-corruption compliance program at MTS PJSC and subsidiary companies.

The Committee reviewed and took into account the report on the status of the compliance program at MTS Bank PJSC and the strategic plan for development of the anti-corruption compliance function at MTS Bank PJSC.

The Committee reviewed the report on development of the Unified Compliance System of MTS PJSC for 2020.

The Committee discussed and took note of the updated approach to managing conflicts of interest at MTS PJSC.

In internal audit

During 2020, the Committee reviewed information about current operation of the Internal Audit Block.

The Committee reviewed and approved a plan to improve the efficiency and major initiatives aimed at improvement of the internal audit processes.

In July 2020, the Committee reviewed the main changes to the audit schedule and approved the revised audit schedule for 2020.

In 2020, the Committee paid attention to issues such as the use of data analysis tools in internal auditing and the development of new audit technologies. In May 2020, the Committee approved the revised budget of the unit for 2020, taking into account the costs of data analysis tools in internal audit. The Committee reviewed the results of development and implementation of a data analysis system and assessment of risk indicators by MTS PJSC suppliers using the Qlik Sense tool.

The Committee reviewed and approved the performance results of the internal audit of MTS PJSC and subsidiary companies in the first six months and for 2020 as a whole. The Committee gave a positive assessment to the results of the internal audit performance and believes that the key performance indicators and objectives of the internal audit for 2020 have been achieved and are in line with the expected results.

The Audit Committee reviewed and took into account the results of self-assessment of the internal audit unit for 2020, confirming compliance with the International Professional Standards of Internal Audit and the Code of Ethics of the Institute of Internal Auditors.

In December 2020, the Committee reviewed and approved the internal audit strategy, audit schedule, KPIs and budget for 2021, as well as took into account the audit schedules for 2021 of the internal audit units of significant subsidiaries.

In external audit

The Audit Committee recommended Deloitte JSC and Touche CIS as the auditor of financial statements of MTS PJSC for 2020, which was confirmed by the recommendation of the Board of Directors and by shareholders of the Company at the Annual General Meeting of Shareholders

in June 2020. The Committee previously approved and recommended that the Board of Directors approve the remuneration of the auditor.

Evaluation of efficiency and quality of the audit process shall be prepared by the Committee according to the results of analysis of the auditor’s reports. The Audit Committee discussed and took into account the results and conclusions of the external auditor based on the review of quarterly overviews of MTS Group financial information for Q1, Q2 and Q3 of 2020 and the annual audit, including conclusions on the effectiveness of the internal control system over the preparation of financial statements at the MTS Group. Based on the 2020 results, the Committee gave a positive assessment of the quality of audit performance.

The Audit Committee gave a positive assessment of the auditor’s opinions based on the results of the audit of MTS PJSC financial statements for 2020 prepared in accordance with the Russian accounting standards, and consolidated financial statements of MTS PJSC and its subsidiaries for 2020 prepared in accordance with the international financial reporting standards.

The Committee exercised supervision over compliance of the auditors with the independence principles. During 2020, the Committee considered information on permissible auditing and non-auditing services, which was provided by the external auditor, and discussed with the auditor a possible impact of the service on independence of the auditor. Permissible auditing and non-auditing services were preliminarily approved by the Committee in accordance with the procedure described in the Regulations on the Audit Committee.

In prevention of fraud of the Group’s employees and third parties

The Audit Committee reviewed and took note of the main initiatives to improve the administration of the MTS Group Unified Hotline and the conduct of internal investigations, as well as the updated approach to the activities of the Discipline Committee and the application of disciplinary action.

The Committee reviewed the results of work of the Unified Hotline of the MTS Group of Companies in the first six months and for 2020 as a whole.

The Audit Committee made recommendations to the Board of Directors regarding the consideration and approval of the following items:

- › restated Regulations on the Audit Committee under the Board of Directors of MTS PJSC;
- › appointment to the position of the Director for Internal Audit;
- › report on implementation of the corporate anti-corruption compliance program of MTS PJSC and subsidiaries for 2020;
- › risk management reports of MTS PJSC for the first six months and for 2020 and assessment of the risk management performance of the MTS Group in 2020;
- › report on risk management system at the MTS Group;
- › remuneration to Deloitte JSC and Touche CIS for auditing services in 2020;
- › major transactions with interest falling within the competences of review by the Board of Directors.

Work results in 2020

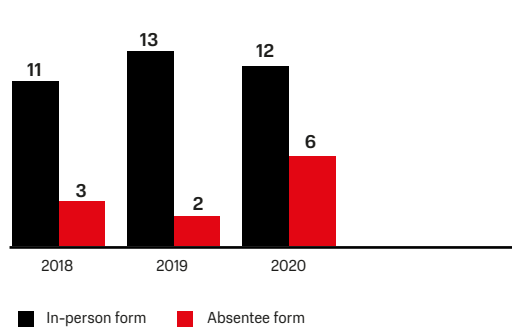
In the reporting year, the Audit Committee remained focused on the effectiveness of the systems for internal control, risk management, corporate governance, business ethics and compliance, overseeing the ensuring of completeness and reliability of the financial statements of the MTS Group. Given the constraints caused by COVID-19, the Committee paid particular attention to assessing the impact of such constraints on risk management, internal control, integrated security, preparation of financial statements, internal audit, business ethics and compliance processes.

The Committee monitors the development of strategic initiatives and the transformation of business into a digital ecosystem; at the instruction of the Audit Committee, a third party consultant completed a project on risk assessment in the development of the MTS ecosystem and an analysis of existing control procedures, prepared recommendations for optimizing and automating the processes.

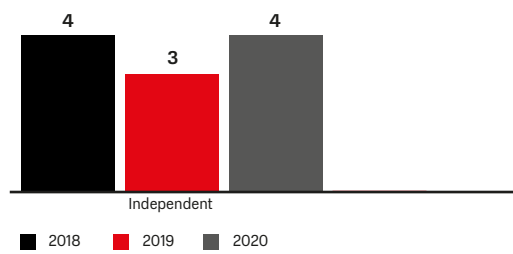
The Audit Committee continues its activities aimed at ensuring the effective functioning of the internal audit service and the external auditor, monitoring their independence and objectivity, and overseeing the quality of their activities.

The Audit Committee developed an operation plan for the next year in the main functional areas and approved it in December 2020.

Meetings of the Audit Committee in 2018–2020



Composition of the Audit Committee in 2018–2020



REMUNERATION AND NOMINATION COMMITTEE



In the reporting year, the Remuneration and Nomination Committee performed its assigned function as a consultant to the Board of Directors of MTS PJSC in priority areas of personnel management, relying on international experience of corporate governance and best professional practices in its work.

The Committee’s task is to assist in ensuring that the policy of MTS in the field of personnel management in general, and in such issues as compensation and remuneration, in particular, would correspond to up-to-date market practices and facilitate engagement of best candidates by the Company, to ensure that clear and understandable indicators and rules established by the Company’s governing body were the basis for evaluating the employees’ performance. The Committee summarizes the results of achieving annual key performance indicators and gives recommendations to the Board of Directors on short-term and long-term personnel remuneration systems, strategy and culture of the company, contributing to the growth of its efficiency and transformation into a digital ecosystem.

The Committee tracks the implementation of the Company’s strategic development initiatives. An important goal is to ensure fair remuneration of outstanding results, on the one hand, and not to ignore the absence of efforts, on the other hand. Together with the Audit Committee, special attention is paid to compliance with the corporate governance rules, regulatory requirements and prevention of financial crimes. Much attention is paid to the implementation of the compliance requirements.

In accordance with the new strategy for developing and implementing the MTS ecosystem, one of the key tasks for the near future is to make sure that the organizational structure, the system of key performance indicators, long-term bonus payment programs and the entire life cycle of MTS employees are suitable for transformation of the company’s HR strategy and culture. Determining and providing the best experience for employees, as well as attracting the best talents in the market, is a strategically important aspect of the work of the Remuneration and Nomination Committee. The corporate culture and its implementation in the context of change management remain one of the main tasks of the Committee.

The Committee is responsible for review of external and internal candidates for key management jobs at the Company, and for the assessment of independent candidates for the Board of Directors.

All members of the Committee are sure that investments in engaging the best candidates, stimulating the achievement of their potential and interest in the Company’s growth, including through incentive programs, create a platform for long-term success.

Regina Dagmar Benedicta von Flemming
Chairperson of the Remuneration and Nomination Committee



The Remuneration and Nomination Committee is an auxiliary collective deliberative body under the Board of Directors. Primary goals of the Committee include: development of the Company's HR policy, determination of the system for remuneration of chief officers of the Company, shaping the strategy for the development of the MTS Group's corporate culture.

The Committee members follow leading international practices and trends in preparation of effective solutions within the area of their competence.

In its activities the Committee follows the recommendations and requirements of the relevant legislation, the Company's Charter and internal documents, Code of Ethics and Business Conduct, decisions of the Company's management bodies, and Regulations on the Committee¹.

Tasks:

- Development and updating of the HR Policy of MTS PJSC, preparation of a succession pool for the positions of chief officers;
- Drawing up proposals on candidates and on the determination of significant conditions for remuneration of the chief executives, and proposals on an early termination of office;
- Evaluation of performance results of the Company's President and Management Board members, direct subordinates of the Company's President for the reporting

period and preparation of proposals on their reappointment and appointment of the Corporate Secretary;

- Development and submission for BoD review of internal documents related to the implementation of the Company's Options Plan;
- Control over meeting the requirements of the effective legislation, MTS PJSC Charter and internal regulatory acts of MTS PJSC as to compliance with the Company's HR Policy, standards and procedures in the sphere of remuneration and appointments;
- Determining methods and evaluation of performance of the Company's Board of Directors;
- The Committee preliminarily addresses the issues reviewed at meetings of the Company's Board of Directors in the sphere of appointment and remuneration of top managers of the Company.

Number and identities of members

Composition of the Committee was changed during the reporting year.

The composition of the Committee was approved at the meeting of the Board of Directors on June 24, 2020

Meetings

In the reporting year, 11 meetings of the Committee took place: eight in-person form and three in the form of absentee voting.

Members of the Committee in 2020

Committee Member	From June 27, 2019	From June 24, 2020
Regina von Flemming, Chairman, Independent Director	●	●
A. Antoniou, Independent Director ²	●	○
T. Holtrop, Independent Director	●	●
V.B. Yumashev, Independent Director	●	●
Sh. Kheradpir, Independent Director ³	○	●
● person was/is a committee member		
○ person was/is not a committee member		

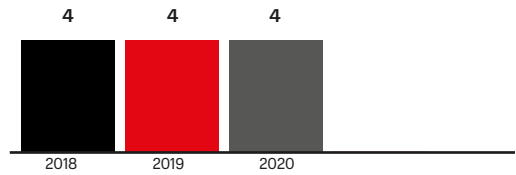
Participation of the Committee members in meetings in 2020

Committee Member	12 February	19 March	8 April	20 May	02 June In-absentia	23 June	10 August In-absentia	24 September	21 October	18 November	16 December
Regina von Flemming	●	●	●	●	●	●	●	●	●	●	●
A. Antoniou	●	●	●	●	●	●	—	—	—	—	—
T. Holtrop	●	●	●	●	●	●	●	●	●	●	●
V.B. Yumashev	●	●	●	●	●	●	●	●	●	●	●
Sh. Kheradpir	—	—	—	—	—	—	●	●	●	●	●
person was not a committee member at the time of the meeting											

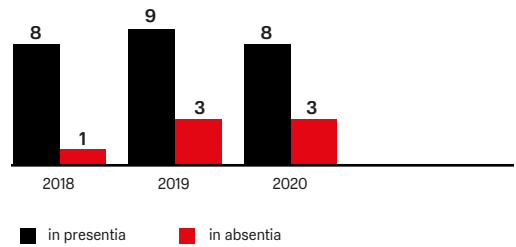
Main areas of activities of the Remuneration and Nomination Committee in 2020

- Matters of appointments and succession assurance
 - Candidates, including external ones, for positions of immediate subordination to the Company's President were considered. Experience sufficiency was evaluated; the results achieved at the Company were analyzed for internal candidates.
 - Independence of the candidates for inclusion in the Audit Committee under the MTS PJSC Board of Directors was assessed.
- Issues with systems for the remuneration of managers
 - Key indicators of the performance of the Company's top managers were determined, the results of activities during the previous period were reviewed.
 - Procedures required for the support of a long-term incentive program were implemented, including determination of the current-year program participants and the program's KPI targets, preparation of proposals on further program development.
 - Technical standards for top managers were updated according to the current needs.
- HR policy issues at MTS
 - Key transformations of the Company's organizational structure, their correspondence to the upper-level business objectives and the Company's strategy were reviewed.
 - The HR strategy of MTS for 2020–2022 was reviewed.

Composition of the Remuneration and Nomination Committee in 2018–2020



Meetings of the Remuneration and Nomination Committee in 2018–2020



- The challenges in the field of HR management related to the transformation of MTS into an ecosystem were accepted, the areas of cultural transformation of the Company were reviewed.
- Measures for implementation of compliance requirements in terms of HR management were reviewed.
- Measures were presented to prevent the spread of the new coronavirus infection (2019-nCov) among the employees of MTS PJSC.

¹ <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenty-pao-mts/polozenie-o-komitete-po-voznagrazhdeniyam-i-naznacheniyam/>
² Excluded from the composition of the Committee since June 24, 2020.
³ Elected as a committee member on June 24, 2020



The Committee has provided the following recommendations to the Board of Directors

On all of the issues discussed, the Committee provided recommendations for appropriate decisions in accordance with the best world practices, the current business environment and the Company's development strategy.

Work results in 2020

In the reporting year, the Committee reviewed all the necessary issues related to the competences of the Committee required to effectively support the Company's activities and its development.

Particular attention was paid to sustainable fulfilment by the Company of business efficiency target indicators in the context of the global pandemic, and to ensuring the uninterrupted implementation of plans and initiatives aimed at transforming the Company into a digital ecosystem. In accordance with the set priorities, the Committee's operation plan for 2021 was developed.

CORPORATE GOVERNANCE COMMITTEE

The Committee was established in order to develop and improve the system and practices of corporate governance at the Company. Within its competences, the Committee preliminarily reviews the most important issues in the area of corporate governance falling within the competence of the Board of Directors and prepares recommendations for the Board of Directors to take relevant decisions.

In its activities the Committee follows the recommendations and requirements of the relevant legislation, the Company's Charter and internal documents, Code of Ethics and Business Conduct, decisions of the Company's management bodies, and Regulations on the Committee¹.

In the reporting year, we continued improving the Company's corporate governance system. As in previous years, we discussed the ranking of MTS in the National Corporate Governance Index and analyzed what can be done to maintain the high standing achieved by the Company.

Together with the Remuneration and Nomination Committee, we supported the first independent assessment of the MTS Board of Directors. As a result of the assessment, an action plan for the development of the company's corporate governance practices was prepared, which we have already begun to implement.

Also, with the participation of the Remuneration and Nomination Committee, we started work on the process of planning the succession of the MTS Board of Directors. Based on the results of this work, in 2021, the MTS Board of Directors approved the Succession Policy for members of the MTS Board of Directors.

We believe that corporate governance is one of the cornerstones of the Company's high capitalization, therefore, we will continue working on its development and improvement.

A.I. Zassoursky,
Chairman of the Corporate
Governance Committee

Objectives

The Committee faces the challenges associated with the development of priority areas of the Company's activities as to implementation of the corporate governance standards and control over practices in this sphere and settlement of corporate conflicts.

In relation to the goals that were set the Committee performs the following functions:

- › monitoring the reliability and efficiency of the MTS corporate governance system and practices, assessing the effectiveness of corporate governance practices and preparing proposals for their improvement, as well as conducting a benchmarking study and informing the Board of Directors about corporate governance policies and programs at other companies;
- › determination of policies in the area of voluntary disclosure of information by the Company and control over the compliance with information policies;
- › assistance in the prevention and settlement of corporate conflicts between the shareholders and between the shareholders and executive bodies of the Company, as well as review of complaints and comments of the shareholders on issues of interaction with the Company;

- › preliminary review of the Company's internal regulations submitted for approval (preliminary review) by the Board of Directors, and of the Company's annual report.

Number and identities of members

The composition of the Committee was changed during the reporting year.

The composition of the Committee was approved at the meeting of the Board of Directors on June 25, 2020.

Meetings

In the reporting year, 8 meetings were held: 4 in-person meetings and 4 meetings in the form of absentee voting.

Members of the Committee in 2020

Committee Member	From June 27, 2019	From April 09, 2020	From June 25, 2020
A.I. Zassoursky, Chairman, Non-Executive Director	●	●	●
V.V. Rozanov, Non-Executive Director	●	●	○
A.V. Kornya, Non-Executive Director	●	●	●
A. Antoniou, Independent Director ¹	●	●	○
T. Holtrop, Independent Director	●	●	●
A.V. Barsegyan, Member of the Management Board — Vice President for Corporate and Legal Issues MTS PJSC ²	○	●	●
R.S. Ibragimov, Management Board Member, Vice President for Government Relations and Public Relations, MTS PJSC	●	●	●
A.A. Shmakov, Managing Director, Corporate Relations, Sistema PJSC	●	●	●
● person was/is a committee member ○ person was/is not a committee member			

Participation of the Committee members in meetings in 2020

Committee Member	March 03 ⁴ In-absentia	April 09 In-absentia	May 20 In-absentia	June 22	July 24 In-absentia	September 16 ⁵	September 28	December 11
A.I. Zassoursky	●	○	?	●	●	●	●	●
V.V. Rozanov	●	○	?	●	—	—	—	—
A. Antoniou	●	●	●	●	—	—	—	—
T. Holtrop	●	●	●	○	●	●	●	●
A.V. Kornya	●	○	●	●	●	●	○	●
A.V. Barsegyan	—	—	●	●	●	●	●	●
R.S. Ibragimov	○	●	●	●	●	●	●	●
A.A. Shmakov	○	●	●	●	●	●	○	●
● — committee member participated in the meeting ○ — committee member did not participate in the meeting — person was not a committee member at the time of the meeting								

¹ <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenty-pao-mts/polozenie-o-komitete-po-korporativnomu-upravleniyu>

¹ Excluded from the composition of the Committee on June 24, 2020
² Excluded from the composition of the Committee on June 24, 2020
³ Elected to the Committee on April 09, 2020
⁴ Joint meeting of the Corporate Governance Committee and the Remuneration and Nomination Committee
⁵ Joint meeting of the Corporate Governance Committee and the Remuneration and Nomination Committee

Issues reviewed in 2020:

- › On the beginning of assessment of performance of the MTS Board of Directors.
- › Report on the work of MTS PJSC Corporate Governance Department.
- › Preliminary review of draft local regulatory acts of MTS.
- › Preliminary review of the draft annual report of MTS for 2019.
- › On planning of MTS Board of Directors succession.
- › Results of assessment of MTS Board of Directors.
- › Directors, executive officers and MTS Group companies liability insurance.
- › Comparison of the Corporate Governance Level at MTS with the Leading Companies in the Field of Corporate Governance, etc.

The Committee, inter alia, made the following recommendations:

- › Recommend that the MTS Board of Directors approve a consultant to conduct an external assessment of the MTS Board of Directors.
- › Recommend that the MTS Board of Directors approve the report on the work of the MTS Corporate Governance Department.
- › Recommend that the MTS Board of Directors preliminarily approve the MTS PJSC Annual Report and the report on compliance with the Corporate Governance Code for 2019.
- › Recommend that the MTS Board of Directors preliminarily approve local regulatory acts of MTS in new revisions.
- › Recommend that the MTS Board of Directors conclude a D&O Policy on the conditions considered, etc.

Work results in 2020

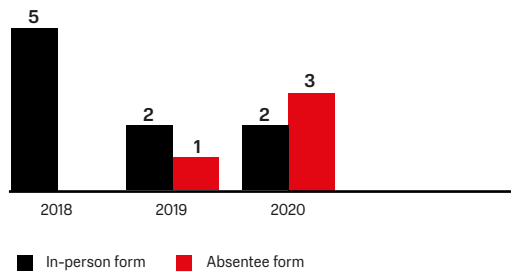
The Committee considered all the matters related to the development of corporate governance at the Company; no issues on the settlement of corporate conflicts arose; no complaints or comments from shareholders on the competences of the Committee were received.

The Committee was mainly focused on assessing the Company's Board of Directors and developing the corporate governance at MTS.

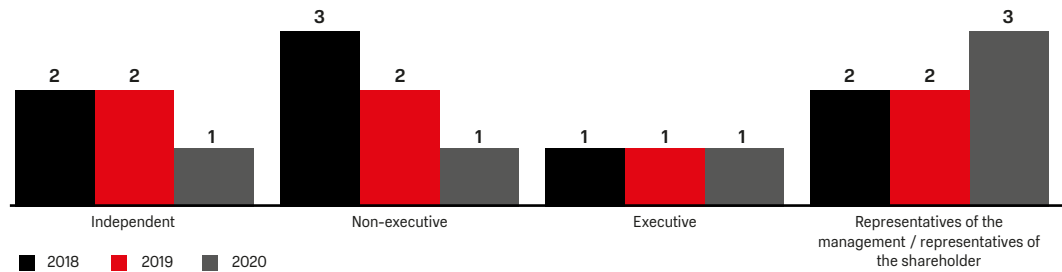
Events after the reporting date

By resolution of the Board of Directors of MTS dated March 19, 2021, the Corporate Governance Committee was transformed into the ESG Committee (Committee for Corporate Governance, Environmental and Social Responsibility) under the Board of Directors of MTS PJSC.

Meetings of the Corporate Governance Committee in 2018–2020



Composition of the Corporate Governance Committee for 2018–2020



STRATEGY COMMITTEE



At the meetings of the Strategy Committee under the MTS Board of Directors in 2020, we considered the strategy of the MTS ecosystem and individual functional and business areas of the Company, M&A transactions, the practicability of developing the MTS ecosystem in new directions, and reorganization issues. In April 2020, the Strategy Committee merged with the Budget Committee, after which the Strategy Committee also started reviewing budget-related and other financial issues. Most of the time was devoted to discussing the vertical and functional horizontal strategies of the ecosystem as part of the new strategy of the MTS Group.

Felix Yevtushenkov,
airman of the Strategy Committee

The Committee is an auxiliary body of the MTS PJSC Board of Directors for the preparation of recommendations to the Board of Directors upon review of general strategy issues of the MTS Group, strategic development of key functions, projects and the Company in general, and the implementation of M&A transactions and investment projects.

Tasks:

- › preliminary review and provision of recommendations to the Board of Directors on issues falling within the competence of the Strategy Committee;
- › discussion and drawing up of recommendations on strategic activity areas and projects of the Company.

Number and identities of members

Composition of the Committee was changed during the reporting year.

The composition of the Committee was approved at the meeting of the Board of Directors on June 27, 2019.

The number of members of the Committee has increased since April 9 following the merger of the Strategy Committee and the Budget Committee.

The new composition of the committee was elected on June 24, 2020.



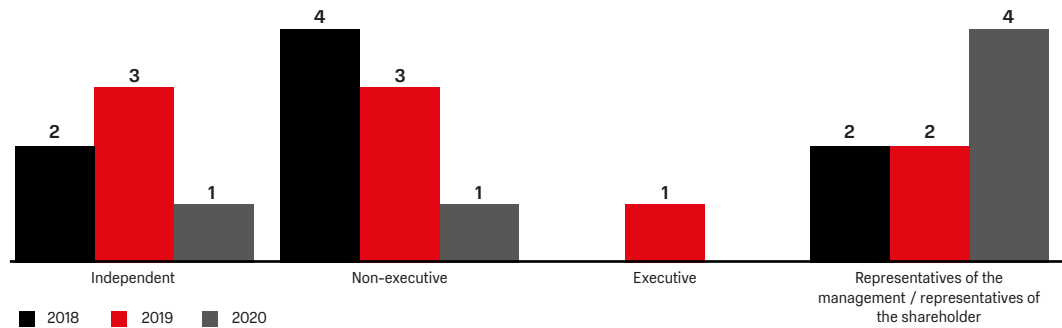
Members of the Committee in 2020

Committee Member	From June 27, 2019	From April 09, 2020	From June 24, 2020*
V.V. Evtushenkov, Chairman, Non-Executive Director ¹	○	○	●
A.V. Kornya, President, Chairman of the MTS PJSC Management Board, Non-Executive Director ²	●	●	○
A.I. Zassoursky, Non-Executive Director	●	●	●
V.V. Rozanov, Non-Executive Director ³	●	●	○
A. Antoniou, Independent Director ⁴	●	●	○
Regina von Flemming, Independent Director ⁵	●	●	○
V.B. Yumashev, Independent Director	●	○	○
N. Shouraboura, Independent Director ⁶	○	○	●
A.B. Katkov, Managing Partner of Sistema PJSC	●	●	●
V.K. Nikolaev, President, Management Board Chairman of MTS PJSC ⁷	●	○	○
A.E. Gorbunov, Management Board Member, Vice President for Strategy and Development of MTS PJSC ⁸	●	●	○
V.S. Travkov, Vice President for Finance of Sistema PJSC	○	●	●
A.A. Khanin, a member of the Management Board, Vice President for Artificial Intelligence of MTS PJSC ⁹	○	○	●
A.A. Znamenskaya ¹⁰	○	○	●
V.M. Klimovich	○	○	●
M.V. Khanov ¹¹	○	○	●

● person was/is a committee member

○ person was/is not a committee member

Composition of the Strategy Committee for 2018–2020



¹ Elected as a committee member on June 24, 2020

² Expiration of the term of office of the President of MTS PJSC from March 12, 2021, excluded from the committee since June 24, 2020.

³ Excluded from the composition of the Committee since June 24, 2020.

⁴ Excluded from the composition of the Committee since June 24, 2020.

⁵ Excluded from the composition of the Committee since June 24, 2020.

⁶ Elected as a committee member on June 24, 2020

⁷ President of MTS PJSC since March 13, 2021, excluded from the committee since April 9, 2020.

⁸ Excluded from the composition of the Committee since June 2020.

⁹ Elected as a committee member on June 24, 2020

¹⁰ Elected as a committee member on June 24, 2020, excluded from the committee on November 19, 2020.

¹¹ Elected as a committee member on June 24, 2020

Participation of the Committee members in meetings in 2020

Committee Member	January 29	February 11	April 8	20 May	June 22	July 23	September 21	October 19	November 13	November 30	December 11
F.V. Yevtushenkov	—	—	—	—	—	●	●	●	●	●	●
A.V. Kornya	●	●	●	●	●	—	—	—	—	—	—
A.I. Zassoursky	●	●	●	●	●	●	●	●	●	●	●
V.V. Rozanov	●	○	●	●	—	—	—	—	—	—	—
A. Antoniou	●	●	●	●	—	—	—	—	—	—	—
Regina von Flemming	●	●	●	●	—	—	—	—	—	—	—
V.B. Yumashev	○	●	●	—	—	—	—	—	—	—	—
N. Shouraboura	—	—	—	—	—	—	—	—	—	—	—
A.B. Katkov	●	●	●	●	●	●	●	●	●	●	○
V.K. Nikolaev	●	●	●	—	—	—	—	—	—	—	—
A.E. Gorbunov	●	●	●	●	●	—	—	—	—	—	—
V.S. Travkov	—	—	—	●	●	●	○	●	●	—	●
A.A. Khanin	—	—	—	—	—	●	●	●	●	●	●
A.A. Znamenskaya	—	—	—	—	—	●	●	●	—	—	—
V.N. Klimovich	—	—	—	—	—	●	●	●	●	●	●
M.V. Khanov	—	—	—	—	—	●	●	●	●	●	●

● — committee member participated in the meeting

○ — committee member did not participate in the meeting

— person was not a committee member at the time of the meeting

Meetings

In the reporting year, 11 in-person meetings were held.

Main issues reviewed by the Committee in 2020

- > MTS Group Strategy for 2021–2023.

> Strategies for business verticals and key functional horizontals.

> Approval of the MTS Group budget for 2021.

> Reports on the current fulfilment of the budget.

> On acquisition of assets.

> On reorganization of MTS PJSC in the form of acquisition of its subsidiaries.

> Updated Regulations on the Strategy Committee of the Board of Directors of MTS PJSC.

The Committee has provided the following recommendations to the Company’s Board of Directors and management, including but not limited to:

- > finalizing and approving the strategy of the MTS Group for 2021–2023;

> finalizing business vertical strategies;

> approving transactions;

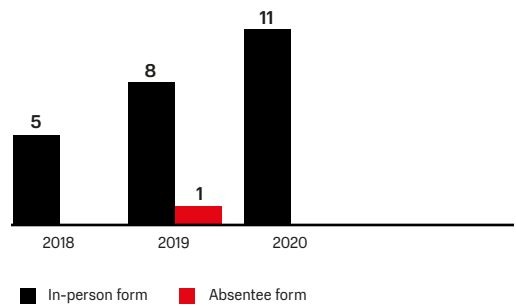
> approving the MTS Group budget for 2021.

Work results in 2020

In the reporting year, the Committee considered issues related to the process of strategic planning of the Company’s operations, strategies

on the business verticals and key functional areas, M&A transactions and financial issues. Several recommendations were provided to the Company’s Board of Directors and management following the review of issues. In addition, an updated regulation on the Committee was adopted.

Meetings of the Strategy Committee in 2018–2020





SPECIAL COMMITTEE
FOR COMPLIANCE UNDER THE BOARD
OF DIRECTORS

The main objective of the Special Committee is overall supervision in the sphere of compliance, review of issues and preparation of recommendations for the Board of Directors on compliance issues.

Number and identities of members

The composition of the Committee was approved at the meeting of the Board of Directors on June 24, 2020.

Meetings

In the reporting year, four meetings of the Committee were held in-person.

Members of the Committee in 2020

Committee Member	From June 27, 2019	From April 9, 2020	From June 24, 2020
T. Holtrop, Chairman, Independent Director	●	●	●
Regina von Flemming, Independent Director	●	●	●
V.V. Rozanov, Independent Director	●	●	●
A.I. Zassoursky, Non-Executive Director	●	●	●
A. Antoniou, Independent Director	●	●	
Sh. Kheradpir, Independent Director	○	○	●
A.V. Barsegyan, Member of the Management Board — Vice President for Corporate and Legal Issues of MTS PJSC	○	●	●
L.E. Lukiyanova, Vice President for Business Ethics and Compliance of MTS PJSC	○	●	●
Y.S. Romashkina	●	○	○
● person was/is a committee member ○ person was/is not a committee member			

Participation of the Committee members in meetings in 2020

Committee Member	April 8	July 21	September 24	December 21
T. Holtrop, Chairman, Independent Director	●	●	●	●
Regina von Flemming, Independent Director	●	●	●	●
V.V. Rozanov, Independent Director	●	—	—	—
A.I. Zassoursky, Non-Executive Director	●	●	●	○
A. Antoniou, Independent Director	●	—	—	—
Sh. Kheradpir, Independent Director	—	●	●	●
A.V. Barsegyan, Member of the Management Board — Vice President for Corporate and Legal Issues of MTS PJSC	—	●	●	●
L.E. Lukiyanova, Vice President for Business Ethics and Compliance of MTS PJSC	—	●	●	●
● — committee member participated in the meeting ○ — committee member did not participate in the meeting — person was not a committee member at the time of the meeting				

Issues and recommendations reviewed

In 2020, the Special Committee reviewed reports on the results of working visits and events held in the Company's branches as part of the project to strengthen the corporate compliance program, reviewed a report and recommendations for strengthening the compliance program, a progress report on the audit of technology lease agreements, and other issues.

The Committee provided the following recommendations to the Company's Board of Directors

None.

Work results in 2020

In the reporting year, the Committee reviewed issues related to compliance supervision measures implemented by the Company.

Events after the reporting date

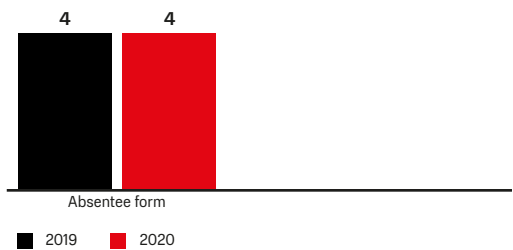
By passing the resolution of the Board of Directors of MTS PJSC on March 18, 2021, the following decisions were made.

The Corporate Governance Committee under the Board of Directors of MTS PJSC was transformed into the Committee for Corporate Governance, Environmental and Social Responsibility under the Board of Directors of MTS PJSC.

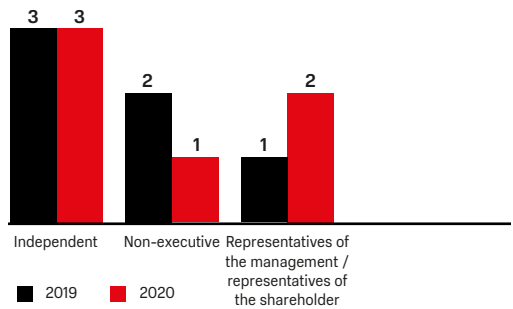
Members of the Committee:

- › Regina von Flemming — Committee Chairperson;
- › Valentin Borisovich Yumashev;
- › Konstantin Lvovich Ernst;
- › Artem Ivanovich Zassoursky;
- › Alexey Vizskopbovich Barsegyan;
- › Polina Veniaminovna Ugryumova;
- › Elena Ivanovna Kokhanovskaya.

Meetings of the Special Committee



Composition of the Special Committee in 2019–2020.



REMUNERATION PAID
TO MEMBERS OF THE BOARD
OF DIRECTORS

The procedure and terms of remuneration payment to members of the Board of Directors of MTS PJSC are defined in accordance with the Regulations on remunerations and compensations paid to members of the Board of Directors of MTS PJSC¹.

The remuneration system applicable to the members of the Board of Directors provides for approach of financial interests of directors with long-term financial interests of shareholders.

Detailed information is disclosed in clause 4.2.1. Report on the fulfilment of the principles and recommendations of the Corporate Governance Code.

Remuneration paid to members of the Board of Directors in 2020

Indicator Name	Total, RUB
Remuneration for participation in operations of the management body	166,121,304.55
Cost compensations	577,424.10
TOTAL	166,698,728.65

¹ <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenti-pao-mts/polozenie-ovoznagrazhdenii-chlenov-soveta-direktorov-paomts/>.

What is remuneration made of?

The remuneration is paid to directors not being employees and members of the executive bodies of MTS, companies of the MTS Group, as well as the controlling shareholder of MTS or persons controlled by it. Overheads are compensated to all directors in accordance with actually made and documented target expenses.

TOTAL AMOUNT:

01 \

BASIC REMUNERATION



02 \

REMUNERATION FOR SITTING ON COMMITTEES



03 \

GRANTING OF SHARES



The remuneration system applicable to the members of the Board of Directors provides for approach of financial interests of directors with long-term financial interests of shareholders.



Information
in more detail disclosed
на с. XX

¹ The Director is not entitled to alienate or otherwise dispose of the Shares received as a remuneration within three years from the date of the first receipt of the shares as a Remuneration.

PRESIDENT AND MANAGEMENT BOARD OF MTS

A key role in pursuing the selected strategy, organizing efficient implementation of resolutions of the Board of Directors and managing current operations of the Company is played by the Company's Executive Bodies: The President (sole executive body) and the Management Board (collective executive body).

The executive bodies are accountable to the Board of Directors and the General Meeting of Shareholders.

The executive bodies of the Company shall be established by the Board of Directors.

The President and the Management Board act on the basis of the Charter of MTS PJSC, the Regulations on the President of MTS PJSC and the Regulations on the Management Board of MTS PJSC¹.

Executive bodies:

- › shall organize the Company's activities and be responsible for results of these activities, ensure the enforcement of decisions made by the General Meetings of Shareholders and by the Board of Directors;

- › shall assure establishment and maintenance of operation of the efficient risk management and internal control system at the Company, are responsible for implementation of resolutions of the Board of Directors in terms of organization of the risk management and internal control system;
- › are responsible for the effective economic, financial, scientific and technical and social policies of the Company.

The Board of Directors is entitled at any time to adopt a resolution on the early termination of a President's powers, as well as on the termination of the powers of an individual member of the Management Board or all members of the Management Board and on establishment of new Executive Bodies.

During 2020, the functions of the President of MTS PJSC were performed by Aleksey V. Kornya.

Vyacheslav Konstantinovich Nikolaev was appointed President of MTS PJSC on March 13, 2021 (resolution of the MTS PJSC Board of Directors dated March 5, 2021 (Minutes No. 308).

COMPOSITION OF THE MANAGEMENT BOARD IN 2020

Members of the Management Board in 2020

1	Alexey Vizskopbovich Barsegyan (has been a member of the Management Board since 2020)
2	Sergey Sergeevich Belyakov (has been a member of the Management Board since 2020)
3	Inessa Galaktionova (has been a member of the Management Board since 2019)
4	Alexander Egvenievich Gorbunov (has been a member of the Management Board since 2018)
5	Ruslan Sultanovich Ibragimov (has been a member of the Management Board since 2007)
6	Andrey Mikhailovich Kamensky (has been a member of the Management Board since 2018)
7	Alexey Valerievich Kornya (has been a member of the Management Board since 2008) ²
8	Igor Nikolavich Mishin (has been a member of the Management Board since 2019)
9	Vyacheslav Konstantinovich Nikolaev (has been a member of the Management Board since 2017)
10	Ilya Valentinovich Filatov (has been a member of the Management Board since 2019)
11	Dmitry Alexandrovich Khalin (has been a member of the Management Board since 2020)
12	Alexandr Alexandrovich Khanin (has been a member of the Management Board since 2020)
13	Dmitry Alexandrovich Khomchenko (has been a member of the Management Board since 2019)
14	Tatiana Sergeevna Chernyshova (has been a member of the Management Board since 2019)

In 2020, there were no changes in the composition of the Management Board.

¹ <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenty-pao-mts/polozhenie-opravlenii-paomts/>
² Expiration of the term of office of A.V. Kornya as President of MTS PJSC — the last day of work is March 12, 2021.



Information about the President and members of the Management Board
as of December 31, 2020



Alexey Valerievich Kornya

President, MTS PJSC Management Board Chairman (until
March 12, 2021)

He was born in 1975, in Bryansk.

In 1998, he graduated from the St. Petersburg State
University of Economics and Finance.

Professional experience
2000–2000 — PricewaterhouseCoopers Audit CJSC, consultant-auditor.
2000–2004 — North-West Telecom OJSC, chief financial consultant, chief
specialist on financial consultation.
2011–2012 — MTS PJSC, in July 2004 — financial director of the branch
of MTS PJSC of Urals macro region; in October 2007 — director
of the Financial Planning and Analysis Department of the Financial Block,
MTS Group.
2007–2008 — MTS PJSC, controlling director of the Finance
and Investment Block.
2008–2009 — MTS PJSC, Deputy of the Vice-President for Finance
and Investments, acting Vice-President for Finance and Investments.
2010–2013 — MTS PJSC, Vice President for Finance and Investments.
2013–2016 — MTS PJSC, member of the Management Board — Vice
President for Finance and Investments.
2016–2018 — MTS PJSC, Member of the Management Board — Vice
President for Finance and Investments, Mergers and Acquisitions.
2018–2021 — MTS PJSC, President, Management Board Chairman.
Member of the Board of Directors of Mobile TeleSystems JLLC, MTS
Bank PJSC, RTC JSC, Sistema Capital MC LLC, MTS Media LLC, member
of the Board of Trustees of Sistema Charity Fund, member of the Board
of GSM Association (GSMA).
Member of the Management Board of MTS PJSC since 2008.
As of December 31, 2020, the share in the authorized capital of MTS PJSC
and the share of ordinary shares held is 0,0310%.

Vyacheslav Konstantinovich Nikolaev

President, Chairman of the Management Board of MTS PJSC
(since March 13, 2021)

He was born in 1970 in Moscow.

In 1992, he graduated from the Faculty of Computational
Mathematics and Cybernetics of the Lomonosov Moscow
State University.

In 1994, he completed management training at the Kriebel
Institute, Washington, DC.

Professional experience
1994–1999 — international consulting company European Public Policy
Advisers, Senior Advisor.
1999–2000 — I'son and Partners (telecommunications consulting),
Advisor.
2000–2003 — investment bank Renaissance Capital,
Telecommunications Analyst.
2003–2004 — investment bank Trust, Vice President, Stock Market
Research Department.
2004–2006 — MTS PJSC, Director, Scheduling and Analysis
Department, Sales and Subscriber Service Block.
2006–2008 — MTS PJSC, Director, Regional Management Department.
2008–2011: MTS PJSC, Deputy Director, Business Unit Russia
for Regional Development and Operations Support.
2011–2017 — MTS PJSC, Director for Consumer Market Marketing.
2017–2019 — MTS PJSC, Management Board member — Vice President
for Marketing.
2019–2020 — MTS PJSC, First Vice President for Customer Experience
and Marketing, Management Board member.
2017–2019 — MTS PJSC, First Vice President for Client Experience,
Marketing and Ecosystem Development, Management Board member.
2021 – till present — MTS PJSC, President, Management Board
Chairman.
Board of Directors member at RTC JSC, MTS Armenia CJSC, MDTZK LLC,
ORK JSC, MTS Bank PJSC, MTS Media LLC.
Member of the Management Board of MTS PJSC since 2017.
As of December 31, 2020, the share in the authorized capital of MTS
PJSC and the share of ordinary shares held is 0,0051%.





Alexey Vizskopbovich Barsegyan

Management Board Member — Vice President for Corporate and Legal Issues

He was born in 1973.
In 2017, he completed a professional retraining course at the Faculty of Economics of the Lomonosov Moscow State University under the “Corporate Director” program.
In 2011, he received an MBA certificate from the American Institute of Business and Economics.
In 2002, he graduated from MGIMO University with a degree in Jurisprudence, International Trade Law.
Professional experience
2003–2011 — Sistema PJSC, held positions from legal advisor of the Legal Department to Deputy Director of the Department.
2011–2013 — Sistema PJSC, Director of the Legal Department.
2013–2018 — Sistema PJSC, Executive Vice President for Legal Issues.
2018–2019 — Sistema PJSC, Executive Director for Legal Issues.
2019–2020 — MTS PJSC, Vice President for Corporate and Legal Issues.
2020 — till present — MTS PJSC, Management Board Member — Vice President for Corporate and Legal Issues.
Member of the Board of Directors of MGTS PJSC, MTS Armenia CJSC, member of the Board of Trustees of Sistema Charity Fund.
As of December 31, 2020, he did not own shares in MTS PJSC (directly/indirectly).

Sergey Sergeevich Belyakov

Management Board member

He was born in 1980 in the city of Engels, Saratov Region.
Graduated from the Moscow State University of Foreign Affairs with a degree in international economics.
Professional experience
2012–2014 — EVRAZ, Director for Investor Relations.
2014–2016 — Holding company of the Mercury group, Vice President, Head of the Family Office.
2016–2019 — Dixy Group of Companies, CEO.
2020 — till present — RTC CJSC, CEO.
Member of the Board of Directors of RTC JSC.
Member of the Management Board of MTS PJSC since 2020.
As of December 31, 2020, he did not own shares in MTS PJSC (directly/indirectly).





Inessa Galaktionova

**First Vice President for Telecommunication Business —
Management Board Member**

She was born in 1974, in Vilnius.
In 1997, she graduated from the Vilnius State University's Department of Economics.
Professional experience
1996–2009 — PHILIPS LLC, Marketing Director, Chairman of the Brand Development Council of the Philips representative office in Russia, Director for Video and Television Business.
2009–2013 — Tele2 Russia OJSC, Commercial Director.
2013–2019 — FSUE Post of Russia, Deputy General Director.
2019–2019 — FSUE Post of Russia, Advisor to the General Director.
2019 — till present — MTS PJSC, first Vice President for Telecommunications Business, MTS PJSC Management Board Member. Board of Directors Member at MTS Bank PJSC, RTC JSC, MGTS PJSC, Cloud Retail LLC and other companies.
Member of the Management Board of MTS PJSC since 2019.
As of December 31, 2020, she did not own shares in MTS PJSC (directly/indirectly).

Alexandr Evgenievich Gorbunov

**Management Board Member — Vice President for Strategy
& Development**

He was born in 1967 in Moscow.
In 1992, he graduated from the Moscow Engineering Physics Institute with a specialty in experimental nuclear physics and plasma physics. In 1999, he earned an MBA from the Harvard University.
Professional experience
2002–2003 — NTP Intellect Telecom OJSC, Deputy General Director.
2003–2005 — MTS OJSC, head of the Strategic Analysis Service, Chief Strategy Officer of the Strategic Analysis Department.
2005–2006 — Sistema PJSC, head of the Corporate Development Department, acting First Vice President and the Director of Strategy and Development Complex.
2006–2010 — Komstar-OTS OJSC, Vice President for Strategy and Development.
2010–2012 — Sitronics OJSC, Counselor of the President.
2010–2012 — Sistema PJSC, Executive Vice President for Telecommunication Assets Development of “Basic Assets” Business Unit.
2012–2015 — Sistema PJSC, Executive Vice President (Investment Portfolio).
2015–2018 — Sistema PJSC, Vice President, manager of telecommunication assets.
2018 – till present — MTS PJSC, Management Board Member, Vice President for Strategy and Development.
Chairman of the Board of Directors of Sistema Smart Technologies Ltd., member of the Board of Directors of YUODO WEB TECHNOLOGIES LIMITED, member of the Strategy and Risk Management Committee of MTS Bank PJSC.
Member of the Management Board of MTS PJSC since 2018.
As of December 31, 2020, the share in the authorized capital of MTS PJSC and the share of ordinary shares held is 0,0031%.





Ruslan Sultanovich Ibragimov

Management Board member, Vice President for GR Activity and Public Relations

He was born in 1963 in the town of Taldykorgan.
In 1986, he graduated from the faculty of law of the Lomonosov Moscow State University.
In 1992, he completed postgraduate studies in Lumumba RUDN (Peoples' Friendship University of Russia), with a Ph.D. in Law.
Professional experience
1992–1996 — he worked in commercial banks, headed legal services.
1996–2002 — RSM Top Audit, took the office of the director of legal service, director-partner, deputy general director, head of the department of tax and legal advice, director, partner, tax and legal consulting.
2002–2004 — he worked as a lawyer in various bar associations.
2004–2006 — Moscow bar association "Ibragimov, Kagan and partners", associate.
2006–2007 — MTS PJSC, Director of Legal Department, he was then transferred to the post of the Chief Legal Officer.
2007–2008 — MTS PJSC, Vice President for Corporate and Legal Issues.
2008–2019 — MTS PJSC, Management Board Member — Vice-President, Corporate and Legal Issues.
2019 – till present — MTS PJSC, Management Board Member, Vice President for Government Relations and Public Relations.
Member of the Management Board, Vice President of the Association of Corporate Lawyers Non-profit Partnership, Member of the All-Russian Non-Governmental Organization Association of Layers of Russia, Senior Director of the Association of Independent Directors, Member of the Supervisory Board of the Autonomous Non-Profit Organization Digital Economy, Independent Director of Vysshaya Shkola Publishing House JSC, Prosveshcheniye Publishing House JSC.
Has been a member of the Management Board of MTS since 2007.
As of December 31, 2020, the share in the authorized capital of MTS PJSC and the share of ordinary shares held is 0,0190%.

Andrey Mikhailovich Kamensky

Member of the Management Board — Vice President for Finance

He was born in 1972, in Moscow.
In 1995, he graduated from the Moscow State University of Geodetics and Cartography and in 1999 — from the Financial Academy under the Government of the Russian Federation majoring in "Financial Credit".
Professional experience
1997–2011 — managerial positions in the field of finances at Trade House Perekrestok, SAN InBev, ING Bank (Eurasia).
2011–2018 — Sistema PJSC, Executive Vice President for Finance and Economics.
2018–2019 — MTS PJSC, Member of the Management Board — Vice President for Finance and Investment, Mergers and Acquisitions.
2019 — till present — MTS PJSC, Management Board member, Vice President for Finance.
Member of the Board of Directors of MTS Bank PJSC, Mobile TeleSystems JLLC, RTC LLC, Media MTS LLC.
Member of the Management Board of MTS PJSC since 2018.
As of December 31, 2020, the share in the authorized capital of MTS PJSC and the share of ordinary shares held is 0,0030%..





Igor Nikolaevich Mishin

He was born in 1962 in Yekaterinburg.
In 1985, he graduated from the Gorky Ural State University, majoring in Sociology.
Professional experience
1991–2007 — founder and President of Channel Four, the largest private regional media holding.
In 1995, he became one of the founders of the Independent Broadcasting System association of non-state regional television companies (REN-TV/ NVS network).
1997–2002 — participated in creation of TNT-Teleset OJSC.
2005–2007 — founder and General Director of National Television Syndicate OJSC.
2006–2007 — General Director of Amedia CJSC.
In 2008, he became a shareholder of Media-1 company that became a part of YuTV Holding in 2010, where he took over the position of general producer of TV Service CJSC (Muz-TV channel).
2011–2014 — head of A-One Concept Media Inc.
2014–2016 — General Director of TNT-Teleset OJSC.
2019 — till present — MTS PJSC, Management Board member, Vice President of MTS Media.
Producer, Vice President of the Academy of Russian Television, Member of the European Film Academy, recipient of the Prize of the Russian Federation Government in Science and Technology, Chairman of the Board of Trustees of the Street Cinema Festival. From 2008 till present — film producer, developer of the author's methodology for public protection of film projects, a teacher in film schools.
General Director and Member of the Board of Directors of MTS Media LLC, President of Gorodskoy Kvartal LLC, Chairman of the Board of the Non-Profit Partnership of Individual Developers USOVO-3, General Director of MIG PICTURES Film Company LLC.
Has been a member of Management Board of MTS since 2019.
As of December 31, 2019, he did not own shares in MTS PJSC (directly/ indirectly).

Ilya Valentinovich Filatov

Member of the Management Board — Vice President for Financial Services

Born in 1976 in Klin.
In 1998, he graduated from the Moscow State Academy of Water Transport; in 2009, he received an MBA degree from the Higher School of International Business Economics at the Academy of National Economy under the Government of the Russian Federation.
Professional experience
2005–2014 — BANK URALSIB PJSC, held managerial positions, including the position of Deputy Chairman of the Management Board of the Bank since 2008.
2014–2015 — MTS Bank PJSC, First Deputy Chairman of the Management Board.
2015 — till present — MTS Bank PJSC, Chairman of the Management Board.
2019 — till present — MTS PJSC, Management Board member, Vice President for Financial Services.
Board of Directors member at MTS Bank PJSC, RTC JSC, East-West United Bank SA and other companies.
Has been a member of Management Board of MTS since 2019.
As of December 31, 2020, the share in the authorized capital of MTS PJSC and the share of ordinary shares held is 0,1527%.





Dmitry Alexandrovich Khalin

Management Board Member, Vice President for Cloud and Digital Solutions

He was born in 1971, in Alma-Ata.
In 1994, he graduated from the Department of Systems Analysis of the Faculty of Cybernetics of the Moscow Engineering Physics Institute (MEPhI). In 2014, he received an MBA from the Skolkovo Moscow School of Management.
Professional experience
1995–1999 — held various positions at international corporations DEC, Siemens: technical support manager, product manager.
1999–2006 — Head of the Microsoft Partner Relations Department in Russia.
2006–2007 — Marketing Director of Xerox Rus.
2007–2019 — Microsoft Development Center Rus, Member of the Management Board, Director of the Technology Policy Department.
2019–2020 —Microsoft Development Center Rus, General Director.
2020 — till present — MTS PJSC, Management Board member, Vice President for Cloud and Digital Solutions.
Board of Directors member at IT-Grad 1 Cloud LLC.
Member of the Management Board of MTS PJSC since 2020.
As of December 31, 2020, he did not own shares in MTS PJSC (directly/indirectly).



Alexandr Alexandrovich Khanin

Management Board member — Vice President for Artificial Intelligence

Was born in 1987 in Nevinnomyssk.
Graduated from the Bauman Moscow State Technical University with a degree in Robotics.
Professional experience
2012–2020 — CEO of VisionLabs.
2009–2012 — Head of Department at VNIINS named after V.V. Solomatin.
2020 — till present — MTS PJSC, Management Board member, Vice President for Artificial Intelligence.
2020 — till present — MTS AI LLC, CEO.
Founder of VisionLabs — one of the world leaders in the development of software and devices using biometric facial personal characteristics and video analytics.
Member of the Management Board of MTS PJSC since 2020.
As of December 31, 2020, he did not own shares in MTS PJSC (directly/indirectly).



Dmitry Alexandrovich Khomchenko

Management Board Member — Vice President for Information Technology

He was born in 1976 in the town of Svobodny, Amur Region.
In 1998, he graduated from the Amur State University, majoring in “Economics Information Systems”.
Professional experience
2001–2004 — ASS CJSC, head of IT Department.
2004–2011 — MTS PJSC, head of IT operation divisions in the Macroregions of the Urals and the South.
2011–2014 — MTS PJSC, Director for Information Technology Operations.
2014–2019 — MTS PJSC, IT Director.
2019 — till present — MTS PJSC, Management Board member, Vice President for Information Technology.
Chairman of the Supervisory Board of NVision Chech Republic a.s., and NVision Chech Republic ICT a.s.
Has been a member of Management Board of MTS since 2019.
As of December 31, 2020, the share in the authorized capital of MTS PJSC and the share of ordinary shares held is 0,0087%.

Tatiana Sergeevna Chernysheva

Member of the Management Board — Vice President, Human Resources

She was born in 1977 in St. Petersburg.
In 2000, she graduated from the Department of Management of the St. Petersburg State University.
Professional experience
2004–2016 — held the position of HR Director at Russian representative offices and branches of the companies: Lamoda Group, Alliance Healthcare, Danone Group, and Johnson & Johnson.
2016–2017 — LSR Group PJSC, Deputy General Director for HR Policy and Organizational Development.
2016–2017 — own projects in the field of HR consulting.
2017–2019 — Spencer Stuart International, headed the practice of leadership development at the Moscow office of the consulting company.
2019 — till present — MTS PJSC, Member of the Management Board — Vice President, Human Resources.
Chairperson of the Board of Sistema Charitable Fund.
Has been a member of Management Board of MTS since 2019.
As of December 31, 2020, she did not own shares in MTS PJSC (directly/indirectly).



Events after the reporting date

On March 05, 2021, the Board of Directors of MTS PJSC adopted the following decisions:

1. Take into account the fact that on March 12, 2021, the term of office of Alexey Valerievich Kornya as President of MTS PJSC expired, as well as the term of the employment agreement concluded between MTS PJSC and A.V. Kornya.
2. Appoint Vyacheslav Konstantinovich Nikolaev President of MTS PJSC from March 13, 2021 for a period of three (3) years.
3. Define the numerical composition of the MTS PJSC Management Board since March 13, 2021 as the following 13 members:

4. Vyacheslav Konstantinovich Nikolaev — Chairman of the Management Board of MTS PJSC;
5. Alexey Vizskopbovich Barsegyan;
6. Sergey Sergeevich Belyakov;
7. Inessa Galaktionova;
8. Alexandr Evgenievich Gorbunov;
9. Ruslan Sultanovich Ibragimov;
10. Andrey Mikhailovich Kamensky;
11. Igor Nikolaevich Mishin;
12. Ilya Valentinovich Filatov;
13. Aleksandr Aleksandrovich Khanin;
14. Dmitry Alexandrovich Khalin;
15. Dmitry Alexandrovich Khomchenko;
16. Tatiana Sergeevna Chernysheva.

Key competences of the Management Board Members¹

Key competences										
Management Board member	Duration of work as Management Board Member	Strategy	Finance and Auditing	Industry Specialization (telecoms)	Marketing	Legal Issues and Corporate Governance	Risk Management	Risk Management	M&A	GR/IR
A.V. Kornya	11 years (from September 2008)	•	•	•	•	•	•	•	•	•
A.V. Barsegyan	7 months (from October 2020)	•		•		•	•	•	•	•
S.S. Belyakov	11 months (from October 2020)	•	•				•			
I. Galaktionova	1 year (from February 2019)	•		•	•		•	•	•	•
A.E. Gorbunov	2 years (from April 2018)	•		•		•			•	
R.S. Ibragimov	12 years (from April 2007)	•		•		•	•	•	•	•
A.M. Kamensky	2 years (from April 2018)	•	•	•			•	•	•	•
I.N. Mishin	1 year (from September 2019)	•			•	•	•	•		•
V.K. Nikolaev	3 years (from July 2017)	•		•	•		•	•	•	•
I. V. Filatov	1 year (from August 2019)	•	•	•	•	•	•	•	•	•
D.A. Khalin	1 year (from January 2020)	•		•	•					
A.A. Khanin	7 months (from October 2020)	•					•		•	•
D.A. Khomchenko	1 year (from August 2019)	•		•			•	•		
T.S. Chernysheva	1 year (from August 2019)	•				•	•	•	•	

WORK OF MANAGEMENT BOARD

Over the past 2020, 49 meetings were held: 46 in-person meetings and 3 meetings in the form of absentee voting.

Significant issues considered at the meetings of the Management Board of MTS PJSC in 2020

1. On preliminary consideration of materials for the meetings of the Strategy Committee, Audit Committee, Board of Directors of MTS PJSC.
2. On consideration of issues related to the operation of the MTS PJSC ecosystem.
3. Controlling reports on MTS Group for Q4 2019 and 2019, Q1, Q2 and Q3 of 2020.

Participation of Management Board members in meetings of the Management Board in 2020¹

Management Board member	In-person meetings	In-absentia meetings
A.V. Barsegyan ²	8/8	1/1
S.S. Belyakov	17/17	2/2
I. Galaktionova	45/46	3/3
A.E. Gorbunov	46/46	3/3
R.S. Ibragimov	43/46	2/3
A.M. Kamensky	46/46	3/3
A.V. Kornya	46/46	3/3
I.N. Mishin	45/46	3/3
V.K. Nikolaev	30/46	3/3
I. V. Filatov	37/46	3/3
A.A. Khanin	7/7	1/1
D.A. Khalin ³	44/46	3/3
D.A. Khomchenko ⁴	45/46	3/3
T.S. Chernysheva	45/46	3/3

4.

4. On review of reports on implementation of functional strategies of the MTS Group for 2019 in the field of marketing, sales and services, technology and IT, personnel management, procurement, corporate security and regime, public relations, compliance, corporate social responsibility.
5.

5. On reviewing compliance and corporate social responsibility strategies for 2020.
6.

6. On the principles of the KPI system of MTS PJSC for 2020.
7.

7. On the principles of payment of bonuses and implementation of the long-term material incentive program for MTS PJSC employees in 2020.
8.

8. On consideration of the results of nomination of MTS PJSC employees for being granted MTS PJSC ordinary shares in 2020 in accordance with the program of the President of MTS PJSC.
9.

9. On measures to respond to the epidemiological situation, the impact of the economic situation on the business performance of the MTS Group in 2020.
10.

10. On the program to improve the efficiency of the core business of MTS PJSC.
11.

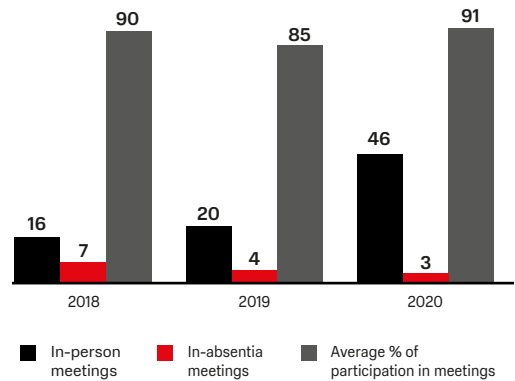
11. On the Regulations and composition of the Venture Committee of MTS PJSC.
12.

12. On approval of the business plan of the MTS Group for 2021 to 2023.
13.

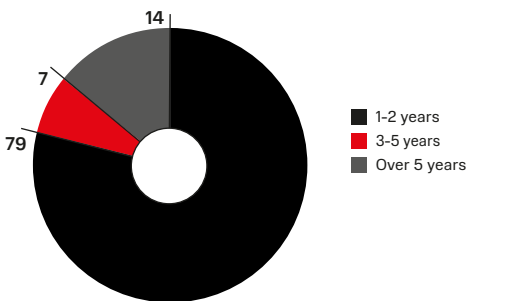
13. On review of the technological strategy of the MTS Group for 2021 to 2023.
14.

14. On approval of the work plan of the Management Board of MTS PJSC for 2021.

Statistics of the Management Board's performance for 2018-2020.



Duration of work in the Management Board



¹ Composition of the Management Board as of December 31, 2020.

¹ The Company did not grant loans (credits) to the President and Management Board in 2020. No claims were raised against the president and management board members of the Company.
² Elected a management board member on October 23, 2020.
³ Elected as a member of the Board from July 1, 2020
⁴ Elected a member of the Management Board on October 23, 2020.
⁵ Elected a member of the Management Board on January 1, 2020.

REMUNERATION OF MANAGEMENT BOARD MEMBERS AND SENIOR EXECUTIVE OFFICERS

PRINCIPLES OF REMUNERATION OF MANAGEMENT BOARD MEMBERS AND SENIOR EXECUTIVE OFFICERS

A contract is entered into with every Management Board member, which defines labour terms, procedure for definition of the amount of remuneration, terms of compensation of expenses connected with execution of duties of the Management Board member and contract termination procedure. The contract shall be signed on behalf of the Company by the Chairperson of the Board of Directors of the Company or by a person authorized by the Board of Directors. The Board of Directors is entitled at any time to terminate the contract with a member of the Company's Management Board. Terms and conditions of the contract shall be approved by the Board of Directors of the Company.

Remuneration of senior executive officers is fixed and calculated based on the Policy for labor payment of employees of MTS PJSC and meets the following principles:

- › observation of fairness and competitiveness of remuneration;
- › connection of remuneration with personal contribution and final work results in the Company in general;
- › motivation for achievement of target business development parameters in accordance with strategic development guidelines approved by the Board of Directors.

The system of remuneration to senior executive officers includes elements of base remuneration and variable premium part:

- › base remuneration — monthly official salary;
- › variable part of remuneration is determined by the results of the Company's business in the reporting period in accordance with the Company's internal regulations and approved by the Company's Board of Directors and consists of:
 - short-term motivation system is an annual premium paid for fulfilment of key performance indicators ("KPI") fixed in general for the Company for a corresponding reporting period, as well as for fulfilment of functional individual tasks defined by the Board of Directors.

- the long-term material incentive program is aimed at increasing the Company's shareholder value, as well as preserving long-term labor and corporate relations between the Company and its management.

MTS PJSC Business Key Performance Indicators System

- › Corporate indicators, which are formed on the basis of the Company's business plan and include the main financial and economic, industrial and strategic indicators. They make it possible to track generalized results of the Company's business and to adjust the strategy.
- › Functional indicators, which are formed on the basis of business unit performance strategies.
- › Individual indicators of performance are formed on the basis of strategic objectives of a specific director of the Company.

The list of indicators and their target values for the Company's directors are approved by the Board of Directors of the Company with preliminary discussion at the dedicated committees on an annual basis.

The list of corporate performance indicators of the MTS PJSC President includes such indicators as:

- › OIBDA;
- › income;
- › ecosystem indicators;
- › integral assessment of the implementation of strategic projects and business development.

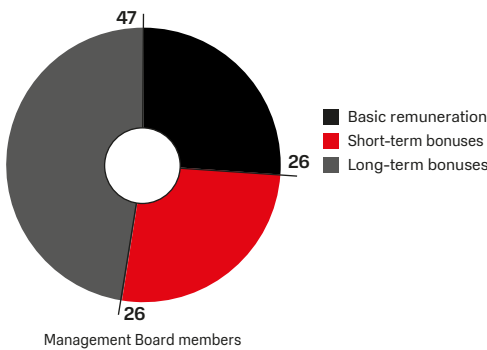
STRUCTURE OF REMUNERATION FOR TOP MANAGEMENT IN 2020

The remuneration structure consists of base and variable payments and depends on the level of the position in the structure of the Company.

Achievement of the established KPIs is the basis for being entitled to receive a variable payment, as it pertains to long-term payments, including an increase in the shareholder value of the Company.

The typical element ratio is presented in the following options.

Typical remuneration structure ratio



EVALUATION OF PERFORMANCE OF THE PRESIDENT AND MEMBERS OF THE MANAGEMENT BOARD

One of the tasks of the Board of Directors is to assure control of operation of the President and members of the Management Board, as well as to evaluate their performance which is performed based on materials approved by the Remuneration and Appointment Committee.

The assessment of the President and members of the Management Board for 2020 was performed in accordance with an existing method based on fulfilment of key performance indicators of the Company in general, functional individual tasks and competence development level.

Remuneration for members of the Management Board and senior executive officers based on 2020 results.

Remuneration paid to members of the Management Board in 2020

Indicator Name	Total, RUB
Salary	195,218,600
Bonuses	807,939,057
Cost compensations	27,917,523
Other remuneration types	4,320,072
TOTAL	1,035,395,252

Remuneration paid to senior executive officers in 2020

Indicator Name	Total, RUB
Salary	361,274,463
Bonuses	1,265,774,027
Cost compensations	47,691,309
Other remuneration types	12,865,627
TOTAL	1,687,605,426

Events after the reporting date

In March-April 2021, the amount of participatory interest of some members of the Management Board in the authorized capital of MTS PJSC changed.

MANAGEMENT OF SUBSIDIARIES OF MTS GROUP

Corporate governance at the MTS Group is aimed at strict observance of the rights and legitimate interests of all MTS shareholders, ensuring the sustainable functioning and development of business, the MTS ecosystem, and achievement of the strategic goals of the MTS Group.

The corporate governance system is aimed at ensuring the effective use of shareholders' investments and their protection, assists in development of the digital ecosystem of MTS products and implementation of strategic goals throughout the Group of Companies, taking into account the interconnected relationships and succession in decisions made by the MTS governing bodies.

MTS has the following participants in the system for corporate governance over subsidiaries:

- › Shareholders — election of the Board of Directors

- › Board of Directors — strategy, appointment and control of managers, protection of the rights and interests of shareholders

› President — General management of the company

› Management Board — management of ecosystem functions and areas

› Telecoms

› Entertainment

› Venture Investment

› Financial Services

› Technology

› Media

› Cloud and Digital Solutions

› Infrastructure

› Education

› Artificial Intelligence

› personal skills, qualifications, experience;

› knowledge of the industry and business sector of the DO;

› general employment, including on other Boards of Directors;

› exclusion of a possible conflict of interest;

› consent of the candidate, including agreement to comply with anti-corruption compliance requirements;

› positive conclusion based on the results of the audit.

Candidates for nomination to the Board of Directors of subsidiaries are approved by the President of MTS or the responsible vice-presidents of MTS. The Remuneration and Nomination Committee of the MTS Board of Directors approves the list of subsidiaries, according to which it considers information on the formation, termination and change of the composition of the Boards of Directors.

The MTS Board of Directors is the center for making strategic decisions, which are transmitted to SCs through the representatives of MTS in the governing bodies.

- Impact of the MTS Board of Directors on the main business processes:
- › strategy and investment;

› business plan and budget;

› functional strategies;

› system of rewards;

› management control, audit, compliance;

› control of assets.

Representatives of MTS participate in the work of the management bodies of subsidiaries, guided by the provisions of the internal documents of MTS.

- In order to effectively perform their duties, representatives:
- › receive and analyze information about the company's activities;

› initiate issues on the agenda of the governing bodies;

› take an active part in meetings of management bodies;

› vote taking into account the position of the MTS governing bodies;

› control the implementation of the decisions taken;

› participate in fostering a culture of ethical business conduct and compliance with applicable anti-corruption laws;

› inform MTS about the occurrence of a conflict of interest and possible violations of the requirements of the applicable anti-corruption legislation by the company.

In the process of managing SC, MTS adheres to the following principles:

- › SC management is carried out through MTS representatives elected to the SC management bodies;

› control over subsidiaries is carried out through MTS representatives elected to the control bodies of subsidiaries;

› uniform corporate governance standards, including unified internal decision-making procedures and standard corporate documents;

› uniform standards and procedures in the field of anti-corruption compliance.

Corporate governance approaches depend on the ownership interest in the Company.

In companies with a MTS share of less than 50%, the provisions of the Charter or corporate agreement protect the property rights and interests of MTS.

The share of MTS ownership in companies of more than 50% implies the ability to form the composition of the Board of Directors and determine strategic and priority decisions of the Boards of Directors of subsidiaries.

When forming the Boards of Directors in subsidiaries, the following is taken into account:

- › the importance of the company for the overall strategy of the MTS Group;

› the current and target scale of the company's business;

› industry / business sector of the company;

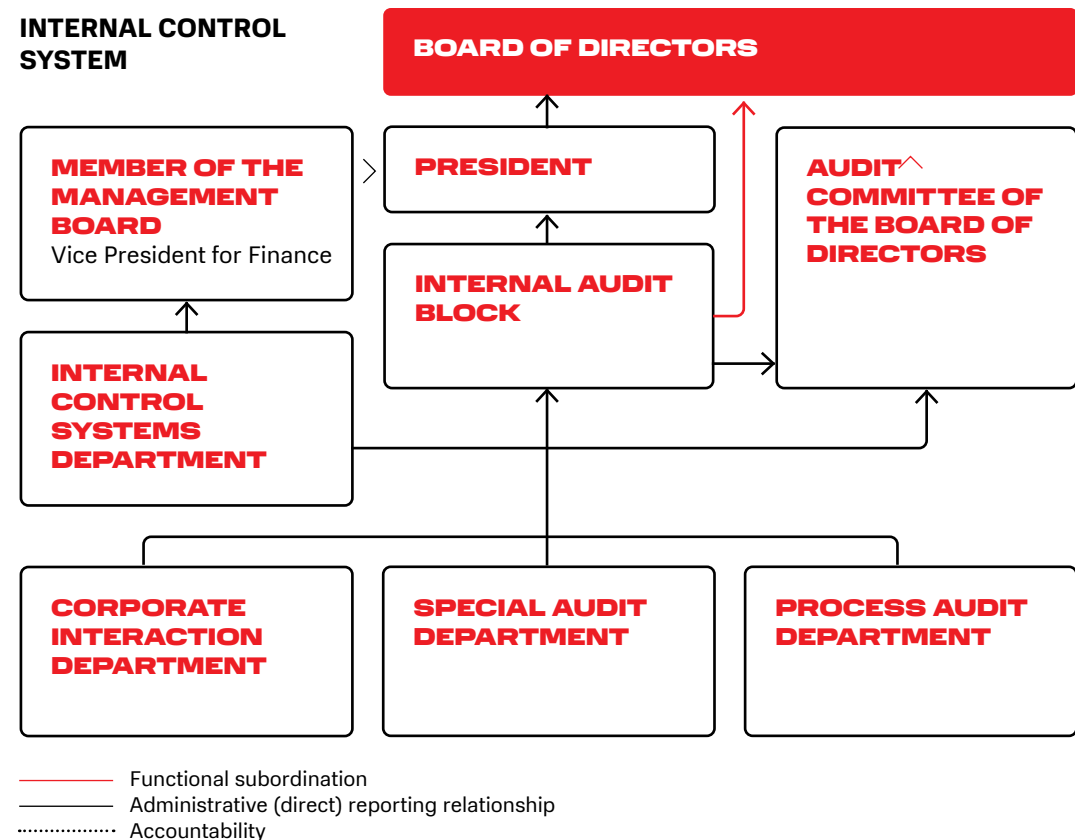
› requirements of laws, regulators and exchanges;

› balance between the personal and quantitative composition of the Board of Directors.

› When selecting candidates for members of the Board of Directors of subsidiaries, the following criteria are taken into account:

Management Board member	Size of the share of the corresponding person in the charter capital of MTS PJSC before the transaction	Amount of the share of the corresponding person in the authorized capital after the transaction	Date, from which the share of the corresponding person in the authorized capital of MTS PJSC
Inessa Galaktionova First Vice President for Telecommunication Business, Management Board Member	did not own shares	0.0008%	12.03.2021
Alexandr Evgenievich Gorbunov Management Board Member, Vice President for Strategy & Development	0.001%	0.0016%	09.04.2021
Ruslan Sultanovich Ibragimov Management Board member, Vice President for GR Activity and Public Relations	0.0190%	0.0197%	09.04.2021
Andrey Mikhailovich Kamensky Member of the Management Board, Vice President for Finance	0.0030%	0.0036%	09.04.2021
Alexey Valerievich Kornya Board of Directors member	0.0469%	0.0571%	09.04.2021
Vyacheslav Konstantinovich Nikolaev President, Management Board Chairman	0.0051%	0.0058%	09.04.2021
Dmitry Alexandrovich Khomchenko Management Board Member, Vice President for Information Technology;	0.0087%	0.0091%	09.04.2021

MONITORING AND AUDIT



The internal control system of MTS PJSC represents a combination of internal-control processes implemented by ICS entities based on the existing organizational structure, internal policies and regulations, internal-control and risk-management procedures and methods applied within the Company at all management levels and as part of all functional areas.

The establishment and efficient operation of the internal control system are designed to ensure reasonable confidence in the achievement of objectives set by the Company and to ensure proper control over the financial and economic activities of the Company, as well as its efficiency.

The internal control system of MTS PJSC represents a combination of interrelated components, the structure of which meets the general accepted methodology COSO Internal Control — Integrated Framework 2013. In accordance with COSO model, a control environment is established, the risk assessment system is applied, control procedures are implemented and their performance is monitored, and changes in organizational structure and business processes are monitored.

Under the internal control system, a range of anti-corruption measures mitigating reputational risks and risks of sanctions for bribery of officials against MTS PJSC. For the purposes of counteraction to abuses, authorization of transactions and operations, distinction of powers and rotation of duties, control over the actual availability and condition of facilities is implemented.

MTS PJSC approved the Policy for complying with anti-corruption legislation defining measures aimed at establishing elements of the corporate culture, organizational structure, rules and procedures assuring non-admission of corruption.

For a comprehensive, independent evaluation of the reliability and efficiency of the risk-management and internal-control system and of the corporate-governance practice of MTS PJSC, the Internal Audit Block of MTS PJSC uses the results of the completed audits to generate a report on the level of maturity within the Company as a whole. The Internal Audit Block is an individual structural division of MTS PJSC functionally reporting to the Board of Directors and administratively — directly to the President of MTS PJSC.

e Audit Committee at the Board of Directors of MTS PJSC biannually reviews reports on the operation of the Internal Audit Block, Internal Control Systems Department, Ethics & Compliance Department and Risk Management Unit and generates conclusions on the efficiency of the internal control and audit function, risk management, compliance and internal control of MTS PJSC.

The Audit Committee positively evaluates the work of the Internal Audit Block in terms of evaluation of internal control, risk management, compliance and corporate governance system efficiency, and believes that the objectives of the Unit were met in full compliance with the expected results and recognizes the function as efficient.

The Audit Committee positively evaluates the work of the Internal Control Systems Department with regard to the creation, implementation and development of an effective system of internal control over the reliability of generation of financial statements for the MTS Group, including in new businesses, for 2020.

For some areas, the Internal Control and Audit Block of MTS not only holds the leading positions in Russia, but also meets the strictest global standards of quality in terms of setting objectives and performance of tasks, communications building, and also organization of the work and status of the Internal Audit Service. An employee of the Internal Audit Block, continuing the traditions of 2019, became the 2020 Laureate in the nomination “Internal Auditor of the Year” as a part of the VII National Prize organized by the Institute of Internal Auditors Association with the support of the Russian Union of Industrialists and Entrepreneurs and the Moscow Exchange. The national award is an integral part of the promotion of the internal auditor profession in our country, and an important component in assessing the personal contribution of internal auditors and internal audit services to the development of the profession.

The Audit Committee positively assesses performance of the Risk Management Function as effective and fit for its purposes at the moment.

The Audit Committee positively assesses the work of the Ethics and Compliance Department and believes that the tasks of the division have been completed in full compliance with the expected results.

On a quarterly basis, the Audit Committee reviews the reports of external auditor Deloitte and Touche CIS JSC approving their performance.

The Board of Directors of MTS PJSC defines the policy in respect to internal control and audit and twice per year considers the report of the Audit Committee following the results of performance of the internal audit, risk management, compliance and internal control functions of MTS PJSC with analysis of the existing control system and identified violations.

The Report of the Audit Commission is annually attached to the materials of the annual General Shareholders’ Meeting of MTS PJSC.

Audit Committee of the Board of Directors	<p>The Audit Committee is a collective deliberative body under the Board of Directors. The committee was established for the purposes of assisting in efficient implementation of functions of the Board of Directors in terms of control over financial and economic activities of the Company. For detailed information about the Audit Committee’s work results in the reporting year see the section “Committees of the Board of Directors”.</p> <p>Results of evaluation by the Audit Committee of the external and internal audit process efficiency: are specified in the section “Report on the work of the Audit Committee”.</p>
Auditing Commission	<p>On June 24, 2020, the followings persons were elected as members of the Auditing Commission at the annual General Shareholder Meeting of MTS PJSC:</p> <ul style="list-style-type: none">› Irina Radomirovna Borisenkova, born in 1963, holds the position of the Chief Accountant, managing director of the Finance and Investment Complex of Sistema PJSC;› Natalya Andreevna Mikhееva, born in 1983, holds the position of Director for Internal Audit of MTS PJSC;› Andrei Anatolyevich Porokh, born in 1979, holds the position of Vice President for Internal Control and Audit of Sistema PJSC. <p>Report on the operation of the Auditing Commission</p> <p>In April 2020, based on the results of the performed audit, the Auditing Commission did not record any material facts of violation of accounting activities or in the submission of financial statements while carrying out the financial and economic activities of the Company.</p> <p>The Auditing Commission confirmed that the financial statements of the Company for 2019 and the Annual report on the Company’s activities for 2019, in terms of the Company’s financial statements, are authentic.</p> <p>In April 2021, the Auditing Commission carried out an audit of the financial and economic activities of the Company for 2020. The opinion report of the Auditing Commission will be submitted for the approval of the Annual General Shareholder Meeting of MTS in June 2021.</p>



Internal Audit Block ¹	<p>The Internal Audit Block (IAB) is a standalone structural division of MTS PJSC and consists of the Corporate Interaction Department, the Special Audit Department, the Process Audit Department. The Block is headed by the Director for Internal Audit who is functionally subordinated to the Chairman of the Audit Committee under the Board of Directors of MTS PJSC, and is administratively subordinated directly to the President of MTS PJSC.</p> <p>The Internal Audit Block performs the following functions:</p> <ul style="list-style-type: none">› assessment of the efficiency of the internal control system, risk management and corporate governance processes by analyzing the Company's operating activities and its information systems, achieving the Company's strategic goals, the effectiveness and progress of projects and products, the reliability and integrity of information on the Company's operation, the safety of assets, compliance with internal regulations, and external requirements;› development of recommendations for improvement of internal control, risk management and corporate governance procedures, and assistance to the management in development of corrective measures based on the results of performed audits;› monitoring of execution of recommendations for rectification of violations and deficiencies discovered based on audit results;› development and implementation of IT analytics for the purpose of continuous monitoring of risk indicators based on data from business processes and increasing the efficiency of audit procedures;› improvement of the internal audit methodology and the audit quality control system;› analysis and improvement of efficiency of the Internal Audit Block, coordination of joint work of the Block units and internal audit functions in subsidiaries;› registration and coordination of investigation of messages received via the Unified Hotline;› providing consulting services. <p>The IAB maintains a program to ensure and improve the quality of internal control and audit designed to assess the conformity of IAB with international professional standards of internal audit and the use by the IAB staff of the Institute of Internal Auditors Code of Ethics (The IIA)</p> <p>Report on operation of the Internal Audit Block</p> <p>During 2020, the Internal Audit Block operated in accordance with the set objectives, tasks and performed functions.</p> <p>In December 2020, a restated version of the Regulations of the Process RP-319-12 "Processing of Complaints Received to the Unified Hotline of MTS Group" was developed and approved; it takes into account the recommendations of an independent compliance consultant, leading practices in the field of handling complaints from applicants and the experience of MTS.</p> <p>The results of the Internal Audit Block's operation for the first six months and in general for 2020 were inspected and approved by the Audit Committee. The Audit Committee positively assessed operations of the Internal Audit Block, and believes it is efficient.</p> <p>In December 2020, the Audit Committee approved the work plan, the strategy and budget of the Internal Audit Block for 2021..</p>
Internal Control Systems Department	<p>The Internal Control Systems Department is a structural division to be a part of the Finance Block and consists of the ICS development department for the key business, the ICS development department for integrator business, the ICS development department for financial technologies and commerce, the Functional Group for Certification and General ICS Methodology. The Department of Internal Control Systems is headed by the director of the department, who is directly subordinated to the Member of the Management Board and Vice President for Finance of MTS PJSC and reports to the Audit Committee under the Board of Directors of MTS PJSC.</p> <p>The Department of Internal Control Systems performs the following main functions:</p> <ul style="list-style-type: none">› elaboration, implementation and development of an internal control system based on a risk-based approach for the purpose of proving the accuracy of preparation of the financial statements of the MTS Group;› testing, evaluation and certification of the system of internal control over generation of financial statement of MTS Group;› management of the separation of authorities in SOX-essential information systems (SoD-analysis);› completion of expert assessment of SOX-essential business processes with the purpose of identifying potential risk areas and subsequent communication to owners of business processes.› coordination of interaction of external auditors and functional subdivisions of the Company during the annual external audit of the internal control system for the purpose of proving the accuracy of preparation of the financial statements of the MTS Group;› support of project activities in terms of ICS, including subsidiaries.

Report on operation of the Department of Internal Control Systems (ICSD)

In 2020, within the framework of development of the internal control system for proving the accuracy of preparation of financial statements of MTS Group of Companies, including creation and implementation of internal control in new business types, as well as taking into account the results of management testing and external audit for 2019, changes in the organizational structure and business processes, works were performed to update and formalize control procedures aimed at coverage of essential risks, documented for SOX purposes.

Since 2018, ICSD has changed the strategy for implementing and developing ICS in new subsidiaries — management of the ICS function in subsidiaries is carried out from the CC level. This approach was retained in 2020 as applicable to all subsidiaries included in the SOX scope of work. The strategy has proven to be effective in terms of efficient and flexible allocation of resources and optimizing the time to support the ICS in subsidiaries.

In 2020, 159 business processes, 272 ELC/GCC processes across the MTS Group were updated. Testing of 1200 control procedures for the MTS Group was carried out taking into account the reduction in the term for disclosure of financial statements by eight day.

Based on the results of assessing the effectiveness of ICS, no significant or material shortcomings were identified in relation to accuracy of preparation of financial statements in 2020. The total number of shortcomings that do not have a significant or material impact on the MTS Group also decreased compared to 2019 indicators.

In accordance with the approved methodology for managing the separation of powers in SOX-essential information systems, efforts are underway to identify and reduce conflicts of roles and powers (SOD):

- › in the key ERP system Oracle EBS, the number of SOD risks at the level of business processes was reduced in 2020 due to the analysis of the created functions/powers of the current year;
- › the project of robotization of SOD-analysis of the Foris billing system is being implemented. The stage of manual analysis of conflicts detected by the robot has been completed. Preparatory work was carried out to automate the processing of the SOD risk matrix and the powers assigned to users in the Foris system, providing for embedding the process of managing access rights to the system into the approval chain;
- › for three SOX-essential systems, an analysis of the existing role model (roles, functions, powers) was completed ahead of schedule, an initial assessment of the roles and powers of users, elaboration of a plan for the development of a matrix and automation of SOD analysis;
- › procedures for mitigating SOD risks in the accounting system of MTS Bank PJSC were completed: the full list of SOX-essential accounts was analyzed, no conflicts were identified.

The MTS Group internal control system is tested and certified in accordance with the article 404 of the Sarbanes and Oxley Act.

Based on the results of the internal evaluation and external audit opinion, the internal control system for proving the accuracy of preparation of financial statements of the MTS Group as of December 31, 2020 was found to be efficient and to have no material and significant deficiencies.

¹ Changes in the organization structure of MTS PJSC: change in the name of the Block (Internal Control Block before March 5, 2021) - Internal Control and Audit Block



EXTERNAL AUDIT

Audit	<p>On June 24, 2020, at the annual General Meeting of Shareholders of MTS PJSC, Deloitte and Touche CIS Joint Stock Company was approved as the Company's auditor (location: 125047, Russian Federation, Moscow, Lesnaya St., 5), OGRN 1027700425444, certificate of membership in the Self-Regulatory Organization of Auditors of the Association "Sodruzhestvo" (Association) dated January 31, 2020, ORNZ 12006020384.</p> <p>Deloitte & Touche CIS AO is one of the leading audit and consulting firms providing audit, management and financial consulting, risk management, tax and related services. It is a member of the international association of firms "Deloitte Touche Tohmatsu Limited", which is one of the world leaders in the provision of professional services and has more than 330 thousand employees in more than 150 countries.</p> <p>In the reporting year, the auditor carried out:</p> <ul style="list-style-type: none">› audit of the annual financial statements of MTS PJSC for 2020, prepared in accordance with Russian accounting standards, conducted in accordance with International Auditing Standards (ISA);› audit of the consolidated financial statements of MTS PJSC and its subsidiaries prepared in accordance with International Financial Reporting Standards (IFRS) for 2020, conducted in accordance with ISA;› an integrated audit of the consolidated financial statements of MTS PJSC and its subsidiaries, prepared in accordance with IFRS for 2020, and the effectiveness of the internal control system over its preparation as of December 31, 2020, carried out in accordance with the standards of the Public Accounting Oversight Board US companies. <p>In March and April 2021, the Audit Committee approved the results of the external auditor based on the results of audits conducted for 2020, including conclusions on the effectiveness of the internal control system over the formation of financial statements in the MTS Group.</p> <p>Based on the results of the audits, the auditor of MTS PJSC expressed opinions on the reliability of the financial statements of MTS PJSC for 2020, prepared in accordance with Russian accounting standards, and the consolidated financial statements of MTS PJSC and its subsidiaries for 2020, prepared in compliance with IFRS.</p> <p>The procedure for selecting the auditor of the issuer</p> <p>The tender for the selection of the external auditor of MTS PJSC is held at least once every five years. To conduct a tender, MTS PJSC forms a tender commission. Based on the results of the tender, the tender commission forms recommendations on the selection of an external auditor, which are sent for approval to the members of the Audit Committee of the Board of Directors of MTS PJSC.</p> <p>If the candidacy of the auditor is approved by the Audit Committee, the Board of Directors and the General Meeting of Shareholders of the Company, an agreement is signed with the audit company for the provision of services for the audit of financial statements.</p> <p>The amount of the auditor's remuneration for the audit of the statements of MTS PJSC and its subsidiaries for 2020 is approved by the Board of Directors of MTS PJSC and at the end of 2020 amounted to 162,675 thousand rubles, excluding VAT and overhead costs, including the audit of the statements of MTS PJSC In the amount of 14,000 thousand rubles.</p>
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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 frameworks¹. 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 Group². 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.

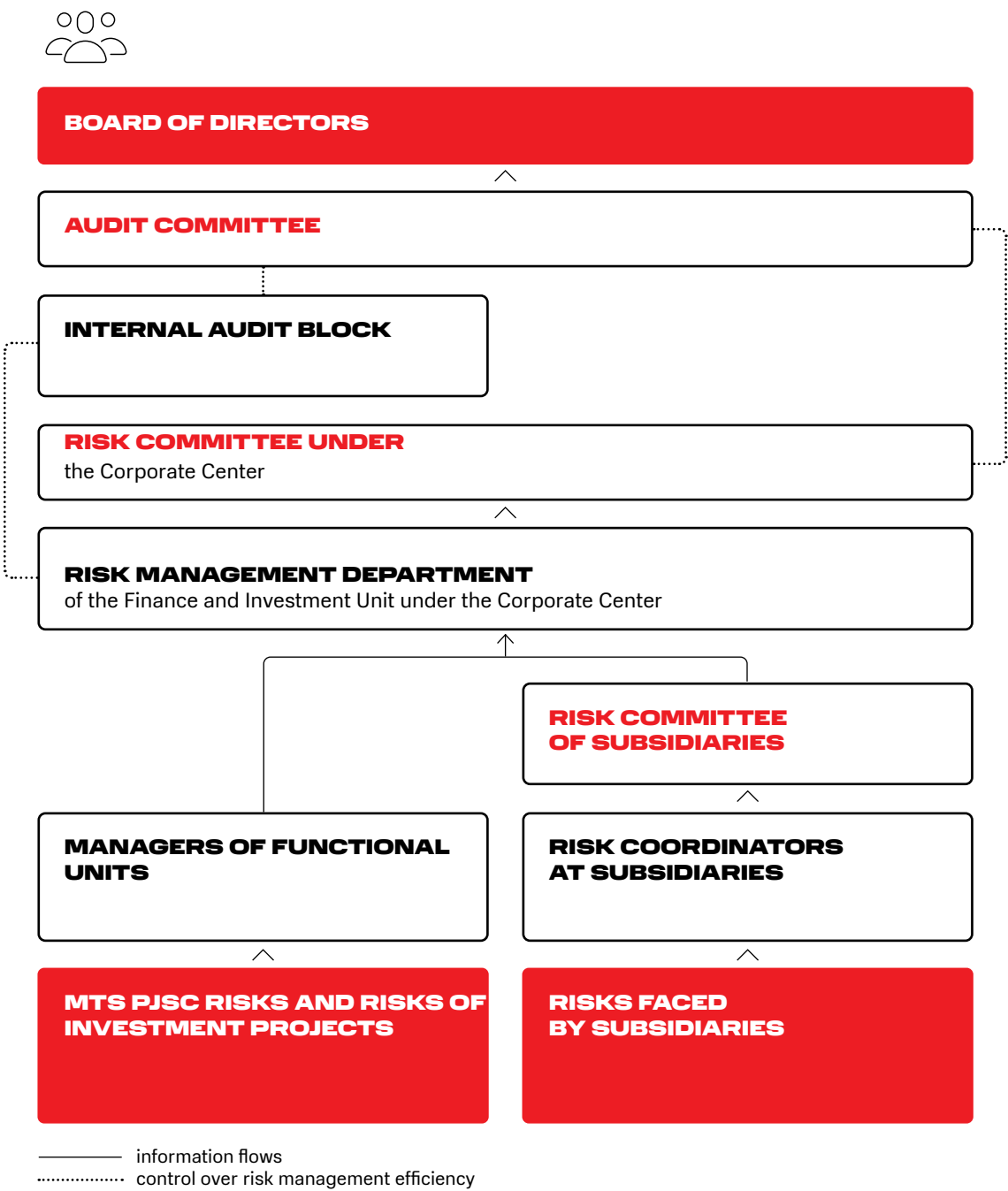
\\ The main principles of the risk management process are as follows:

integration principle	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;
continuity principle	consists of the implementation of a set of ordered risk management procedures on a regular basis;
justification principle	envisions an analysis of the ratio between costs for risk assessment reduction and potential damage from their occurrence.

¹ Organization risk management. Integrated Model "Committee of Sponsoring Organizations of the Treadway Commission, COSO.
² 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/dokumenty-pao-mts/politika-integrirovannoe-upravlenie-riskami>.

an efficient system of integrated risk management makes it possible to solve the following tasks	<div><div>› Identification and systematic analysis of the risks faced by the Company,</div><div>› Obligatory consideration of significant risks when making management decisions,</div><div>› Distribution of responsibility for risk management,</div><div>› Development of additional measures and plans for responding to significant risks and monitoring their implementation,</div><div>› Monitoring of risks and their management effectiveness,</div><div>› Accumulation of knowledge in the field of integrated risk management.</div></div>
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ORGANIZATIONAL RISK MANAGEMENT SUPPORT



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 <ul style="list-style-type: none">› 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 <p>Analysis and accounting of risks associated with failure to achieve key financial KPIs.</p>
	Investment planning <p>Analysis and accounting of project risks associated with non-achievement of NPV and other project indicators.</p>
	Purchasing procedures <p>Analysis and consideration of risks when choosing suppliers.</p>

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.

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-F¹, and in quarterly reports of MTS PJSC².

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.

STRATEGIC RISKS

Risks	Mitigation Measures	Impact on Objectives
Depreciation of services provided by the Company and loss of competitiveness, difficulties in developing additional sources of income <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>	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. From the point of view of marketing activity, an effective method for leveling the adverse impact of VOIP-solutions are integrated V&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.	<ul style="list-style-type: none">› Retention of basic mobile revenue;› Compensation for traditional telecoms revenues decrease caused by active development of digital products portfolio;› Leadership in the mobile internet and data services segment
Loss of control over activities and assets in the countries of operation <p>The risk of termination, suspension of operation or claims by regulators may adversely affect business, financial state and results of operations.</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.	<ul style="list-style-type: none">› Achievement of sustainable business development
Risks of acquisitions, investments and mergers with other companies <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>	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&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.	<ul style="list-style-type: none">› Expansion of the Company’s business and faster entrance into new markets;› Product line expansion;› Achieving operational synergies between different business areas;› Mutual exchange of best practices in management and operations

¹ <http://ir.mts.ru/investors/financial-center/annual-reports-and-form-20-f/default.aspx>.
² <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/raskritie-informacii/ezhekvartalnie-otcheti>.



Risks	Mitigation Measures	Impact on Objectives
Inability to successfully develop the network 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. 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.	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. 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.	<div>› Increasing network capacity and data rates to meet growing demand;</div> <div>› Effective network planning and investment optimization;</div> <div>› Upholding the interests of the company in matters of frequency resource allocation</div>
Inability to realize the benefits of investing in radio communications systems Key risks: 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; difficulties in ensuring quality and required level of service; 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.	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. 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.	<div>› Ensuring the best compliance with IoT technology requirements and infrastructure readiness for 5G implementation</div> <div>› Efficient capital expenditures planning</div> <div>› Increased operational efficiency by optimizing the operating costs associated with network operation</div>

EXTERNAL ENVIRONMENT RISKS

Risks	Mitigation Measures	Impact on Objectives
Economic and social instability 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. 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.	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.	<div>› Achievement of sustainable business development</div>



Risks	Mitigation Measures	Impact on Objectives
<p>Regulatory risks</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.</p> <p>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>	<p>› Achievement of good operating indicators</p> <p>› Ensuring compliance with regulatory requirements</p>

OPERATIONAL RISKS

Risks	Mitigation Measures	Impact on Objectives
<p>Financial risks</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
Risks of technological failures 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>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>	<p>› Achievement of good operating indicators</p> <p>› Achievement of sustainable business development</p> <p>› Ensuring compliance with the requirements of FZ-126, FZ-152 and other.</p>

COMPLIANCE WITH REQUIREMENTS

Risks	Mitigation Measures	Impact on Objectives
Compliance risks 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"). 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. 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>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"¹. 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>

¹ For more information, see the section "Compliance and Ethical Culture".



Risks	Mitigation Measures	Impact on Objectives
Tax risks 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.	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	<div>› Achievement of sustainable business development</div> <div>› Compliance with requirements</div>

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.	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. 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.

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. 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> <div>› the company increased the number of offers for pensioners and disabled people with the functionality of the eHealth line;</div> <div>› 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.</div> <div>› the company scaled up the program for working with disabled persons, MTS Inclusion;</div> <div>› adaptation of employees and recruiters was carried out;</div> <div>› employment of people with disabilities and middle aged persons for mass positions was started.</div> <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. 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.¹

¹ 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 possible¹.

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
› Failure to meet the requirements of environmental reporting provision.	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). At the level of CC and the regions, changes in the requirements of environmental legislation are monitored. 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. 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.
› Doing business without state registration of a facility with a negative environmental impact.	
› Failure to meet the requirements in the field of environmental control and monitoring.	
› Doing business without permits issued in accordance with the established procedure for emissions of pollutants into the atmosphere, waste handling.	

The Code defines the rules and standards that should be followed by employees in their daily work. In cases requiring the application of higher standards than those adopted in commercial practice or a regulation having greater legal force under the current legislation, MTS PJSC will use such higher standards.

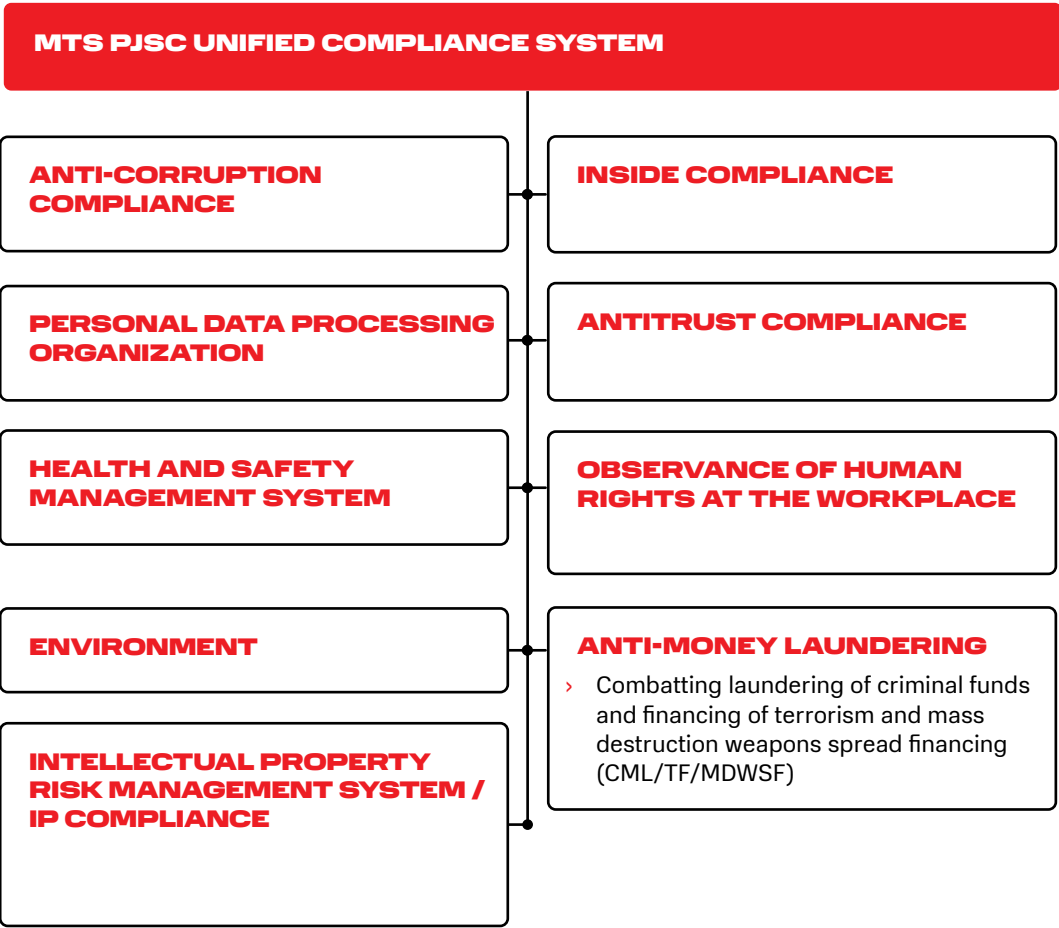
Sections of the Code consolidate the Company's responsibility under the laws and in relations with employees, customers, and society. The Code also prescribes the procedure for interaction with partners and vendors, provisions on the role of managers, protection of intellectual property, appeals and reports of violations of the Code.

The Code contains information about all compliance programs of the MTS PJSC Unified Compliance System.

Board of Directors members, managers and employees of the Company are personally responsible for compliance with the Code.

All employees read the Code when getting employed at the Company and undergo a regular training. In 2020, more than 10 thousand employees of MTS PJSC completed e-training in the Code of Business Conduct and Ethics.

Also in 2020, an illustrated version of the Code of Business Conduct and Ethics was published on the corporate portal, on the external website of MTS and in the My MTS application to enhance the apperception of the information contained in the document.



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

Since 2016, the Company has been actively developing the Unified Compliance System on the basis of the norms of applicable laws, recommendations of regulatory authorities, the specific nature of the industry and best practices in this sphere.

In 2020, the compliance program “Intellectual Property Risk Management System / IP Compliance” was included in the Unified Compliance System of MTS PJSC.

These compliance areas are supervised by the relevant functional units, each of which implements its compliance program and risk minimization system. Coordination of implementation and operation of the Unified Compliance System is entrusted to the Department of Business Ethics and Compliance of MTS PJSC.

In 2020, a scheduled work was carried out to reassess risks with a subsequent adaptation of compliance programs. The risks of compliance programs are taken into account in the general risk management system of the Company. This makes it possible for the management and management bodies of the Company to gain a structured understanding of the existing compliance risks and to take these factors into account when making management decisions, which has positively affected the Company’s overall performance.

In 2020, much attention was paid to informing employees about the Unified Compliance System and compliance programs training. In order to popularize the interactive training course for employees “Map of the Unified Compliance System (Compliance Lock)”, it was posted in the adaptation course for new MTS employees on the corporate training platform. The blog of the Unified Compliance System on the corporate portal regularly published announcements on all compliance programs of the Unified



The Unified Hotline is an essential tool for promoting honest and ethical business, as well as preventing violations of the Code of Business Conduct and Ethics, internal company policies and procedures. This is an indicator of trust of employees and third parties who are ready to report violations in the Company and thereby contribute to their elimination.

Commitment to the principles of transparency will help us to develop and maintain an atmosphere of trust and comfortable working environment, where employees will perform their duties in good faith, without being afraid of getting involved in any unfavorable situation”.

Natalia Mikheeva

Director for Internal Audit



Information on violations of business ethics and compliance standards by MTS employees can be reported to the Unified Hotline. All requests received are checked in accordance with the local regulatory act that determines the procedure for addressing such requests.

Compliance System according to the schedule. A survey of MTS employees was conducted on the compliance culture at the Company.

The Unified Hotline of MTS Group of Companies is a safe, confidential and accessible method of informing the Audit Committee of the Board of Directors and the Internal Audit Block about violations of the law, internal procedures, the Code of Business Conduct and Ethics of MTS PJSC by any of its employees and (or) any member of a management body or authority supervising the financial and economic activities of MTS PJSC.

Proposals for improvement of anti-corruption procedures and other internal control procedures are received by the hot line addressed to the Audit Committee of the Board of Directors and the Internal Control Block. A person who has submitted relevant information is protected from any forms of pressure (including from dismissal, persecution, any forms of discrimination).

In 2020, processing of reports sent to the Unified Hotline (hereinafter referred to as “UH”) was carried out in accordance with the Regulations on Processing of Reports Sent to the Unified Hotline of the MTS Group. Timely preparation of solutions and replies to the messages’ authors was carried out. Press releases on UH were posted on the corporate MTS information portal on a monthly basis in order to inform MTS Group employees about the UH operational results.

All situations of conflict of interest, violation of the provisions of the Code of Business Conduct and Ethics, anti-corruption legislation are settled in accordance with the Conflict of Interest Management Policy, Compliance with Anti-Corruption Law and the Code of Business Conduct and Ethics approved by the Company. The employees who committed violations of the internal regulations of the Company, were informed on the necessity to eliminate the conflicts and prevent the repetition of similar situations in the future. Recommendations to address the identified deficiencies are given.

In 2018, the Company received the certificate of the Unified Compliance System’s compliance with international standards ISO 19600:2014 “Compliance Management Systems” and ISO 37001:2016 “Anti-Corruption Compliance Management Systems”.

In 2020, MTS successfully completed a three-year audit cycle for compliance with ISO standards, in 2021 a new audit cycle began.

Number of messages received by the Unified Hotline of MTS Group in

Indicator	2020
Line of the Internal Control and Audit Block	188
Quality Hotline	215
Line of the Procurement Management Block	405
HR Hotline	244
Security Block Line	54
RTC JSC	575
MGTS PJSC	32
NVision Group JSC	32
NIS JSC	2
MTS Armenia CJSC	24
Mobile TeleSystems JLLC	11
MTS Bank PJSC	37

Completion of the audit cycle for the compliance of the Unified Compliance System of the Company with the standards ISO 37001:2016 and ISO 19600:2014

COMPLIANCE COMMITTEE

In 2016, the Company established the Compliance Committee under the President of MTS PJSC, which included the President, the managers in his direct subordination. The Committee is chaired by the Vice President for Business Ethics and Compliance.

The committee was established to make decisions on the formation and implementation of compliance programs that are part of the Unified Compliance System. The main tasks of the Committee are to implement a policy in the area of compliance risk management and to make proposals on the directions of development of the MTS Group in this area.

In 2020, five Committee three meetings were held where the following issues were considered, inter alia:

- › setting key performance indicators (KPIs) for compliance owners of compliance programs of the MTS Unified Compliance System;
- › joining the Unified Compliance Program System “Intellectual Property Risk Management System/ IP Compliance”, etc.



DAY OF ETHICS AND COMPLIANCE

On annual basis on October 23, the Company celebrated a corporate Day of Ethics and Compliance. On this day, MTS PJSC and subsidiaries of the Company in Russia and abroad conduct training sessions, master classes, and competitions on compliance issues. In 2020, the Vice President for Business Ethics and Compliance addressed all MTS employees, by way of sending a newsletter, raising the issue of the importance of “tone from above” and “tone in the middle” for ethical business conduct. Within the framework of the sixth annual Day of Ethics and Compliance, the Compliance Cup game, the Compliance Video competition were arranged, a preview of the compliance video titled “Eight Real Stories” and other events were held, including those organized by owners of the compliance programs of the MTS Unified Compliance System. Approximately 500 employees of MTS took part in the events.

ANTI-CORRUPTION (ANTI-CORRUPTION COMPLIANCE AND BUSINESS ETHICS)

MTS PJSC, as a public company, is aware of the need to develop a favorable business environment in the markets of its presence, and makes efforts to promote the best compliance practices, and always adheres to high standards of business ethics, transparency and the rule of law.

The anti-corruption compliance program at MTS PJSC establishes measures to control regulatory risks, to protect the Company from any manifestations of corruption (both within the Company and attempts to involve the Company in corrupt activity from the outside), to improve the corporate culture, introduce and develop in the Company the best corporate management practices, as well as standards of responsible and ethical behavior.

The company has formed its approach to building up the anti-corruption compliance program based on recommendations from regulatory authorities, relevant international organizations, and best practices in the development of corporate anti-corruption compliance programs.

- › The Audit Committee of MTS approved a three-year strategy in the field of business ethics and compliance, which supports the business strategy of MTS PJSC and contains strategic compliance goals. The document focuses



Projects and initiatives in the framework of development of the anti-corruption compliance program and strengthening of the compliance culture in 2020

on further implementation of the compliance program in the corporate culture of MTS PJSC and the improvement of controlling systems that support the business strategy.

- › Employees were trained in anti-corruption compliance:
 - full-time training in anti-corruption compliance was attended by more than 2 thousand employees of MTS PJSC;
 - about 25 thousand employees of MTS PJSC participated in the updated electronic course “Compliance — Compliance with Anti-Corruption Laws” since its launch in 2019 and by the end of 2020 (in 2020 — about 13 thousand employees of MTS PJSC);
 - about 24 thousand employees of MTS PJSC participated in the updated electronic course “Code of Business Conduct and Ethics” since its launch in 2019 and until the end of 2020 (in 2020 — more than 10 thousand employees of MTS PJSC);
 - full-time training on the principles and requirements of the Company in the field of anti-corruption compliance was attended by about 1900 representatives of third parties; an electronic course for dealers was launched called “MTS Requirements for Compliance with the Law by Partners. Anti-Corruption, Combating Money Laundering/Financing of Terrorism/Proliferation” on iSmart platform. Number of participants: 552 persons.
- › MTS top management continued to communicate its commitment to ethical business conduct (“tone from above”) to employees, including through the following initiatives:
 - The President of MTS PJSC circulated an e-mail about the importance of the superior’s role in the formation of standards of corporate conduct among employees, as well as the need to comply with high business principles;
 - the updated version of the electronic course on the Code of Business Conduct and Ethics of MTS PJSC includes up-to-date messages from the Company’s top managers addressed to employees who open each module of the electronic course: President of MTS PJSC, Vice President for Human Resources, First Vice President for Customer Experience, Marketing and Ecosystem Development, Vice President

for Government Relations and Public Relations; Vice President for Corporate and Legal Affairs, Director for Internal Control and Audit, Vice President for Business Ethics and Compliance;

- by the Day of Ethics and Compliance, an e-mail was sent to all employees of MTS PJSC with a message from the Vice President for Business Ethics and Compliance;
- on the International Anti-Corruption Day, an email was sent to all MTS employees with a message from top management: MTS President, First Vice President for Telecommunications Business, First Vice President for Customer Experience, Marketing and Ecosystem Development. The messages from top management were focused on the importance of adhering to the principles of compliance.
- › The company continued to actively develop the “tone in the middle” area — demonstration of good faith behavior by mid-tier executives by personal example. The regional development directors and the directors of the branches spoke to the employees on the subject of compliance in person and reminded them of the importance of compliance training and conducted activities in the regions, discussed ethical dilemmas in teams.
- › Compliance topics were actively covered in internal communications, in particular: articles were published in a corporate magazine; posts and information materials were posted in the compliance groups created within the Pulse corporate portal: in the group “Anti-corruption compliance. News”. In 2020, 22 posts were published on the anti-corruption area of compliance, in the group “Unified Compliance System. Blog” — 38 posts in eight areas of the Unified Compliance System; interactive banners on the Pulse corporate portal were used, screensavers on the work computer desks of employees on compliance topics; an exchange of electronic compliance badges among employees was organized within the framework of the Day of Ethics and Compliance; a pilot version of the MTS comic book entitled “Compliance. “The Best Version of You” was issued. The issue focused on making the right decision in case of suffering influence from the vendor and was commemorated to celebration of the International Anti-Corruption Day.

- › Work was continued to improve internal compliance controls: three new controls were introduced, including in the area of investing in startups. In total, as of the end of 2020, changes were made to 63 local local regulatory acts with compliance controls.
- › President of MTS PJSC A.V. Kornya demonstrated the “tone from above” outside the organization and took part in a discussion on business ethics at the Skolkovo Moscow Business School.
- › For the purpose of popularization of the best compliance practices and exchange of experience in 2020, representatives of the Department of Business Ethics and Compliance spoke at 12 external events in the field of compliance, including: the 6th Annual Conference “Prevention of Intracorporate Fraud and Assessment of Counterparties”, 7th Annual Conference “Compliance and Anti-Corruption in Russia and the CIS”, the International Congress on Compliance, the online conference “Compliance and Ethics: Telecom Says”, the BRICS Roundtable on Anti-Corruption Education and Awareness.

Compliance training for members of MTS PJSC Board of Directors

In July 2020, Vice President for Business Ethics and Compliance, L.E. Lukiyanova conducted an introductory training for members of the Board of Directors of MTS PJSC on “Anti-Corruption Compliance in MTS PJSC”, within the framework of which she spoke about the principles of the anti-corruption compliance system, interaction between the Board of Directors and compliance, “tone from above”, etc.

Six members of the Board of Directors took part in the training session.



CONFLICT OF INTEREST MANAGEMENT

For the purposes of establishment of a uniform and efficient actual and potential conflict of interests management system as well as definition of requirements for employees' conduct, observance of which enables to minimise risks of making decisions under the influence of personal interests and connections, the Company has introduced the Policy “Conflict of Interests Management”.

In 2020, the Policy was amended, including adding of new standard conflict of interest situations, while the responsibility for compliance with the Policy was assigned not only to employees and management bodies, but also to MTS counterparties. The new version of the Policy “Conflict of Interest Management” was published on the MTS external website¹.

Employees holding management positions are obliged to show the example of law-abiding and ethical conduct and actively support execution of the Policy “Conflict of interests management”.

When being hired, all employees familiarize themselves with this Policy, fill in the form “Disclosure of information about the conflict of interests”. In 2020, the form for disclosing information on a conflict of interest in MTS PJSC was automated, now every employee of MTS PJSC can fill it out through his/her personal account. When a conflict of interests arises, each situation must be reviewed and settled.

Throughout 2020, information on 176 situations was audited and expert opinion was given in order to identify the presence of a conflict of interest. In 35 instances, the conflict of interest was not confirmed. 141 conflict of interest instances were settled: 128 potential and 13 actual ones.

SYSTEM OF ANTIMONOPOLY RISK PREVENTION (ANTIMONOPOLY COMPLIANCE)

Since 2015, the antimonopoly compliance at MTS PJSC has been successfully functioning and developing in the light of changes in antitrust laws and trends in the development of law enforcement practice. In 2020, the company continuously carried out antimonopoly controls and consulting, in most cases the antimonopoly compliance was involved to settle such issues as setting rates, interacting with counterparties and other telecom operators. In addition to controls in the field of telecommunications, the more attention is paid by

the antitrust compliance service to the development of ecosystem goods and services: interaction with partners, pricing and promotion of such products. Attention is still paid to monitoring of legislative changes, antitrust practices against third parties, including the cases of the regulating authorities against international ecosystem companies and dominant digital platforms. The company was actively involved in the work of the FAS Russia on the development of recommendations on the procedure for implementation of antitrust risk prevention systems, which made it possible to incorporate the best practices of other companies in its work.

In 2020, the Company’s management was actively involved in the business processes and development of the antitrust risk prevention system. An annual reassessment of risks was carried out,in the course of which no significant changes were revealed in the map of antitrust of MTS PJSC.

In 2020, the Company was increased the number of training courses for its employee in antitrust requirements, also through the active use of remote methods. The Company conducted training for management, developed a new animated training course, and trained employees in a number of subsidiaries. These measures made it possible to involve more than a thousand students to the training, to increase the clarity and convenience of trainings. The Company’s management took an active part in antitrust issues, in particular through participation in training sessions and control procedures.

The Company regularly communicates information about antitrust requirements to employees, using various formats of such communication to achieve maximum effect. The ultimate goal of this work is not only to provide employees with theoretical and practical knowledge in the field of antitrust regulation, but also to develop “zero tolerance” to violations of antitrust laws within the Company.

The antitrust risk prevention system is constantly optimizing in order to comply with the development of the MTS PJSC business strategy and with the changes in the regulatory environment

INSIDE COMPLIANCE

MTS PJSC, as a company with on-exchange trading of its financial instruments in Russia and the United States, pays great attention to maintaining an effective system of misuse of insider information and market manipulation.

The Company has a system of measures, procedures and processes aimed at preventing violations of legislation on the use of insider information, built taking into account the best Russian and international practices and based on two basic documents — the Policy “On Counteracting the Misuse of Insider Information and Market Manipulation” and the Regulations on principles and procedures regarding prevention of transactions using MTS insider information. Local regulatory acts of MTS PJSC determine the procedure for using insider information, the rules for protecting its confidentiality and monitoring compliance with the requirements of legislation on the use of insider information in order to ensure fair pricing of financial instruments, protect the rights and property interests of all MTS shareholders and ensure equal rights of other investors in terms of timing and volume of information received, strengthening investor confidence and preventing abuse in the form of misuse of insider information and/or manipulation of market.

In line with the best practices in the Company restrictions are set for all employees on transactions with securities MTS PJSC during the so-called closed periods. Another closed period begins every time on the first day of the fiscal quarter and ends two business days after publication of financial results of MTS PJSC for the previous fiscal quarter. In order to ensure compliance with the requirements on closed periods, the system provides quarterly information (twice per quarter) of employees and members of management bodies about their beginning and end. In addition to this, for members of management bodies in a special information system created calendar with up-to-date information about the current closed or open periode.

Since 2014, the Company has operated a full-time training system for all insiders who are employees of the Company. When being hired, each employee reads Company’s regulations aimed at preventing violations of insider laws.

The Company is aware of the severity of the sanctions which may be applied to any employee in case of a violation of insider legislation. Therefore, in order to prevent such negative consequences,



- MTS PJSC principles with respect to transactions involving the use of insider information**
- **None of the executive officers, directors or employees of the Company possessing insider information relating to securities shall have the right to buy or sell these securities, directly or through relatives or other persons, irrespective of whether the issuer of such securities of the Company or any other public company.**
 - **No executive officer, director or employee of the Company shall sell or purchase securities of the Company during the period commencing on the first day of the financial quarter of the Company and ending two business days after the publication of data on the Company’s revenue for the previous fiscal quarter (hereinafter the “Closed period”), except for exercising options not related to the sale of securities of the Company.**
 - **Transactions involving securities of the Company may be made not earlier than on the third business day after public disclosure of financial results for the fiscal quarter or year, subject to other restrictions contained in the Regulations “On Principles and Procedures Concerning the Prevention of Insider Trading of MTS”.**
 - **Under no circumstances shall insider information be transferred by officials, directors and employees of the Company, directly or through other persons, to third parties outside the Company or even to persons within the Company, except for those who need to know such information.**
 - **If a person has doubts as to whether it they are allowed to make a transaction or not, it is better to refrain from the transaction.**

¹ https://static.ssl.mts.ru/mts_rf/contents/537/Conflict_of_Interest_Management_Policy_rus.pdf.



in 2017, an interactive course was developed and launched for all company employees, dedicated to insider-law fundamentals.

Risks related to the violation of insider legislation are recorded in a specialized automated system and are reevaluated on a quarterly basis.

Russian regulation in the field of preventing insider trading has its own specifics. For example, the Company keeps a list of its insiders in this regard. It includes individuals and legal entities.

In order to maintain an effective inside compliance program, the Company audits program's controls: annually — via employees involved in ensuring the functioning of the inside compliance program (verifying fulfillment of individual requirements of the inside compliance program); as necessary (taking into account the risk-based approach) — via the internal audit division headed by a person accountable to the Board of Directors.

PERSONAL DATA PROCESSING ORGANIZATION

Expansion of the scope of operations beyond the boundaries of the telecom industry; transition from IT projects with strictly defined tasks, resources and deadlines to IT products using client-oriented agile tools; establishment of teams from employees of various legal entities — these changes required an adequate response from the Information Security Department in 2020, which consisted in adapting, and sometimes in a complete revision of the processes in which the subdivisions of the Information Security Department were involved.

The ecosystem path chosen by the MTS Group in 2020 resulted in a significant increase in the number of digital products created, which, in turn, led to an increase in the workload of employees of the Information Security Department. The Center for Information Security of Product Solutions and the Department for the Protection of Confidential Information, including the Functional Group for the Processing and Protection of Personal Data, were established within the Department.

Creation of the MTS ecosystem required the solution of new, unique tasks, including the legalization of the process of exchanging personal data between companies within the MTS Group of Companies. Thus, in 2020, the employees of the Confidential Information Protection Department worked out the issues of entering into non-disclosure agreements

and instructions for the processing of personal data, agreed on technical solutions for the exchange of restricted information within the ecosystem.

The set of changes in MTS PJSC and Russian legislation required changes in the corporate regulatory documents of MTS PJSC, in particular, the Policy “Processing of Personal Data in MTS PJSC”, PT-002 “Regulations on the Information Security (Confidentiality) Regime at MTS PJSC” were amended, the company tool part in making changes to the regulations of the Information Technology Block, including the Process Regulation “Management of the IT Product Development”, prepared draft amendments to other regulatory documents on information security, including those related to the security of critical information infrastructure.

One of the priority areas of the Information Security Department continues to be raising the awareness of MTS Company employees in matters of processing personal data and protecting confidential information. In particular, in 2020, the Confidential Information Protection Department carried out work to update the training course “Processing of Personal Data at MTS PJSC”. The main emphasis is on clarifying what is acceptable and what is highly undesirable. New interactive distance learning course on confidential information “Work with Confidential Information” was developed. Over 2020, 3346 employees of MTS attended the training course “Personal Data Processing at MTS PJSC”, 4704 employees of MTS attended the training course “Work with Confidential Information”.

Risks associated with violation of the legislation on personal data are taken into account in the Company's risk management system and are reassessed quarterly.

COMBATTING THE LEGALIZATION (LAUNDERING) OF CRIMINAL PROCEEDS, THE FINANCING OF TERRORISM AND/OR FINANCING OF THE SPREAD OF WEAPONS OF MASS DESTRUCTION (CML/FT/MDWSF)

The CML/FT/MDWSF program has been developed in accordance with applicable legislation, which is monitored on a regular basis.

As part of the compliance program's activities implementation, the Department of Regional Security conducts a daily audit of all MTS subscribers to check whether some of the subscribers are included in the list of Rosfinmonitoring. When the Company's subscribers carry out high-risk transactions on personal accounts, in addition to checking against the lists of Rosfinmonitoring, an additional check is initiated against the database of invalid passports.

The Company also carries out daily monitoring of the termination of communication-service contracts with repayment of the balance, as well as monitoring other suspicious subscriber transactions in accordance with Order No. 103 of the Federal Service for Financial Monitoring dated May 08, 2009 “On the Approval of Recommendations for Development Criteria for the Definition and Identifying Signs of Unusual Transactions”, newsletter of Rosfinmonitoring dd. October 2, 2019.

On an ongoing basis, events are held to inform regional leaders on the implementation of CML/TF/MDWSF legislation requirements.

In 2020, the Company:

- › updated regulatory legal acts developed for the purposes of CML/TF/MDWSF;
- › conducted planned training of top management in the form of targeted briefing / raising the level of knowledge for the purpose of CML/TF/MDWSF.

HEALTH AND SAFETY MANAGEMENT SYSTEM¹

When building “Health and Safety Management System” compliance program, the Company is guided by the applicable Russian and international legislation, as well as by local regulations on labor protection.

The Company operates a two-tier system of H&S management, focused on creating a safe working environment, prevention of occupational injuries and personnel training of safe work rules.

As part of the compliance program, the following activities were carried out in 2020:

- › special assessment of working conditions and production control;
- › procedures for identification, assessment and management of professional risks;
- › medical examinations;
- › training of employees and experts in the field of health-and-safety;
- › provision of the employees with the special clothing, safety shoes and other personal protective equipment;
- › various activities and communications in order to increase employee awareness of health and safety;
- › control procedures of various levels;
- › interaction with regulatory authorities.

The costs of organizing occupational safety measures increase annually due to the expansion of the staff and the list of implemented measures. Thus, in 2020, a number of activities aimed at combating coronavirus infection were added to the OS activities.

3

GOOD HEALTH AND WELL-BEING

8

DECENT WORK AND ECONOMIC GROWTH

¹ Detailed information on the program is provided in the section “Our Employees”.



ENVIRONMENT¹

MTS is an environmentally responsible company. We are not only consistently reducing our ecological footprint, but also expanding the implementation of the Environment Compliance Program. In 2020, employees responsible for environmental safety attended compulsory training, industrial environmental control was carried out at the registered facilities of negative impact. In order to improve the environmental culture, we maintained the tradition of holding the Eco-Day with MTS and supplemented the content with the topic of respect for the environment.

HUMAN RIGHTS AT THE WORKPLACE²

In 2020, the Company continued work on development of compliance program “Observance of Human Rights at the Workplace” 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.

The risk management system in the field of observance of human rights is part of the integrated risk management process of the MTS Group. In connection with the difficult epidemiological situation in 2020, a reassessment of the legislation violation risks portfolio was carried out and other applicable requirements in the field of observance of human rights at the workplace. An additional risk associated with violation of employee rights during the coronavirus pandemic was added.

Based on 2020 results:

- › to raise awareness among employees, the section “Human Rights at the Workplace” was updated on the internal corporate Webportal;
- › the company developed and launched a training course “Human Rights at the Workplace” for all employees. The course covers aspects of applicable labor law and provides a clear understanding of how an employee shall act in the event of a violation of his/her rights at the workplace.

A RISK MANAGEMENT SYSTEM IN THE FIELD OF INTELLECTUAL PROPERTY

In 2020, the program “Intellectual Property Risk Management System” (hereinafter “IP Compliance”) was included in the Unified Compliance System; the program has been successfully operating and developing since 2019.

The IP Compliance program is aimed at developing and improving the procedures of MTS and SCs in identification, record, use, disposal and protection of intellectual property (IP) items, building controls to identify and mitigate risks in the field of IP, effective management of IP items and increasing legal culture in the use of IP items.

To implement and maintain the IP Compliance program, the Company established the Intellectual Property Management Department, which includes patent attorneys and highly professional lawyers, including those noted in the ratings among the best Russian specialists in the Intellectual Property area.

The Department is responsible for implementation and maintenance of the IP Compliance program in the entire group of companies, development of control procedures, registration and management accounting of intellectual property rights, monitoring of applicable laws, analysis of risk prevention practices, improvement of control procedures and training and information materials. The Department’s consultations make it possible to actively influence the main business processes in terms of risk prevention.

The Department developed a mandatory interactive distant training course “Rules for the Use of Intellectual Property in the Company”, the course was attended by more than 14 thousand employees.

In 2020, the team of the Intellectual Property Management Department became the winner of the First IP Russia Awards 2020 in the category “Effective IP Portfolio Management Strategy”.

INTERACTION WITH SHAREHOLDERS AND INVESTORS

SHARE CAPITAL

The authorized capital of the Company comprises

199,838,157.50 Rub

and is divided into 1,998,381,575 ordinary voting shares with par value of 0,1 rubles each. No preferred shares were placed.

Placed and declared shares in MTS PJSC as of December 31, 2020

Placed shares			Declared shares		
Share categories (types)	Quantity (pcs.)	Nominal value of one share (RUB)	Share categories (types)	Quantity (pcs.)	Nominal value of one share (RUB)
Ordinary shares	1,998,381,575	0.1	Ordinary shares	100,000,000	0.1
Voting shares	1,998,381,575	0.1			
Preferred shares	0	0	Preferred shares	0	0

¹ Detailed information on this area is disclosed in the Sustainable Development Report of MTS PJSC: <https://moskva.mts.ru/about/socialnaya-otvetstvennost/novosti-i-otcheti/otchet-ustoychivogo-razvitiya>.
² Detailed information on this area is disclosed in the Sustainable Development Report of MTS PJSC: <https://moskva.mts.ru/about/socialnaya-otvetstvennost/novosti-i-otcheti/otchet-ustoychivogo-razvitiya>.

Information about persons owning shares disposing of votes by shares being beneficiaries by shares in MTS PJSC

	Number of ordinary shares	Interest of authorized capital
Sistema PJSC ¹	863,815,603	43,23 ¹
MGTS PJSC ²	7,569,230	0.38
Stream Digital LLC ³	104,165,997	5.21
Bastion LLC ⁴	159,338,832	7.97
of MTS PJSC	405,347	0.02
Shares in free circulation ⁵	863,086,566	43.19
Total	1,998,381,575	100

INFORMATION ON THE NUMBER OF SHAREHOLDERS

Total number of persons registered in the shareholder register of the issuer as of the end of Q4 2020: 982.

Total number of persons included in the list of persons compiled by the latter (as of September 7, 2020) having a right to exercise (implement) rights to shares of MTS PJSC and for compilation of which nominal issuer's shareholders presented data on persons, for the benefit of whom they owned (own) shares of MTS PJSC: 184,582.

The management of MTS PJSC has no information⁶ about existing share-ownership interests exceeding 5% of the authorized capital of MTS PJSC apart from the above-mentioned.

For updated information about the shareholder capital structure visit the Company's website — Structure of Shareholder Capital of MTS PJSC — Moscow (mts.ru).

Equity structure of MTS PJSC — Moscow (mts.ru).

INFORMATION ABOUT SECURITIES

Shares

Shares of MTS PJSC are circulated on the leading Russian platform — Moscow stock exchange (MOEX) and are listed on the New-York stock exchange in the form of American Depositary Receipts — ADR (ratio: 1 ADR to 2 shares). From October 3, 2003, shares in MTS PJSC were included in the list of non-listed securities of the Moscow Interbank Currency Exchange. In December 2003, shares in MTS PJSC were included in "B" quotation list at MICEX. Since October 2010, shares have been traded in the "A1" quotation list. Since June 2014, shares in MTS PJSC have been traded in the first level of the MICEX securities list.

The ordinary shares in MTS PJSC fixes for its owner (shareholder) a given volume of property rights, including the right to participate in the Company's management, the right to obtain a portion of Company's profits in the form of a dividend as well as the right to obtain a portion of the property left after Company's liquidation.

The Company's issued and placed shares are ordinary registered shares in the same par value.

Information about current lists and transaction prices:

http:// www.moex.com

http://www.nyse.com

1

The ownership interest of JSFC Sistema PJSC includes ownership interests of its following subsidiaries: Sistema Telecom Assets LLC (11,03% of shares in MTS PJSC) and Sistema Finance S.A. (0,43% of shares in PJSC MTS).

2

Vladimir Petrovitch Yevtushenkov is a controlling person of JSFC Sistema PJSC.

3

The stake of Sistema PJSC, including indirect ownership through controlled entities (MTS PJSC, MGTS PJSC, Stream Digital LLC and Bastion LLC) is 56,81% of shares, while an effective interest is 50,02%.

4

MGTS PJSC, Stream Digital LLC and Bastion LLC are subsidiaries of MTS PJSC.

5

Includes 14,18% of shares in MTS PJSC and ADR for 29,01% of shares in MTS PJSC.

6

Information is understood as documented data received by (transferred to) the management.

Information about the circulation of shares in MTS PJSC on stock exchanges

Trading Platform Name	Issuer Code
NYSE, New York	MBT
MOEX, Moscow	MTSS

Price and volume of shares in MTS PJSC (RUB), 2020

MICEX	Price (RUB)
Minimum share price	353.05
Maximum share price	250.55
Average daily trade volume (pcs.)	4,572,590
Price as of December 31, 2020	330.65

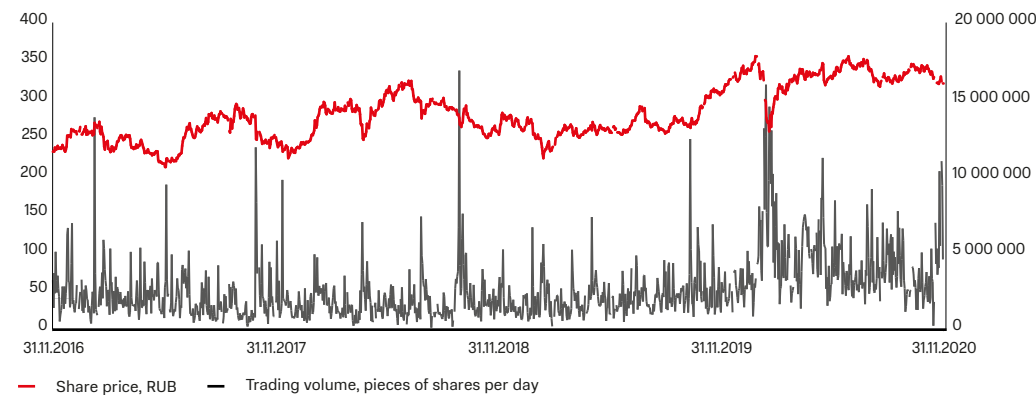
Price and volume of American Depositary Receipts of MTS PJSC (USD), 2020

NYSE	Price (USD)
Minimum ADR price	6.20
Maximum ADR price	11.00
Average daily trade volume (pcs.)	3,632,725
Price as of December 31, 2020	8.95

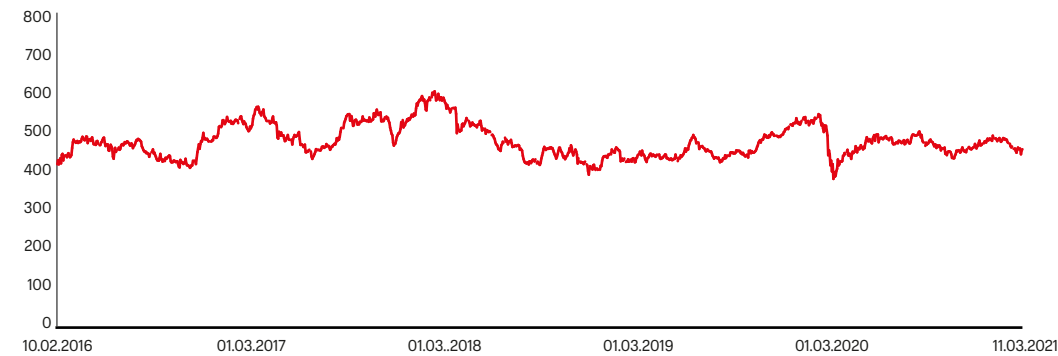
Dynamics of prices and volume of trading in MTS PJSC common shares

Trading platform: MOEX (Moscow), issuer code MTSS

Ordinary share price and daily trading volume on the Moscow Exchange 2016-2020



\\ Market capitalization of MTS PJSC, million RUB (MOEX)¹



American Depositary Receipts

On June 30, 2000, MTS successfully floated the issue of American Depositary Receipts (ADRs) of the third level at the New York Stock Exchange. MTS PJSC became the second company in Russia to implement the ADR program of the highest level.

On April 20, 2010, MTS PJSC announced a change in the ratio between ADRs and company shares starting from May 3, 2010. As a result of this change, the ratio of ADRs to ordinary shares was changed from 1:5 to 1:2. Thus, holders of MTS ADRs registered at the end of the work day of April 28, 2010 received additional 1,5 ADRs for every available ADR.

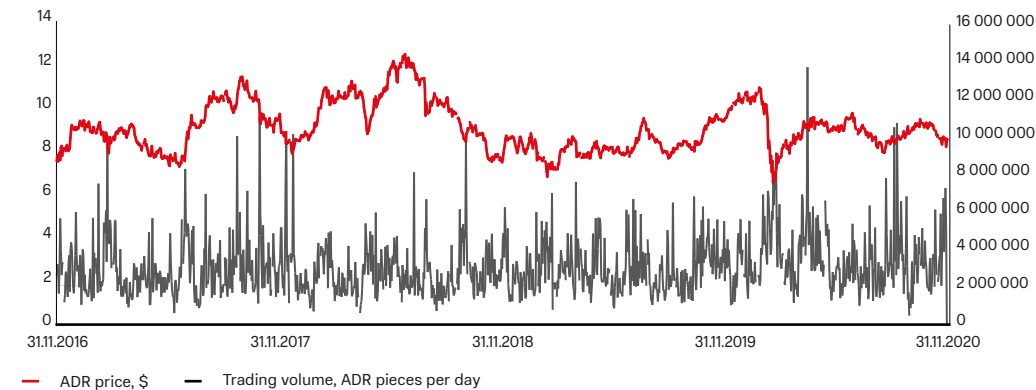
As of December 31, 2019 the total number of ADRs for ordinary registered share amounted to 356,699 642 ADRs, which makes up 713,399,284 ordinary registered shares or 35.70% of the company's authorized capital.

A depository under the ADR program and shareholder of MTS PJSC is JP Morgan Chase Bank, N.A., to which a depository account of depository programs was opened.

Dynamics of prices and volume of trading in American Depositary Receipts of MTS PJSC

Trading platform: NYSE (New York), issuer code MBT

\\ ADR price and daily trading volume on NYSE 2016-2020



¹ According to Bloomberg

DIVIDENDS AND SHARE REDEMPTION PROGRAM

History of dividend payment in 2020

For the calendar year 2020, the total amount of dividends was 29,50 rubles per ordinary share of MTS (59,0 rubles per ADS). The total amount paid was RUB 58,9 billion, in addition to special dividends paid in Q1 of 2020 in the amount of RUB 13,25 per ordinary share (RUB 26,50 per ADS).

More detailed information on payment of dividends is available on the MTS website at:



Dividends — Moscow (mts.ru)

2020 Stock Buyback Program

In March 2020, MTS launched a program of buyback of own ordinary shares and American depository shares for a total amount not exceeding RUB 15 billion. The program was in effect until the end of the 2020 calendar year.

In December 2020, MTS completed the share buyback program announced on March 31, 2020. Since the announcement of the program, MTS subsidiary Bastion LLC, has completed buyback of 45,501,316 ordinary shares (including ADSs) for a total amount of about 15 billion rubles, which is 2.28% of the total number of MTS outstanding shares. This number includes 22,758,872 ordinary shares (including ADSs) purchased from Sistema Finance S.A., a subsidiary of Sistema PISFC.

Dividend Policy

The current dividend policy for 2019–2021 was approved on March 21, 2019 by the MTS Board of Directors, in accordance with the policy, the target dividend yield is at least 28.0 rubles per ordinary share of MTS PJSC (56.0 rubles per ADR) per during each calendar year.

The dividend policy provides for dividend payment in two instalments during a calendar year — annual payments based on the results of the previous year and payment of interim dividends for the first six months of the current year. When determining dividend payments, MTS takes into account a number of factors, including operating cash flow, capital expenditures and debt position.

In addition to regular payments within the framework of the dividend policy, the Company may increase the shareholders' benefit by implementing a program of share redemption in the open market. When deciding on the launch and size of the redemption program, the Board of Directors takes into account the current availability of funds, operating performance indicators, the amount of debt, the Company's future cash requirements and the overall market situation.

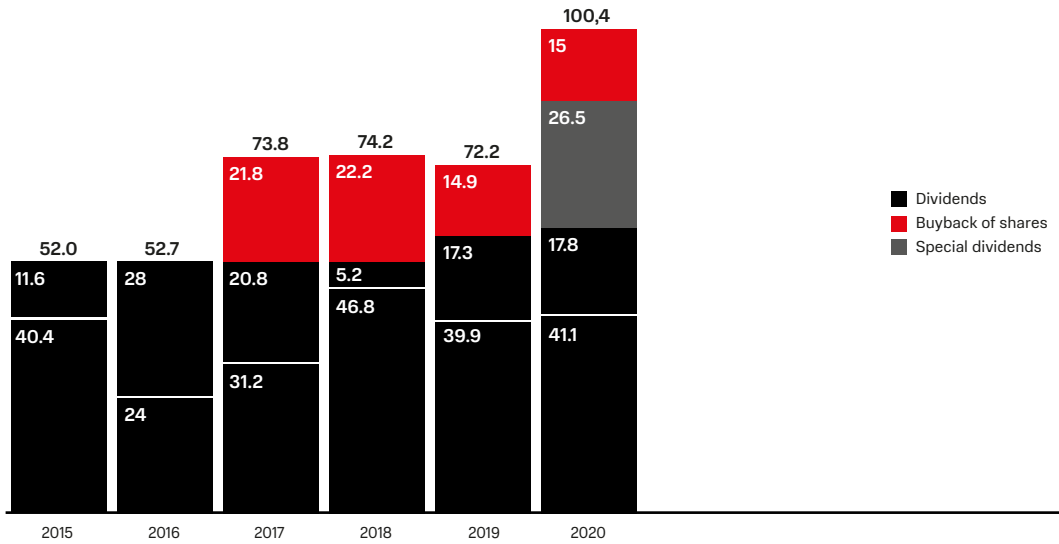
The full text of the new dividend policy is available on the MTS website at: Dividends — Moscow (mts.ru).



Dividends — Moscow (mts.ru)

¹ American Depositary Shares

Dividends and buyback of shares¹



Dividend per common share

2015	2016	2017	2018	2019	2020
25.2	26.0	26.0	26.0	28.66	29.5
-	0.4	10.9	11.1	7.6	13.25
					7.5

DEBT POLICY AND PORTFOLIO

MTS Issuer Credit Ratings²
Credit agencies Fitch and Standard&Poor's and RA Expert assigned the following ratings to the Company's debentures.

BONDS

MTS PJSC is one of the largest issuers of corporate bonds in Russia. The Company uses funds from bonds' placement for debt portfolio refinancing and implementation of its investment program.

For the period of 2020, the following bond issues were issued / redeemed:

Standard & Poor's

BB+
Stable

Fitch

BB+
Stable

RA Expert

ruAAA
Stable

National Credit Ratings³

AAA.ru
Stable

2020	RUB 15 billion	The fourteenth issue of exchange-traded bonds 001P-14 with the maturity term of 7 years
	RUB 5 billion	The fifteenth issue of exchange-traded bonds 001P-15 with the maturity term of 6,5 years
	RUB 7 billion	The sixteenth issue of exchange-traded bonds 001P-16 with the maturity term of 7 years
	RUB 10 billion	The seventeenth issue of exchange-traded bonds 001P-17 with the maturity term of 2 years
	USD 750 million	Redemption of MTS International Funding Eurobonds
	RUB 15 billion	Full repayment of series 08 bonds

Detailed information on previous bond issues can be found on the websites:



http://www.disclosure.ru/
issuer/7740000076/



https://moskva.mts.ru/about/
investoram-i-akcioneram/
korporativnoe-upravlenie/
raskritie-informacii/
vipusk-cennih-bumag

Issue of bonds in 2020

Issuer	Mobile TeleSystems Public Joint Stock Company
Security type	Exchange-traded non-convertible interest-bearing uncertificated exchange-traded bonds in bearer form subject to mandatory deposit of 001R-14 series
Coupon	Coupon 1–28 — 6,6% per annum % per annum
Placement price	100%
Issue currency	Ruble
Issue amount	15 000 000 000
Placement date	February 20, 2020
Date of maturity	February 11, 2027
ISIN Reg No	RU000A101FH6
Offer	—
Security type	Exchange-traded non-convertible interest-bearing uncertificated exchange-traded bonds in bearer form subject to mandatory deposit of 001R-15 series
Coupon	Coupon 1–26 — 6,6% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	5 000 000 000
Placement date	May 14, 2020
Date of maturity	November 5, 2026
ISIN Reg No	RU000A101NG2
Offer	—
Security type	Exchange-traded non-convertible interest-bearing uncertificated exchange-traded bonds in bearer form subject to mandatory deposit of 001R-16 series
Coupon	Coupon 1–28 — 6,6% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	7 000 000 000
Placement date	May 14, 2020
Date of maturity	May 6, 2027
ISIN Reg No	RU000A101NH0
Offer	—

¹ Amount may differ due to rounding of some figures.
² Data as of December 31, 2020.
³ The date of the rating assignment is January 26, 2021.

Security type	Exchange-traded non-convertible interest-bearing uncertificated exchange-traded bonds in bearer form subject to mandatory deposit of 001R-17 series
Coupon	Coupon 1–8 — 5,5% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	10 000 000 000
Placement date	June 5, 2020
Date of maturity	June 3, 2022
ISIN Reg No	RU000A101RDO
Offer	—

Events after the reporting date

The proceeds from the issue of bonds will be used to finance a project to connect 4995 socially significant facilities to the fixed Internet: schools, medical institutions, fire departments, police stations, government and local authorities, election commissions and military registration and enlistment offices — in Amur, Kaliningrad, Kemerovo, Leningrad, Tambov, Tver, Yaroslavl regions and in Moscow.

COMMUNICATION POLICY

One of the most important goals of MTS is to maintain strong trustful relationships with shareholders and investors, based on the principles of direct dialog in accordance with the relevant legislation and prevalent international practices.

The current information disclosure system is built taking into account the requirements of listing rules of the Moscow and New-York stock exchanges, operates in the Company and ensures compliance with the transparency principle.

In order to improve its activities in the sphere of compliance with the interests of investors and shareholders, and the establishment of trusting relations with partners, MTS continuously strives to improve the level of its transparency and openness.

In accordance with the principle of general availability, the Company publishes announcements of significant events on the website of the US Securities and Exchange Commission¹, on the website of the Russian Information Agency (news feed)², on the official website of MTS: for shareholders³ and investors⁴.

MTS also publishes other information on its official website. The “For investors and shareholders”⁵ section includes internal corporate documents, annual reports, reports on sustainable development, materials for shareholder meetings, information on the registrar and auditor, information on dividend policies, quarterly financial statements under IFRS

On March 26, 2021, MTS announced the placement of social exchange-traded bonds of 001P-18 series with an issue volume of RUB 4,5 billion at the Moscow Exchange.

4.5 bln rubles

and RAS, and information on quoted prices of shares and bonds. The annual report of MTS PJSC is also available on the Apple App Store⁶.

The Company’s management is involved in the maintenance and development of an effective dialog with equity market participants. MTS representatives regularly participate in international conferences, hold road shows and meetings with in investors, and organize days of analysts. Quarterly publication of financial results is carried out with phone conferences involving MTS managers. Financial statements are published as supported by presentation materials for better coverage of achieved results and presentation of the Company’s strategy.

In 2020, the MTS IR team issued more than 100 press releases, blog posts, and other written messages, as well as held more than 140 in person and online meetings with representatives of leading institutional funds, inter alia within the framework of 16 international conferences in New York, London, Boston, San Francisco and other cities. In 2020, the Company’s activities were affected by the pandemic and the restrictive measures introduced in connection therewith. Since March 2020, there have been no in person events for investors. During 2020, MTS continued to build effective online communications with investors.

MTS is continuously improving its interaction with investors and shareholders, using the best experience of other companies and monitoring the latest legislation changes and key standards in this area.

In order to promptly respond to stakeholder appeals to the Company, the information resource “Unified Hotline” has been created. The subject of communications covers a wide range of issues related to the various activities of MTS and its subsidiaries. A single hotline enables all stakeholders to receive comprehensive information on topics of interest.

The list of the main stakeholders of MTS PJSC includes shareholders, investors, employees, customers / subscribers, mass media, the state, local communities, business.

In case of questions related to MTS activities, investors may contact the services on interaction with shareholders and relations with investors.

Contact information for investors and shareholders:

Corporate Governance Development of MTS PJSC:

Roman Safronov
(Director for Corporate Governance)

Phone: +7 (495) 911 6555.
Fax: +7 (495) 911 6569.
E-mail: shareholder@mts.ru

Investor Relations Department, MTS PJSC:

Polina Ugryumova
(Director of the Department)

Phone: +7 (495) 223 2025.
E-mail: ir@mts.ru

Investor’s calendar for 2021

The investor’s calendar is posted on the MTS website at: Investors calendar — Moscow (mts.ru).

Matters of interest for investors

The issues that interested investors in 2020 can be divided into three main blocks.

Macroeconomic matters:

- › the impact of the pandemic on the Company’s business;
- › investment appeal of the Russian market;
- › main macroeconomic parameters and their impact on the company’s business.

Industrial matters:

- › main trends and drivers of the industry;
- › competitive environment;
- › pricing policy;
- › surplus retail optimization;
- › frequency distribution, the beginning of construction of 5G networks in Russia;
- › regulatory environment

Matters related directly to the company’s business and performance:

- › events and initiatives that the Company implements to support its subscribers during the introduced restrictive measures caused by the pandemic;
- › the Company’s development strategy;
- › capital investments, Yarovaya Law;
- › dividend policy and share buyback program;
- › development of new business verticals, including fintech and media verticals;
- › investment in digital areas;
- › launch of new services and products, partnerships.

Answers to the most frequently asked questions from investors:

What measures is the company taking in connection with the pandemic and the spread of the virus, how did the pandemic and the restrictions introduced in connection therewith affect the business of MTS?

MTS is striving to support its subscribers, and during the pandemic, we took many initiatives: we offered free calls to state hotlines and access to websites (Ministry of Foreign Affairs, Federal Agency for Tourism, Ministry of Health, Rospotrebnadzor, etc.), provided customers with access to services with a negative balance, launched attractive products and ecosystem services for customers who stay at home, at a minimal cost. For medical specialists, MTS offered a three-month 100% discount for mobile communications, and together with MEDSI

¹ http://www.sec.gov.
² http://www.disclosure.ru.
³ http://www.company.mts.ru/comp/ir/control/data/.
⁴ http://www.ir.mts.ru.
⁵ https://moskva.mts.ru/about/investoram-i-akcioneram/.
⁶ https://apps.apple.com/ru/app/godovaa-otchetnost-gruppy-mts/id919440557?mt=8%2F/.

we opened free access to online consultations with medical specialists. In addition, we organized remote learning for Moscow schools using the SmartUniversity service and provided free access for citizens from home fixed telephony subscriber devices to socially significant Internet resources. From the financial standpoint, the pandemic and the restrictive measures introduced in connection therewith had some negative impact on the MTS business: MTS lost revenues from international roaming, in the retail segment we had to close most of the stores, additional reserves were created in the bank due to the volatile macroeconomic environment.

What prospects does MTS see for 5G deployment?
In addition to developing the existing network, MTS is strengthening its leadership position in terms of new technologies. In July, 2020 MTS was the first in Russia to receive a license to provide mobile services under the 5G/IMT-2020 standard in the 24,25-24,65 GHz range in 83 constituent entities of the country. More than six 5G pilot zones were arranged in three regions of Russia, 5G technology testing was carried out in two regions, and in March 2021, MTS announced the launch of Russia's first large-scale 5G user pilot network in the 4,9 GHz range in 14 popular locations in Moscow.

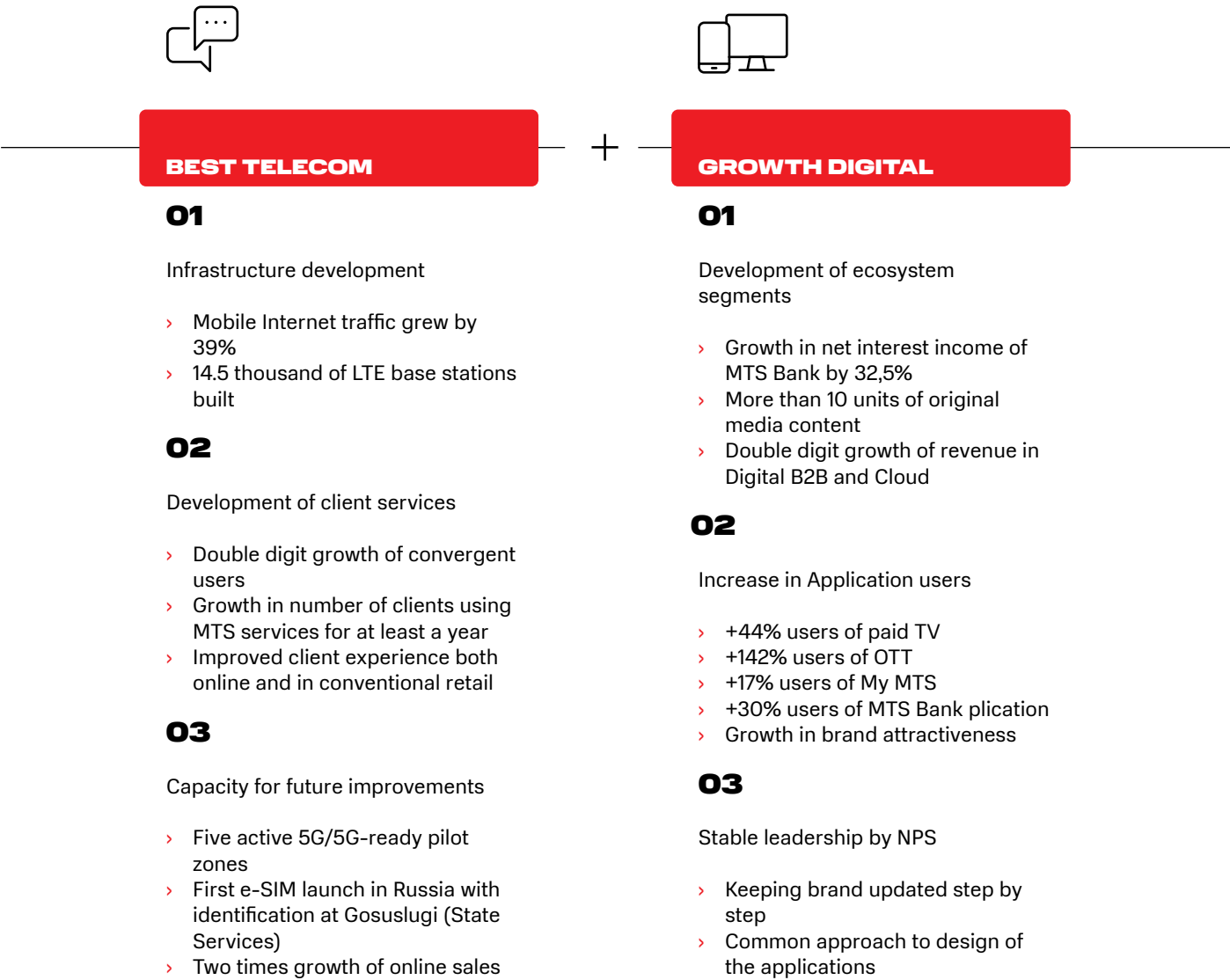
At the same time, discussions continue on the allocation of spectrum in Russia for 5G, which is a forerunner of a large-scale mass deployment of fifth-generation communications. At the present time, the MTS business strategy continues to focus on investing and monetizing its 4G network

infrastructure to provide reliable, world-class communications for the company's tens of millions of mobile subscribers.

What are the company's plans for capital expenditures?
MTS is a recognized leader in the mobile segment of the telecommunications industry in Russia. Our goal is to constantly improve the quality and reliability of the network, therefore the expenses allocated to maintain and improve the mobile and fixed telephony networks are high and depend on many factors. In 2020, capital expenditures amounted to 96,9 billion rubles (91,6 billion rubles, taking into account the effect of financial derivatives). In 2021, the company's forecast for capital expenditures is 100-110 billion rubles, which is explained by the high foreign currency/ruble exchange rates and the need to acquire equipment in foreign countries, the growing need to invest in new ecosystem areas, the need to maintain a high level of investment in network development to maintain leadership in the telecommunications industry.

What successful outcomes of implementation of the CLV 2.0 strategy can be mentioned?
2020 was the first full year of implementation of the MTS CLV 2.0 development strategy. The new strategy details the existing strategic goals of MTS and is focused on creating a product ecosystem based on the main telecommunications business with a seamless transition between services. Key achievements in 2020 as part of implementation of the CLV 2.0 strategy.

Key successful outcomes of CLV 2.0 strategy implementation



What are the company's plans regarding payment of dividends?
The MTS dividend strategy was adopted and shall be valid until March 2022 and provides for payment of dividends for a calendar year in the amount of at least 28 rubles per ordinary share. Meanwhile, in the current year, MTS management plans to recommend to the Board of Directors to pay general annual dividends in calendar year 2021 above the level of 2020, which was already above the minimum established in our applicable dividend policy.

What are the company's plans to optimize its retail chain?
The total number of own and franchised retail outlets of MTS in 2020 decreased by 435 retail outlets and to 5244 retail outlets as part of the company's strategy to optimize its retail network. Further optimization plans depend on many factors, such as: the company's competitive position in the market, the macroeconomic situation, prospects for further rapid growth of the company's e-commerce channels (in 2020, sales through MTS online channels more than doubled in monetary terms vs 2019 indicators). MTS is closely monitoring the retail environment and will continue to improve its retail strategy in line with market dynamics.

SUSTAINABLE DEVELOPMENT¹

04

- 220** MTS approach to sustainable development and social responsibility
- 226** Our employees
- 238** Social Investment
- 248** Environmental activities of MTS
- 251** Information Protection and Security

www.mts.ru

¹ Detailed information on MTS activities in the area of sustainable development is published in the annual reports on sustainable development of MTS Group on the Company's website at: <https://moskva.mts.ru/about/mts-dlya-obshchestva/novosti-i-otcheti/otchet-ustoychivogo-razvitiya>.

MTS APPROACH TO SUSTAINABLE DEVELOPMENT AND SOCIAL RESPONSIBILITY



Last year we successfully demonstrated the readiness of the MTS ecosystem for socially responsible actions to all groups of stakeholders under the pandemic conditions.

Tatyana Chernysheva,

Member of the Management Board, Vice President, Human Resources, MTS PJSC

SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

A negative impact of the COVID-19 pandemic demonstrated business vulnerability. Social relations between people were affected, which led to global economic crisis. Under these circumstances, ESG-related aspects came to the fore for the companies, since they made it possible to estimate the importance of the changes for further business development.

When assessing companies, investors started paying more attention not only to financial figures, but to performance as well. The issues such as carbon dioxide emissions, responsible supply chains, management of labor resources and respect for human rights in the work environment are becoming increasingly relevant. Moving towards a stronger and higher potential in the area of ESG, MTS demonstrates its commitment to achieve the objectives set, which are critical for all our stakeholders.

The strategic objective of MTS in the area of sustainable development and corporate social responsibility is to comply with the principles of transparent and responsible business aimed at improving the quality of living of people through rendering a wide range of services and developing innovations in the field of health care, education, environment, urban infrastructure and other spheres.

Solving the Company's strategic tasks related to social and environmental responsibility helps strengthen the corporate spirit and reputation of the employer,

demonstrates the transparency of business and enhances its attractiveness to shareholders, investors, partners and suppliers.

Social role of MTS is reflected in the Company's strategy in terms of ensuring confidentiality and security of clients' personal data, extended social package for the employees, control over environmental impact, lean power consumption and resource saving, support of inclusive programs and local communities, preservation of the cultural heritage and development of the territories of presence. The Company implements the principles of social responsibility in its corporate culture and strives to raise the awareness of all stakeholders, using various interaction formats.

An important part of MTS activities in the area of sustainable development and corporate social responsibility (SD and CSO) is to build up a sustainable supply chain. The Company develops relationships with suppliers based on the principles of honesty, integrity and transparency. The procurement management process is aimed at maximizing the development of the business and satisfying the interests of the Company, guaranteeing an optimal price-quality ratio¹.

MTS activities in the area of SD and CSR in 2020 were carried out on the basis of the CSR Strategy effective until 2020, Business and HR Strategies of MTS, the UN Sustainable Development Goals until 2030 (SDGs), recommendations of the international Standard ISO 26000 (Guidance on Corporate Social Responsibility), best Russian and global practices.

The Board of Directors, the Management Board, the Committee on SD and CSR at the President of MTS PJSC are the main management bodies for sustainable business development and corporate social responsibility, which approve the strategies of CSR and social programs, monitor the implementation and evaluate their effectiveness.

The Committee on SD and CSR established in 2020 is necessary for the effective and timely introduction of the sustainable development principles into all business processes of the Company as an integral part and philosophy.

The basis for setting up the Committee on SD and CSR was the Committee on Corporate Social Responsibility at the member of the Management Board – Vice President for HR of MTS PJSC. Two working groups have been established at the Committee – for the preparation of the sustainable development report

and the Working Group on carbon management and responsible investment.

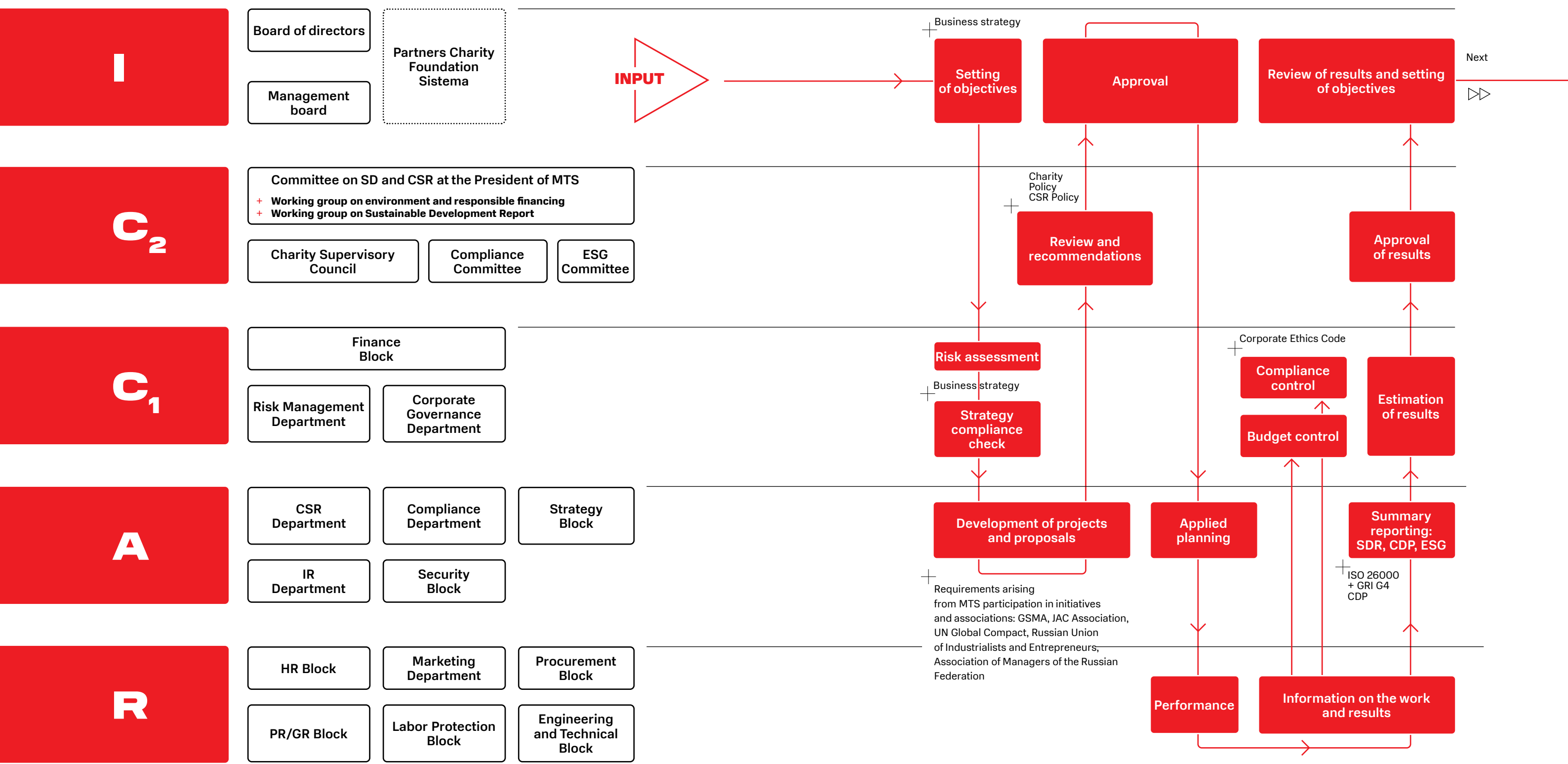
Prerequisites for setting up the Committee included a growing role of non-financial reporting, which is the basis for assessment of the Company's obligations related to compliance with the principles of sustainable development and corporate social responsibility approaches, in particular, timely and full disclosure of socially and environmentally significant information for investors and partners of the Company on ESG factors.

The Committee on SD and CSR performs the following functions:

- › addressing of tasks in the area of SD and CSR set by the President, the Management Board, the Board of Directors of MTS PJSC and other authorized management bodies of the Company;
- › maintenance of a single corporate policy and positioning of the Company's commitment to the SD and CSR principles;
- › development and inclusion of the SD and CSR principles into MTS business strategy, functional strategies and other regulations of the Company;
- › initiation of changes to the Company's business processes in connection with the performance of functions and decisions of the Committee on SD and CSR;
- › approval of MTS Group's sustainable development report;
- › approval of strategic plans for operation of the corporate center and regions in the area of SD and CSR;
- › review of proposals on the possibility to implement large-scale external partnership programs in the area of SD and CSR;
- › establishment of the working groups at the Committee on SD and CSR to prepare and implement proposals for the development of MTS Group from the perspective of sustainability and social responsibility, including:
 - approval of the working group composition and the plan of works;
 - control over progress in the performance of the approved plan of works;
 - assessment of the effectiveness of implemented actions included into the approved plan of works;
 - approval of the results following performance of the approved plan of works;
- › review of the proposals to set up new working groups at the Committee on SD and CSR;
- › performance of other functions related to the implementation of the objectives assigned to the Committee on SD and CSR.

¹ More details on the supply chain are available in the Sustainable Development Report.

Algorithm for managing cross-functional activities in the area of SD and CSR
Main lines of activity of MTS in the area of SD and CSR: social, economic and environmental.





SOCIAL AREA

In the social area, MTS strives to elevate the quality of life and to provide equal access for its clients and to care for its employees and their development, fosters the spirit of corporate volunteerism, and engages in charity work. Activities in the field of SD and CSR are aimed at all groups of the stakeholders, with which the Company interacts in the process of providing services.

MTS introduces the SD and CSR principles in the field of personnel management and improvement of labor conditions, establishment of a favorable and comfortable environment within the Company. Corporate volunteerism that has been in effect in MTS since 2011 (currently more than 7.5 thousand people) impacts higher level of personnel involvement in social activities.

ECONOMIC AREA

MTS activities in the economic area are aimed at improving the social climate, promoting societal change and fostering social development. MTS demonstrates unwavering commitment to the principles of responsible business practice and builds a responsible supply chain through active participation in Joint Audit Cooperation (JAC), an international industrial organization of telecom operators. All activities of the Company in the markets of operation strictly comply with applicable local laws and regulations of relevant state authorities.

ENVIRONMENTAL AREA

MTS is an environmentally responsible company. We strive to continuously improve energy efficiency of our facilities, and also to expand own program to use green alternative sources of energy. MTS consistently reduces its environmental footprint through active participation in dedicated climate action groups within industrial organizations GSMA and JAC; with the help of its own digital services, it enables clients and partners to responsibly approach the environmental protection issue.

SD AND CSR STRATEGY.
MAIN CONCLUSIONS

MAIN RESULTS OF THE SD AND CSR
STRATEGY IMPLEMENTATION IN 2020

- › MTS CSR Strategy for 2017–2020 was implemented, and the scheduled list of actions in environmental, social and business areas was completed.
- › The updated MTS SD and CSR Strategy until 2025, focused on MTS business strategy CLV 2.0 and HR strategy ELV 2.0, was approved.
- › The Committee on SD and CSR at the President of MTS PJSC¹ was established in connection with expanded impact areas of MTS Group's projects in the field of sustainable development.
- › The system of regular reporting has been built (report on sustainable development of MTS Group), permanent CSR corporate governance authorities are in place (Committee on SD and CSR at the President of MTS PJSC).
- › The working group on environment and responsible financing was established at the Committee on SD and CSR to create an ecosystem approach towards implementing environmental responsibility projects.
- › In March 2021, the ESG Committee was created under the MTS Board of Directors to monitor the introduction and implementation of the sustainable development principles in the Company, including the improvement of corporate governance, as well as environmental and social responsibility.
- › 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.
- › The number of employees – participants in the volunteering movement of MTS, “Simply Do Good”, exceeded 7,500 volunteers.
- › Within the ecosystem project MTS Inclusion, a pilot project was launched for the recruitment of the disabled in MTS Retail network, and the practices of interaction with the inclusive audience were scaled up in partnership with the non-profit organizations, Public Employment Centers and charity foundations.
- › The array of social and environmental activities was expanded through involvement of Sistema PJSC assets and partnership with Charity Foundation Sistema.

SD AND CSR STRATEGY UNTIL 2025

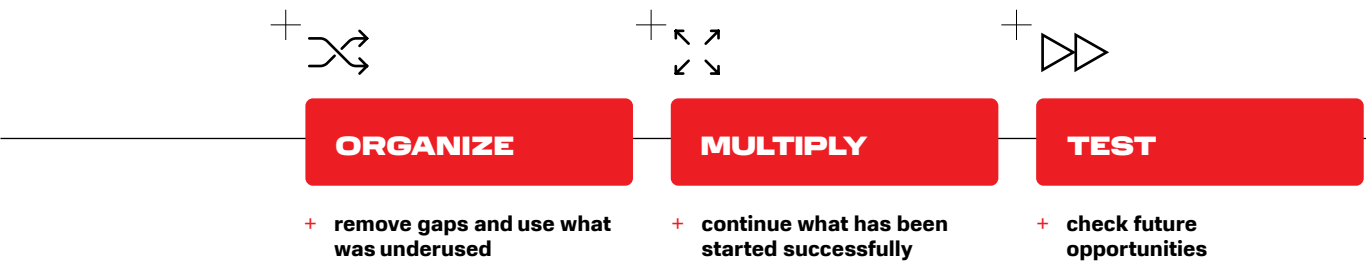
Taking into account the qualitative and quantitative results of the first strategy implementation, and also the internal and external contexts, in December 2020, the Committee on SD and CSR approved and recommended for review by the Board of Directors of MTS PJSC the Strategy on Sustainable Development and Corporate Social Responsibility of MTS Group for 2021–2025 (hereinafter also referred to as the Strategy on SD and CSR)¹.

The Strategy on SD and CSR includes principal provisions, both developing those included in the similar strategy of the previous cycle and those that replaced them. The approaches to be improved until 2025 cover the three areas:

- › new level of objectives based on the measurable contribution to solving specific social problems of the society and the humankind as a whole, which substantially expands the spectrum

- of MTS focuses with objectives implying targeted proactive activity;
- › UN SDGs as the basis for planning, where MTS undertakes obligations for 14 out of 17 objectives within its industrial specifics and social role, and in respect of the 3 remaining ones – it responds to the requests of the parties concerned;
- › new KPIs that characterize the changes;
- › new tools related to the main business, such as marketing, assessment (information and estimation), volunteerism, and financial innovative tools;
- › correlation of the sustainable development “ecosystem” with the Company’s business strategy (suggesting a consumer “ecosystem”), which will cover units, subsidiaries, related organizations and contractors within the perimeter of impact of MTS for the purposes of building a single system in the area of SD and CSR;
- › taking into account the interests of all stakeholders, including the audience of marketing and societal relations.

Principal provisions of the Strategy on SR and CSR until 2025



¹ The committee was transformed from the existing one under the Vice President for Human Resources.

¹ Approved on December 24, 2020 at the Committee on Sustainable Development and CSR at the President of MTS.

OUR EMPLOYEES¹

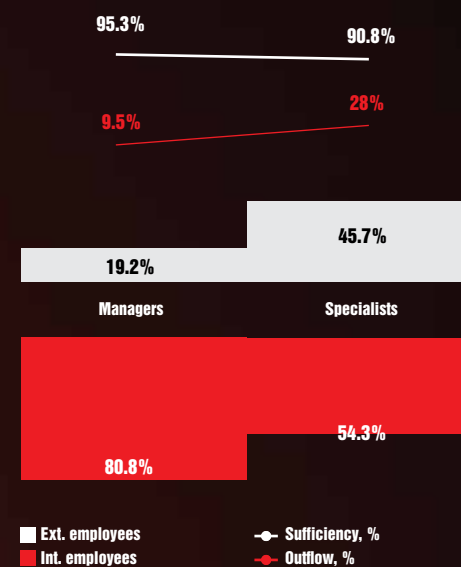
MTS pays special attention to building and developing an effective and successful team of professionals.

60,594

people

the number of employees of MTS Group as of the end of the year.

Closing of vacant positions

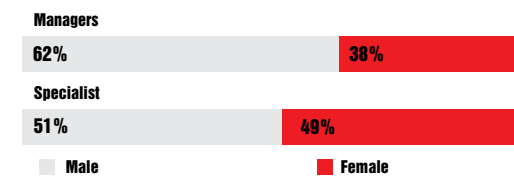


Portrait of the company's average employee



Gender: M
Age: 36
Length of time worked at the company: 6

Gender composition

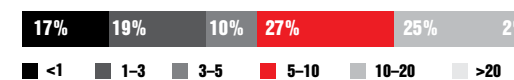


PERSONNEL STRUCTURE

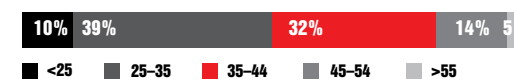
by education



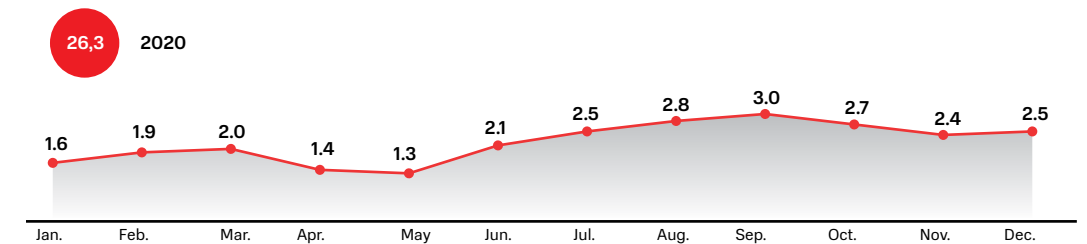
by length of service



be age

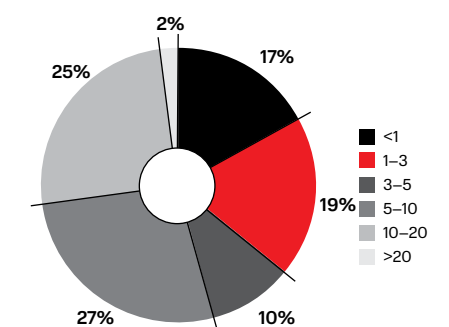


\\ Dynamics of net outflow, %

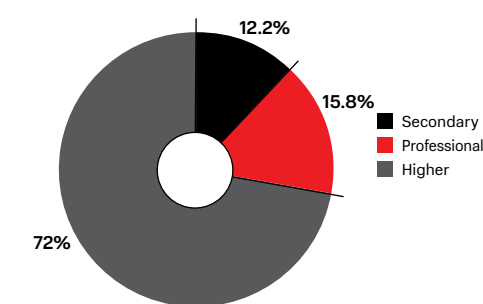


MTS actively uses the best practices in the area of employee programs. New approaches to training staff, improving working conditions and communication channels, promoting a healthy lifestyle, conducting adaptation and retraining programs – this is just a part of the opportunities opened up to the employees.

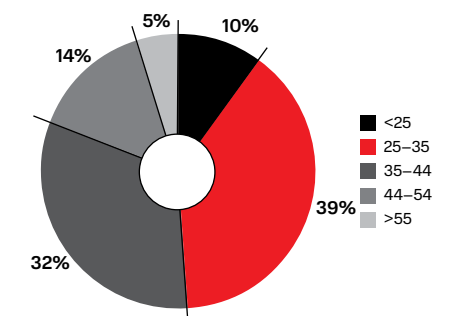
\\ Personnel structure by length of service, %



\\ Personnel structure by education, %



\\ Personnel structure be age, %



¹ More detailed information is disclosed in the MTS Group's Sustainability Report for 2020: chapter "Corporate Social Responsibility", section "Employees"



REMUNERATION AND SOCIAL BENEFITS

MTS has a competitive remuneration system. According to the data for 2020, the average salary at the Company is 32.5% higher than in the country as a whole.

In addition, MTS provides its employees with a substantial package of compensations and benefits. Furthermore, the employees can take part in the “Benefit Cafeteria” program where a set of an employee’s benefits may be changed based on their individual decision. This approach enables us to qualitatively satisfy different employees’ needs with high cost effectiveness.

PERFORMANCE EVALUATION

All of the Company’s employees participate annually in the performance evaluation procedure which includes both an evaluation of fulfillment of key performance indicators and the competence development level. During the evaluation process, managers provide extended feedback based on annual work results, and, following the results of the evaluation, a plan of development measures is drawn up for the employees.

In 2020, the work on the development and improvement of the KPI system was continued, including an increase in the number of cross-cutting team indicators which help effectively unite teams in order to achieve common objectives. For the purpose of developing the employees’ potential, additional options have appeared for obtaining assessments on competencies from colleagues.

Thanks to a properly built personnel development system, approximately 81% of managerial vacancies in the Company are closed through the involvement of in-house candidates. Using advanced distance learning platforms, while at the same time maintaining the quality, it has been possible to provide employees with opportunities for developing professional and personal competencies, as well as for studying new digital directions and retraining.

ADVANCED TRAINING FOR PERSONNEL

REMOTE TRAINING



MTS Corporate University Department (CUD) is responsible for comprehensive training of the personnel.
The mission of the University is to create development opportunities in various formats, expanding the boundaries of business.
Experts from the Corporate University develop and maintain the distance learning system (Learning Management System), develop e-learning area, launch educational programs for blocks, hold trainings and support new employees.

In 2020, MTS Corporate University Department launched a new distance learning platform. The platform saved the history of mandatory training of each employee and also opened new opportunities:

- › a convenient training catalogue with filters by name, training type, faculty and novelty;
- › transparent separation of training by areas due to the system of faculties;
- › a calendar of events with registration for training events;
- › searching for similar courses and programs using tags;
- › descriptions of all courses, programs and events to quickly decide on training;
- › a mobile version with access without the corporate network;
- › updated content of mandatory training;
- › recommendations of similar training in course and program cards.

More than 400 distance courses may be found in the catalogue – these are interactive presentations, longreads, video courses, webinar and online training records, books and memos.

Apart from single courses, methodologists from the Corporate University suggest studying programs – a series of courses with the same subject and the same end objective of training. Such an approach contributes to well-structured and holistic development.



FACULTY TRAINING

Key logic of training is the faculties. Such an approach helps employees gain an understanding of the diverse training content and build their unique training route, set the priorities and define the self-development vector. Besides, an employee may study at different faculties. All new employees attend the adaptation program at the “Start” faculty.

Other faculties are divided into the following sections.



FOR MTS VERTICALS AND HORIZONTALS

- + Compliance
- + Engineering
- + IT
- + Marketing
- + PR
- + HR
- + Procurement
- + Finance
- + Law
- + Security
- + Customer Service
- + B2B
- + B2C
- + For MTS Leaders
- + Management and Leadership



AVAILABLE TO EVERY EMPLOYEE

- + MTS business
- + Universal skills – soft skills
- + Applied skills – hard skills
- + MTS campus

TRAINING FORMATS



In 2020, the CUD developed and launched several mass distance courses and programs.

- › The “Learn to Learn” program helps employees set proper objectives, plan the educational trajectory, find motivation and manage it. The program consists of four lessons with longreads, videos and exercises.
- › The “MTS Technological Infrastructure” interactive course explains how MTS telecom business is designed, how it has changed and how it builds into the Company’s strategy. Complicated things are explained in simple words through a proper structure, storytelling and trend visualization.
- › The “MTS Start” play course is taken by new employees. The course objective is to provide the main information about the Company and to speed up adaptation. The course balances between education and entertainment, with a stylish visual concept simulating a dummy social network instead of usual slides.
- › In 2020, the popular program on business analysis, Power BI, was extended and scaled up to two-level training – Start and PRO. In total 1,217 employees registered, 100 participants were selected for the group and received feedback on practice from the experts. Others who wished took training as listeners without feedback.

+ —

DISTANCE LEARNING IN FIGURES

2019

76%

Distance learning coverage
(unique users who completed at least one course)

31%

Share of involved users who took more
than three courses

242,540

Number of courses taken, pcs.

2020

90%

Distance learning coverage
(unique users who completed at least one course)

62%

Share of involved users who took more
than three courses

273,084

Number of courses taken, pcs.

ONLINE TRAININGS

In 2020, due to transition to remote working, 90% of classroom trainings were changed to the online format by the Corporate University. Trainers held events for 2.5 hours in Skype for Business. Besides, the training format working in small groups and with the option to practice theory was maintained.

In addition, the “Management Thinking beyond the Bounds” training was piloted in the messenger. For a week, the participants received tasks, discussed performance and shared experience on the basis of the corporate messenger. Willingness to recommend the training to colleagues: 9.6 out of 10.

DEVELOPMENT PROGRAMS

The following training programs were launched for professional development of hard and soft skills of employees and for improved efficiency of business processes within the ecosystem development in 2020:

- › Marketing Expert 2.0 – a program for marketing employees of mobile business in regions and CC employees for certain events;

- › New Turn – a program for regional marketing experts of the Fixed Business Marketing Block and the Primary Reporting Center in Krasnodar;
- › MTS Product Owners School – a comprehensive training program covering all stages of digital product creation and development;
- › T&D School (Training & Development). The Academy of Trainer Skills was replaced with a program for systematic training of experts, Training & Development, aimed to create an online training product;
- › Digital HR – for regional HRs, who are the agents of digital transformation and ambassadors of the MTS ecosystem. The objective of the program is to assist growth of digital culture and to create an innovative environment inside the business units;
- › SuperPower – a program for the development of business skills designed for the employees of the compliance function;
- › PRO Guild – a program designed for the employees of monitoring and development groups at contact centers. PRO Guild is a community of professionals inside customer service units;
- › Regatta of Assistants – a program for assistants to directors of regions, assistants to vice presidents, and also employees who partially perform

the obligations of a department director's assistant. The program objectives are to demonstrate and expand the tools for effective performance of tasks, strengthen impact areas, develop competences and create a single information environment.

2020 RESULTS

32,336

trained employees

294,106

training events

74%

NPS

MANAGEMENT AND LEADERSHIP

The Corporate University launched a management and leadership faculty intended for the managers. The program of training at the faculty takes into account different managerial experience of participants, therefore, it has three target audiences:

- › new managers;
- › managers recruited externally;
- › experienced managers.

The program participants level up their managerial skills:

- › planning in management;
- › performance management;
- › situational management and delegation;
- › motivation of employees;
- › control and feedback;
- › development of employees;
- › recruitment;
- › dismissal.

Training takes place in the format of distance courses and online practical exercise lessons to practice skills from courses on real cases.

Besides, it takes into account the managers' occupation, and their load was distributed in the most convenient manner. Two weeks are given to study a single course, and its duration is no longer than 40 minutes.

+ —

EXECUTIVE TRAINING PROGRAM 2020

980
participants

36%

active “old-timers” from the total number
of participants

41%

from the total number of managers

76.5%

NPS

59%

active participants from the total number of newly
recruited employees

9.2

Benefit evaluation



COACHING

The MTS Internal Coaching Institute actively practices coaching sessions, both individual and in teams. Individual sessions are available to all employees in any form at their convenience – in person or remotely over the phone or Skype. 92 coaching sessions were held in 2020.

E-LIBRARIES

In 2020, the corporate library Alpina Digital boasted 9,685 readers and 25,376 hours of reading time. All books are available as a desktop version or in the app. In 2020, MTS was in top-three most reading companies and ranked second in the competition from Alpina Digital.

Besides, the employees also read the periodicals library Public.ru with the best business editions: Forbes, “Kommersant”, RBK, “Profile”, “Expert”. The library also has magazines such as Psychologies, Geo, Computerworld Russia, “Zakon”, etc.

RECRUITMENT
AND ADAPTATION

Onboarding of a new employee in the work and corporate culture is done through the adaptation measures. We continue walking the way of transformation and automation of the processes, using opportunities of product teams: iHR, AI, HR Big Data. One of the highlight examples illustrative of this is Manager’s personal account “Snowflake”, where he or she receives a list of recommendations to develop and retain a newly recruited employee.

Adaptation innovations may be divided into two categories.

1. Training in the format of integration training

Since 2020, corporate onboarding of new employees takes place online. The first training takes place at the “Start” faculty in the MTS Corporate University. It includes the necessary minimum for the newly recruited employees and for those who returned after a long leave: program “First Course”, video addresses from top executives and other materials that make adaptation easy and successful.

The “First Course” program is automatically assigned to each new employee. On the first business week,

he or she reviews the adaptation stages, history and strategy of the Company, structure and products of the MTS ecosystem, rules of work and compliance principles. Easy and dynamic courses set for productive work and provide information necessary in the first days.

Besides, within the program, the newly recruited employees participate in the WelcomeDay online event, where top managers and heads of business verticals and projects share success stories and answer questions. This is an informal online event designed for new employees, which is open for everyone at the same time. Even experienced employees are happy to get additional focusing on the Company’s strategy and experience of inspiring stories.

MTS strictly complies with the requirements of business ethics and compliance, therefore a newly recruited employee is given enough time to study the courses on respect for copyright and compliance with the antitrust legislation. They may independently distribute their load to undergo the necessary training within time assigned. After the training, anything that seemed complicated or unclear to the employee becomes simple and easy.

MTS was one of the first Russian companies to launch a mobile version of mandatory briefings (on health and safety, fire safety, local regulations, Civil Defense and Emergencies) during the pandemic. The “Start” app was launched, which gives the following opportunities to a candidate for employment:

- › full name and contacts of the HR employee (recruiter), who supervises the candidate;
- › date of registration at work;
- › addresses: registration place (HR), pass collection place, medical examination place;
- › review of the Company’s local regulations (with confirmation of the fact of review);
- › attendance of onboarding briefings and courses;
- › brief information about the Company.

Information is provided dynamically depending on the company of employment and the city of employment. The candidate profile is transferred from the Stark system. Information on the fact of the candidate’s attendance of the courses and review of local regulations is transferred to the same system. Currently, the app is at beta testing stage in HR.

WORK WITH UNIVERSITIES

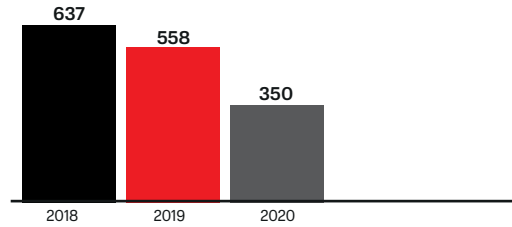
Internships

In 2020, MTS reformatted the MTS Flash and MTS Start internship programs to the online format. Students and graduates of the universities received an opportunity of internship without being attached to the city of residence.

The wide promo raised around 12 thousand responses and improved the Company’s awareness among youth. MTS online internship was a leader in the rating of familiar internships among students of the HSE University and won the nomination “Breakthrough of the year in business area” in the annual rating of top employers for youth according to Changellenge.

350 interns were accepted for online internships in different areas: IT, Marketing, Product Management, Finance, HR, PR, Engineering, etc.

\\ Number of students who completed
internship in MTS, pers.



Cooperation with universities

The Company organized on-the-job training, held joint lectures and career days in the online format. Former interns actively provided assistance in working with the universities as MTS brand ambassadors in the student environment. In 2020, the MTS Skills project was changed to the format of webinars, which made it possible to engage students from more than 130 universities.

MTS Group cooperates with HSE University (Higher School of Economics), MIPT (Moscow Institute of Physics and Technology), BMSTU (Bauman State Technical University), Plekhanov Russian University of Economics, Financial University, NNSTU (Nizhny Novgorod State Technical University), SibSUTIS (Siberian State University of Telecommunications and Information Science), Lomonosov State University, St. Petersburg State University, MAI (Moscow Aviation Institute), MISIS, Skoltech (Skolkovo Institute of Science and Technology), SPbPU (Peter the Great St. Petersburg Polytechnic

University), Kuban State Technology University and other universities – around 30 in total.

Targeted training programs are built depending on the profile of the training institution and MTS Group’s need in the region. Thus, partnership in master programs is traditionally developed with MAI, MIPT and Skolkovo. Laboratory practices at National Research University of Information Technologies, Mechanics and Optics, dedicated courses with Innopolis University and Kazan Federal University.

Moove program

Moove by Skolkovo x MTS – a program of additional education for students aimed at developing soft skills and product management skills.

- › Teachers – professionals of technology industries, including experts of MTS and business experts of Skolkovo, as well as professors from leading business schools of Europe.
- › Participants – masters of the first and second years, bachelors of the fourth year. These are ambitious students who want to play a major role in the economy of the future.

Program objectives:

- › contribute to the development of the Russian digital economy by training new leaders of the innovative environment;
- › create a unique educational program to combine management knowledge and skills of innovative product development;
- › train experts of a new format who are eager to be leaders in a new reality.

Training takes place according to the project method. From the first day, the participants are divided into teams and travel the route from generation of hypotheses to full-scale launch of a digital product. Mentors and trackers – entrepreneurs and managers from MTS and other IT companies – help the teams.

Thus, students turn into experts capable of working both in a large corporation and in a small startup. They spend less time for adaptation, move quicker through a career ladder and earn more.

In total 3,200 application were sent for the program, and the competition was record-breaking – 6.1 persons per position. As a result of selection, 41 students joined the first group of the Moove program (2019–2020).

Graduates completed the program with a built up track of professional development. Following the program results, the employees:



- › know business models of modern digital companies;
- › are able to develop and launch a product in the market;
- › know how to monetize a business idea;
- › know trends, see the opportunities for technological business;
- › know how to work in a team;
- › know how to negotiate with different stakeholders and defend their opinion;
- › know how to manage a product portfolio;
- › know how to think strategically;
- › see the interconnections between various aspects of business and know how to manage those.

Companies in which graduates were employed:

- › 1st stage (2019–2020) completed;
- › 2nd stage (November 2020 – July 2021) in progress;
- › 3rd stage (September 2021) scheduled.

In September 2020, MTS and Skolkovo Business School launched another program of a new format.

90%

graduates of the program were employed within three months upon completion of the training.

35%

graduates work in innovation departments of companies in conventional industries.

50%

are occupied in technology-intensive industries.

65%

graduates started earning more. An average remuneration increased by 35%.

OCCUPATIONAL HEALTH AND LABOR SAFETY

Number one priority for the Company is to preserve life and health of the employees, to provide favorable and safe labor conditions at MTS PJSC.

Personnel safety, health and well-being are the main components of the Company's corporate social responsibility. In the reporting year, MTS joined the international approach Vision Zero, or "Zero Injuries" – this is a qualitatively new approach to organization of prevention, combining three areas: safety, workplace hygiene and well-being of employees at all production levels. Safe and healthy labor conditions are not only a moral and legal obligation, but also prove themselves economically. Investment into labor protection helps avoid people suffering and protect the most valuable thing we possess – our health, physical and psychological well-being. It is also crucial that they favorably influence motivation of the employees, the quality of work and products, the Company's reputation, extent of the satisfaction of employees, managers and customers, and, therefore, economic indicators.

Improvement and development of the safety culture at the enterprise take place through an informed approach pursued by senior executives who implement consistent management and create an atmosphere of trust and cooperation at all levels of the Company. At this stage, MTS Group's new strategy in the field of safety, health and well-being for 2021–2023 is under the approval process. The strategy implementation includes international practices and methods to introduce Vision Zero. It is evident that success in the implementation of the Strategy will depend on commitment of the Company's managers, motivation of the line managers and awareness of the employees.



Work on the development of the safety culture implemented at MTS PJSC is aimed at:

- › preserving life and health of the employees in the workplace;
- › continuous improving the OSH management system;
- › accounting and analyzing occupational injuries, detecting and investigating root causes of accidents with the employees and contractors of the Company and carrying out activities to prevent occupational injuries and diseases;
- › continuously detecting and managing occupational risks;
- › providing relevant and high-quality training for managers and labor protection professionals;
- › encouraging the employees to comply with the safety rules and raising their awareness;
- › involving the Company's employees in the safety culture development.

In 2020,

- › MTS PJSC spent 69.5 million rubles on the labor protection activities in 2020, which made up 105% of budget performance.
- › 17,816 employees passed external and internal labor protection training.
- › A special assessment of the working conditions was carried out in relation to 100% of jobs in the Corporate Center of MTS Group and the branches of MTS PJSC (24,556 jobs).
- › Preventive and periodic medical examinations were taken by 1,814 and 5,777 employees, respectively. As a result of periodic medical examinations, 32 employees needed to be transferred to another job, and health resort treatment was recommended to 103 employees.
- › Health resort treatment was recommended (an opportunity of treatment was granted at the expense of the Company).

Following the results of 2020, the analysis of the implementation of the planned activities on labor protection in the past year was performed. In total, MTS PJSC spent 69.5 million rubles on the labor protection activities in 2020, which made up 105% of budget performance (99.4 million rubles in 2019; 86.9 million rubles in 2018 and 82.1 million rubles in 2017).

In 2020, 17,816 persons passed external and internal health and safety training. The employees trained on health and safety are managers, experts, members of commissions on health and safety and other categories of employees. Various training systems are used for internal training on labor protection, such as the specially designed system on labor protection Colossus, including training on health and safety, fire safety, electric safety, and also the distance learning system for labor protection of MTS Corporate University "Virtual Academy". The Company provides training on first aid to persons injured at production facilities. First aid training is a set of actions aimed at recovery or preservation of life and health of the injured. The main objective of the training is to practice employees' independent actions and behavior aimed at preserving life of every injured, before arrival of rescue services.

One of the mandatory areas in labor protection is special assessment of the labor conditions. This process allows for identifying and evaluating the harmful and/or dangerous production factors in the workplace and planning the activities to improve working conditions. As of December 31, 2020, 24,556 workplaces (99% of the total number of workplaces) have been estimated at MTS Corporate Center and MTS PJSC branches (24,987 workplaces were estimated following the results of 2019, 23,926 workplaces were estimated in 2018 and 24,456 workplaces – as of the end of 2017), and special assessment of the working conditions will continue in 2021. Detailed information on assessment results is available at:



Labor conditions assessment –
Moscow (mts.ru)



Personal protective equipment (PPE) plays an important role in the prevention of employee’s direct exposure to harmful and/or hazardous production factors. MTS PJSC developed and approved norms of free issue of special clothing, footwear and other personal protective equipment to workers who are engaged in work with harmful and/or dangerous working conditions. Timely procurement of certified PPE is provided, deadlines for wearing and testing of personal protective equipment are met. Properly organized safekeeping of PPE is ensured.

MTS employees engaged in work with harmful and/or dangerous working conditions undergo preventive (at employment) and periodic (during work) medical examinations. The purpose of the periodic medical examination is a dynamic monitoring of an employee’s health in the workplace, prevention and timely identification of the signs of occupational and general disease, and prevention of accidents. During the reporting period, MTS PJSC held preventive and periodic medical examinations of 1,814 and 5,777 employees, respectively. As a result of periodic medical examinations, 32 employees needed to be transferred to another job, and health resort treatment was recommended to 103 employees.

Particular attention is paid to the organization of MTS activities to prevent occupational injuries and diseases. One of the main mechanisms to prevent production injuries is timely and proper assessment of professional risks that may arise at workplaces and their proper management. Since 2019, the “Requirements to investigation of accidents” standard has been in effect at the Company, which the branches use to take the corresponding actions.

Heads of units and representatives of employees participate in monitoring and in the development of annual H&S Safety Plans in branches for the next year, as well as in the development of the List of actions to improve the labor conditions and the safety culture. Actions aimed at supporting a new approach, Vision Zero, were scheduled for 2021.

In 2020, six accidents took place at MTS PJSC, as a result of which eight employees were injured (all of them were men). By degree of severity, accidents are subdivided as follows: four light accidents; one severe accident and one group accident. Compared to 2019, there is positive dynamics that may be explained by improved internal safety culture among the Company’s employees

Rate of injury, which is characterized by Accident Frequency Rate¹ (AFR), was 0.19 in 2020 (0.17 in 2019, 0.27 in 2018 and 0.22 in 2017). Accident Severity Rate (ASR) was 55.7 (107.4 in 2019, 106.6 in 2018 and 21.3 in 2017).

Accident and Lost Work Time Rate (ALWTR) in 2020 amounted to 0.09 (0.02 in 2019, 0.03 in 2018 and 0.03 in 2017), and Lost Work Day Rate (LWDR) – 1.10 (1.47 in 2019, 2.18 in 2018 and 0.48 in 2017). Absentee Rate (AR) – 7.41 (4.31 in 2019, 4.36 in 2018 and 4.27 in 2017). No occupational diseases were found in employees in 2020.

Drivers of vehicles and technical experts (work at height, work in electrical installations), who maintain the communication network, are employees with high accident rate.

Annually, MTS PJSC cooperates with the Social Insurance Fund of the Russian Federation (SIF RF) for financial support of preventive measures to reduce accident injury rate and occupational diseases among employees and to provide health resort treatment to employees working with hazardous and/or dangerous production factors, as well as to obtain discounts on insurance rate for compulsory social insurance against industrial accidents and occupational diseases. In 2020, the total amount received from this work made up 8.9 million rubles (6.2 million rubles in 2019, 6.8 million rubles in 2018 and 2.6 million rubles in 2017).

At the expense of funds of the Social Insurance Fund of the Russian Federation:

- › medical examinations were conducted;
- › uniforms, safety shoes and other PPE were purchased;
- › special evaluation of labor conditions was performed.

Much attention is paid to the promotion of labor protection issues, and various forms of communications are used. Every year in April, in anticipation of the Global Labor Protection Day, various actions are taken to improve the labor conditions and protection of the Company’s employees, and to prevent accident frequency rate and occupational diseases. In 2020, it was not possible to attend all offline events due to the epidemiological situation around the world.

One of the tools to promote the labor protection issues is to develop the safety culture for our employees and managers. Work in this area has been carried out at the Company since 2018. In particular, a distance learning video course “Safety Culture” was developed and placed in the Virtual Academy in the end of 2018 (the course has already been attended by more than 1,000 employees). Safety culture improvement is the informed change of the employees’ and managers’ attitude to responsibility for creating safe working conditions at the Company.

Every year, the Company assesses the effectiveness of its OSH management system based on quantitative indicators that objectively evaluate the extent of implementation of its labor policy. The assessment is conducted for each region. As a result of evaluating the OSH management system effectiveness, analysis is carried out, and concrete measures on improvement of labor protection are planned.

Indicator	2017	2018	2019	2020
Accident Frequency Rate (AFR) ¹	0.22	0.27	0.17	0.20
Accident Severity Rate (ASR) ²	21.3	106.6	107.4	55.7
Accident and Lost Work Time Rate (ALWTR)	0.03	0.03	0.02	0.09
Lost Work Day Rate (LWDR)	0.48	2.18	1.47	1.10
Absentee Rate (AS)	4.27	4.36	4.31	4.41

¹ Accident Frequency Rate (AFR) defines the number of accidents for the reporting period per 1,000 workers.

¹ Accident Frequency Rate (AFR) defines the number of accidents for the reporting period per 1,000 workers.
² Accident Severity Rate (ASR) defines the number of disability days per one injury.

SOCIAL INVESTMENT¹

The Company operates in 83 regions of the country and considers issues associated with the development of the territories of its presence and long-term business sustainability as deeply interconnected. Therefore, MTS, being guided by its business strategy, CSR strategy and charity policy, has built and has consistently implemented a comprehensive social investment program.

The strategic objective pursued by MTS in the area of social investment is to improve the quality of living of people and society, to increase safety through rendering a wide array of services and to develop innovations in the area of health care, education and urban infrastructure, as well as in other spheres. With the help of its own services, the Company strives to make the community more transparent and modern, and to raise the awareness of people; to create comfortable environment for life and favorable conditions for self-development, regardless of their place of residence and prosperity.

MOST SIGNIFICANT SOCIAL PROJECTS OF MTS IN 2020

GENERATION M

For the seventh year in a row, MTS implements an art and charity online project that combines the ideas of talented children development and help to severely ill children. The project mission is to give equal opportunities for creative education to people and teenagers regardless of the place of residence and social status. The project is implemented with support of the Ministry of Culture of the Russian Federation.

On official sites – website pokolenie.mts.ru, in group in V Kontakte, on page in Instagram and in TikTok – children participate in creative competitions, watch workshops, learn from Russian stars.

Unique charity mechanics of the project brings up young philanthropists all over the country. All activities in groups and on the website of Generation M are converted into “live money”, which MTS transfers for treatment of seriously ill children. With their creative activities, the project participants generated more than 20 million rubles, which MTS sent to help 63 children.

Within the project, more than 240 mentors work with children, supervising the educational art program and giving unique opportunities to children. For example, the Tretyakov Gallery supervises the art area, enabling most talented kids to exhibit their work on its venue; GITIS works with future actors online, making it possible for children from remote regions to pass the first audition round, not leaving their home city; TikTok within the project supervises over young bloggers and includes the best of them into a special talent development program; Ecole producer center signs contracts with the best dancers and vocalists and promotes young musicians on the grand stage. Within the project, 638 people from 68 regions received creative lifts and continue their development under the supervision of mentors.

In order to support online activities and to develop the social and cultural sphere, MTS organizes large-scale free events with participation of star masters of the project: concerts of youth idols and popular bloggers “Generation M: Blog&Voice”, photo exhibitions of laureates of the prestigious award World Press Photo, exhibitions of world famous robots, educational tours for young designers “FashionDay of Generation M”, auditions to enter GITIS, etc. In 2020, the events were adapted to the current conditions and were held online.

Special activities of Generation M during the pandemic

The pandemic greatly impacted the sphere of education in general and additional education particularly. The “Generation M” project built on online mechanics has become a quick and effective response to the new challenges. Additional educational streams were created within the project to help parents organize a useful pastime for the kids in isolation. These activities covered more than 40 million people.

The project has become an effective assistant for art universities that were not ready to organize entrance of children under the pandemic environment. MTS together with GITIS, one of the largest theater universities in Russia, implemented the country’s first program of online entrance auditions, which involved the participation of more than 1,000 entrants. The experience was acknowledged to be successful and is planned to be introduced into the university practice in the future periods.

At the same time, in the beginning of self-isolation, when the problems of organizing useful pastime for the kids and absence of personal communication became most challenging, MTS launched a free hotline within the “Generation M” project, where volunteers, including famous writers, actors, journalists, read fairy tales live for the kids of the entire country before sleep and motivated them to creatively develop within a large-scale readers’ competition. Partners with a deep expertise, administrative and information resources were engaged in the project, e.g. the Ministry of Culture of the Russian Federation, the Russian State Children’s Library, the faculty of journalism of the Moscow State University, the Russian Movement of Schoolchildren, TV Channel Mult, children’s radio and others. The jury of the readers’ competition included the presenters of the children’s TV shows Alexey Lysenko and Oksana Fedorova, DJs of the “Children’s Radio” Ale-Alena and Garik, co-chairman of the Russian Children’s Movement Yana Churikova, Russian pilot cosmonaut Alexander Laveykin, captain of the atomic ice-breaker “50 let Pobedy” Dmitry Lobusov and others. The jury members recorded the videos of them reading their favorite fairy tales and challenged children to read their fairy tales and take part in the competition.


The project united people around a socially significant initiatives on the volunteering basis, provided the opportunities to create and help others, gave tools to the families for children development and organization of their useful pastime

with high-quality content. More than 400 people from 20 regions of Russia participated in the project as volunteers. According to the volunteers’ feedback, for many of them the project became an opportunity to handle stress caused by the self-isolation. The number of calls to the hotline exceeded 50 thousand. Calls were coming from all regions of Russia, their duration was 3,870 hours (approximately five months of continuous reading). Children enjoyed such a format – a pool of “permanent listeners” quickly formed within the project. Every tenth child after reading the first fairy tale asked for the second one.

Awards and achievements of the “Generation M” project in 2020

- › The volunteering promotion “Into a fairy tale from your home” was awarded with appreciation of the President of the Russian Federation as an effective project aimed at social support of citizens in the period of coronavirus infection.
- › The project won the nomination “Local Communities” of the All-Russian Competition of Projects in the Sphere of Corporate Volunteering “Champions of Good Deeds”.
- › “Generation M” became a finalist of PROBA AWARDS 2020 in the “Social Project” nomination.

“POWER PLACE”

 **The project is the winner of the regional competition “Silver Bowman” in Samara**

In 2020, MTS launched a comprehensive federal project “Power Place”. In close cooperation with national parks, wildlife reserves and urban territories, MTS develops technological products in the sphere of environment with the aim to develop ecotourism and to foster responsible attitude towards nature among the Russian people. Thus, for example, in cooperation with the national park “Leopard Land”, MTS uses the artificial intelligence technologies for automatic recognition of Far Eastern leopards, tigers and other animals on photographs from cameras installed in the territory of the wildlife reserve and the national park, to study and preserve the rare species of animals.

¹ More detailed information is available in the MTS Group Sustainability Report for 2019: chapter “Corporate Social Responsibility”, section “Local Communities (<https://moskva.mts.ru/about/mts-dlya-obshchestva/novosti-i-otcheti/otchet-ustoychivogo-razvitiya>).



In order to promote the territories, MTS, jointly with the experts, creates exciting VR films, develops audio guides along the routes of national parks, develops eco paths, installs camera traps that allow for seeing rare animals in their natural habitat, publishes books about the flora and fauna of the country' specially protected areas, their cultural features and much more. For instance, in the Krasnoyarsk Territory, MTS has created a 360° VR movie, a walk along the most popular route of the Stolby National Park: the viewers can virtually walk along the forest paths between the famous rocks and climb one of them. As a continuation of the project, a book about the phenomenon of “stolbism”, a unique local subculture, was created. The book was compiled engaging a wide audience and consists of real stories of Krasnoyarsk stolbists (rock climbers), each of whom is a true legend.

Within the Place of Power project, MTS also opens eco classes in the regions, conducts special lessons for schoolchildren, and supports the cultural traditions of the national protected areas.

Digital services and other solutions within the project framework have already been introduced in the territories of the Kenozersky, Krasnoyarskie Stolby, Pleshcheyevo Ozero, Samarskaya Luka National Parks, in the Aptekarsky Ogorod Botanical Garden, etc.

“CULTURE CODE”

“Culture Code” is a volunteer project of the Company's employees, whose goal is to preserve and support cultural values and initiatives that are unique to the territories: developing creative technologies, preserving cultural monuments, supporting craft schools and unique craftsmen, initiative local communities and movements, as well as original regional events and exhibitions, art objects.

At year-end 2020, the project covered 52 regions. Digitalization of the existing objects of cultural and historical heritage for accessible online study and visiting was among the priority formats: in the Krasnoyarsk Territory, we showed the northern lights over one of the most inaccessible and most beautiful places in the country, the Putorana Plateau, using MTS VR technologies; in Yakutia, MTS volunteers digitized the exhibits and created an electronic catalog of the Cherkhek Museum, which was submitted to the official cultural and tourist websites of the region; in Veliky Novgorod,

our volunteers helped the Museum of the Narrow-Gauge Railway with streaming equipment and the first online tour in the history of the museum was created and subsequently watched by more than 60 thousand people. These and many other projects were implemented with the direct participation of branch directors: they actively engaged the audience through social media, while their social media accounts became a discussion platform for local residents, B2B partners and the authorities.



Winning project of the 2020 Leaders of Corporate Philanthropy national contest in the nomination “Best Program (Project) Aimed at Supporting Culture and Art”

HELP TO LOCAL COMMUNITIES

Since 2016, MTS has been implementing a comprehensive program of social investment in the field of supporting local communities. In this regard, we interact with independent groups of people who, not being charitable foundations, try to solve social problems that are important for their local environment by uniting in communities of interest. A characteristic feature of such local groups is the social significance of their activities.

The Company's approach involves deep immersion into the life of the community and providing assistance aimed at solving a specific issue that is important at that very moment. Once the issue of the community is identified, MTS offers assistance in various formats.

- › Volunteer help by our employees – such help shows that we share common values and are ready to help not only in word, but also in deed.
- › Purchase of equipment, inventory, payment for logistics to solve urgent community issues – we undertake the entire cycle of negotiations related to ordering, payment, delivery of goods and services necessary for the community.
- › Help with content (arrangement of lectures by MTS employees and invited lecturers on the topics relevant to the community: from lectures on Big Data for students of regional universities to webinars on child psychology for parent communities).
- › Other.



In 2020, MTS implemented 496 projects to help local communities throughout the country, the number of end beneficiaries exceeded 500 thousand people. Thus, for example, in the midst of the powerful forest fires, MTS helped volunteer firefighters: in 11 regions of Russia by promptly purchasing equipment and overalls for extinguishing fires. During the pandemic, MTS actively helped volunteer teams by purchasing food sets and essential goods for those in need; arranging call centers and free communication; providing volunteers with bicycles and scooters for prompt delivery of assistance and with the necessary equipment (laptops, portable chargers).

Having provided assistance to the community, we do not stop communicating with its participants, but identify additional needs of the community members that the Company could meet with the help of an ecosystem of our own digital products and other social projects. On the basis of the trusting relationships built, we form a larger community of people who are not indifferent to the regional issues, as well as engage corporate clients, partners and regional authorities. This allows for expanding the volunteer audience and the community members become our volunteers on other projects.

“MEMORY OF VICTORY”

Within the “Poplar of Victory” project, MTS engages volunteers to preserve the memory of the Great Patriotic War. Schoolchildren, communications veterans and war veterans, government officials, as well as MTS employees, plant seedlings of the legendary Stalingrad poplar, a living witness of the heroic defense of Stalingrad, in their regions. This poplar is the only tree that survived the bloody Battle of Stalingrad, which almost wiped out the city from the face of the earth. Despite the fact that its entire trunk is covered with the “wounds” of war, in the spring of 1943, once Stalingrad was liberated, the tree bloomed again symbolizing the victory of life over death and the invincibility of the Russian people.

Poplar, a witness to the heroic history of the city, its grandeur and drama, was known only in his native Volgograd. This heart-pounding story remained unknown to a wide audience. Therefore, in 2017, MTS initiated a project that would tell the entire country about this amazing tree reminding Russians of the great feat of our fellow countrymen, preserving and perpetuating the country's military and historical heritage for future generations.

Over the four years of the campaign, thousands of people have planted the sprouts of the legendary Volgograd poplar: the Company's employees, students, war veterans, subscribers and partners of MTS. Today, this piece of the Great Victory is growing in more than 60 regions of Russia.

In 2020, the year filled with new challenges, the “Poplar of Victory” project was held in a non-standard format. Provided self-isolation, we invited people to join our campaign and plant trees in their summer cottages in loving memory of their relatives – participants in the Great Patriotic War and homefront workers – using the official hashtag #thelandremembers. Hundreds of people across the country supported the MTS campaign by planting trees in memory of their heroes.

“URBAN LEGENDS”

“Urban Legends” is a project to involve people, the general public, in the creation of modern innovative products. It aims to support and develop domestic tourism and create modern digital services with unique content. With the participation of city dwellers and local experts being local historians, general historians, journalists and city activists, unusual audio city guides are created. Their main focus is not on the well-known tourist attractions, which can be found in almost every guidebook, but on those that are appreciated and loved by the locals, on the places and events associated with them and revealing the flavor and features of each city best.

Thousands of residents from different parts of the country take part in the creation of each route. They propose their ideas, share their favorite places and vote for the best ones online. The audio routes are targeted at both local residents and guests of the regions. They are meant for self-guided sightseeing with a sound tour hosted on the popular travel platforms izi.TRAVEL and Surprise Me. Before starting the tour, it is enough to install a free mobile app on your smartphone and then follow its tips. You can use the guide even without Internet connection and at any convenient time.



Nowadays, MTS mobile audio tours have been launched in more than 30 regions of the country. They have already been used by about 100 thousand people.

And even in 2020, which divided the whole world into “before” and “after”, the “Urban Legends” project successfully developed and added new “legends”. The interest in it from the users grew 1.5 times higher. Due to the epidemic situation and closed borders, Russians stayed in their regions and preferred exploring local attractions. On the hardest lockdown days, while on vacation, they could virtually “walk” exploring not only their native places, but also other cities of interest to them.

PROJECT FOR DIGITAL
AWARENESS
AND CYBERSECURITY

MTS has been consistently implementing comprehensive programs aimed at teaching digital literacy to two audiences: young schoolchildren and older people.

The gramota.mts.ru portal helps eliminate the digital divide, familiarize the older generation with the capabilities of modern mobile devices and the Internet, show modern technologies and services able to simplify a person’s life in a variety of life situations: from taking medications to sports activities and maintaining an active lifestyle. The project allows for involving people who were not previously familiar with technology into the country’s digital economy. Training on the portal is free, and the online format enables people with limited mobility or those who live in remote areas of Russia to learn mobile technology.

The training structure is intuitive and designed even for inexperienced technology users: to complete the training course, the user registers on the portal and takes lessons in any sequence. After each lesson, the user is asked to answer a few simple questions to check how well the topic has been mastered. The completion of each lesson is reflected on the progress bar in their personal account. Once the entire course is completed, the user receives a special certificate. One can interrupt and resume training at any time, the progress will be saved and available the next time the user enters the portal.



“GIVE GOODNESS!”

“Give goodness!” is a charity program of MTS aimed at providing emergency assistance to seriously-ill children. Within the scope of the program, funds that were previously used for purchasing promotional products are allocated to charity through federal charity partner funds with an impeccable reputation that provide strict financial statements. Within this program, MTS cooperates with charitable foundations “AiF. Kind Heart”, “Sunflower” and “Creation”.

Within the program, in 2020, the program funds were allocated to the treatment of more than 40 children from 30 Russian regions.

In order to protect children from negative content and fraudulent resources and at the same time teach them to use the network capabilities for study and development, MTS, together with psychologists from the Moscow State University, developed a “Useful and Safe Internet” class in 2011, which became the basis of the Children on the Internet federal educational project. The methodology of the lesson was issued by the Federal Education Development Institute. Throughout the course of its existence, the program has established itself as a reliable and effective tool to increase elementary students’ digital competencies.

EDUCATIONAL PROJECT “MTS/MEDIA”

MTS/Media specializes in creating educational and auxiliary materials and promoting them to different target audiences. The finished content is posted on the principal website media.mts.ru in the mts.ru website sections and the Company’s landing pages, in My MTS, MTS Cashback and MTS 120/80 (stories format) apps, as well as on the MTS/Media blog on Yandex.Zen.



<https://media.mts.ru/>



https://zen.yandex.ru/mts_media

The key task of MTS/Media is promoting technologies and presenting complex topics in a simple language. Thus, MTS appears for its readers in the role of an assistant by offering them ready-made solutions and useful tools for work, everyday life and leisure.

Embedding MTS/Media materials into direct customer channels (SMS, email newsletters, welcome programs, etc.) allows for the native promotion of services and products, strengthening the image of MTS as a digital company supporting a whole ecosystem of basic and innovative services for mass market and B2B audience.

In 2020, more than 1,200 publications were posted on the MTS/Media website and blog. They collected more than 15.2 million views, including 2 million views of socially-focused materials, which were especially in demand last year.

Traditionally, relying on topical communities in social media, hundreds of posts were made on the MTS/Media CSR content. The topics related to taxes, social benefits and digital literacy were supplemented by the publications related to the pandemic in one way or another: health, work and lifestyle. The total coverage of MTS/Media CSR communications exceeded 75 million people.

25 travel guides have been prepared for certain regions of Russia on the basis of MTS/Media.

MTS subscribers, guests of the region, get a link to the travel guide upon arrival, which contains interesting information and recommendations for leisure. By the end of 2021, it is planned to bring the number of travel guides to 50.

In 2020, MTS/Media was redesigned, which made the website more mobile-friendly, accelerated page loading and improved the site search. In 2021, the redesign will end with the introduction of new formats: tests, quizzes, polls and stories. It is planned to integrate into other client channels, digital products and MTS showcases, develop a B2B channel on Yandex.Zen.

40
materials

on popular topics
are sent to the clients

15.2
million views

+57% vs 2019

75
million

coverage of CSR campaigns on social media

+114% vs 2019

25

travel guides for the regions of Russia



Today, MTS is a digital company that develops innovations in education, healthcare, financial services and many other spheres. Our IT solutions using Big Data, artificial intelligence, virtual and augmented reality are aimed at improving the quality of living of our subscribers, clients, and employees.



MTS INCLUSION

The concept of an inclusive society is an integral part of the 17 UN Sustainable Development Goals agenda and is included into the scope of interests of the main international platforms and investors around the world.

In 2020, MTS continued scaling up the projects in the area of inclusion by the availability of services, hiring people with disabilities and elderly people, building a culture within the Company and supporting inclusive communities.

- › Within the development of the projects “MTS is a company for everyone” and “MTS Day”, the Company took the initiative to arrange a series of educational events for the target audience of applicants 40+, 50+ at the regional Employment Centers (EC) in Ryazan, Barnaul, Orel, Nizhny Novgorod and people with disabilities. The Company’s experts have developed and conducted a training program for candidates in CV writing, interviewing, and the use of modern mobile technologies for life. More than 200 jobseekers of this age category received employment skills and entered the MTS jobseeker database.
- › MTS supports professional retraining programs for deaf and acoustically challenged citizens to work as assistants selling telecommunications services. A pilot for the employment of people with hearing disabilities at the RTC sales offices was launched, within the framework of which employees, mentors, managers and candidates were trained, including in Russian sign language.
- › MTS supports the “Path to Career” competition for people with disabilities. Its purpose is
- › professional realization and successful employment of proactive and talented specialists with disabilities in leading Russian and international companies.
- › For the second year consecutive, MTS has been supporting the project “Dobroshrift” (Font of Kindness) aimed at drawing the attention of a wide audience to the issues faced by people with cerebral palsy.
- › MTS supports an inclusive society: International film festivals about the life of people with disabilities “Cinema without barriers” (<https://kinofest.org/news>) and socially oriented films, videos and social advertising “LAMPА” (<https://lampa.film/>)having gathered together 80 movies from 30 countries; more than 4,000 people became viewers and participants of online events.

“CAREER PATH”:

4 participating regions,

>420 participants with various disabilities,

70 finalists

30 employed



“Cinema without barriers”



LAMPА

“SIMPLY DO GOOD!” VOLUNTEER MOVEMENT

MTS has a large-scale volunteer movement, which, according to estimates, brought together more than 7,500 employees from different regions of Russia in 2020, the coverage of the engaged audience amounted to 15 million people, and the coverage of communication exceeded 400 million.

Volunteering at MTS is an integral part of our internal code. It is a community bringing together not only employees, but also thousands of people outside the Company. Together, we help those who suffer hardships, preserve the unique cultural features of the regions of Russia, arrange bright events and much more. By doing this, we unite generations and make the world a brighter and kinder place.

- › A survey on volunteering among MTS Group employees at the end of 2020 showed that 62% of respondents took part in volunteer initiatives removed. The most popular direction among the respondents is support and assistance to orphans, as well as environmental initiatives, fundraising, assistance to the elderly and seriously ill, donation, support for cultural events. During the pandemic, the first place was taken by collecting donations (30%) and the delivery of food and medicine (18%).
- › In April 2020, MTS employees joined the #WeareTogether campaign, and on a daily basis, volunteer operators went online to advise and help elderly and people with limited mobility. In the All-Russian volunteer corps #WeareTogether more than 118 985 people entered, and 3 450 646 people received assistance. The fight against the pandemic has united the country and people in solving common problems.
- › In December 2020, the annual MTS conference “Business Responsibility and Volunteering” was held live. More than 500 employees from MTS, MTS Bank, MGTS, RTC, MTS Media, Sistema PISFC and others took part in the conference.

MOBILE FAIRYTALE PUPPET THEATER

An example of the creative potential development of MTS volunteer employees is participation in the work of the Mobile Fairy Tales Theater.

A lot of interesting educational content was created during the work of the MTS volunteer puppet theater, “Mobile Fairytale Puppet Theater”, including for children with hearing disabilities. Puppet video performances with sign language translation and subs have already been created: “Children on the Internet” safety rules on the World Wide Web, “New Year’s Crime Story” on New Year’s adventures of Santa Claus, “Simple Rules” on traffic rules and “Adventures of Econeshka” eco-play.



www.puppet-mts.ru



Mobile Fairytale Puppet Theater

>175 thousand

children across the country have watched the online performances.



Vladimir Putin, the President of the Russian Federation, awarded the MTS team with a commemorative medal and a letter of thanks “For devoted contribution to the organization of the All-Russian Mutual Assistance Campaign #WeAreOne”

ENVIRONMENTAL RESPONSIBILITY

MTS considers environmental protection activities as an integral component of business and works in the area of environmental balance and stability maintenance. In an effort to minimize even an insignificant impact on nature, MTS manages the sources of its own environmental impact.

Traditionally, MTS has implemented educational projects aimed at creating an environmental culture of employees and raising their awareness of the need for rational consumption of natural resources, the benefits of separate waste collection and the use of products from recycled materials.

- › The annual ecological holiday “Eco Day with MTS” is one of the most large-scale initiatives. As part of a series of educational events, employees get familiar with important topics, get the opportunity to learn about an environmental problem and, most importantly, about the ways to solve it.
- › Within the EcoOffice project, separate collection of paper, batteries and plastic was organized. In 2020, >1.8 tons of batteries and spent power components, >4.8 tons of waste paper and >250 kg of plastic lids were transferred for recycling.

MTS pays special attention to the program of disposing of telecommunication equipment, within which the spent devices are sold back to the manufacturer, sold to other companies on a competitive basis, or agreements with specialized recycling companies are concluded.

- › The “Strategy of Energy Savings and Energy Efficiency” effective at MTS is aimed at restraint upon the growth and reducing electric energy specific consumption.
- › Since 2019, MTS has been implementing a comprehensive Carbon Management project. The Company joined the GSMA global initiative to develop an industry-specific roadmap of activities to minimize the impact of the telecommunications industry on climate change in accordance with the Paris Agreement aimed at curbing the global warming. In 2020, MTS received a high B (Management) score from the experts of the Carbon Disclosure Project (CDP)¹ significantly strengthening its position in terms of disclosing data on MTS Group’s carbon footprint.

ECO LESSONS BY MTS

Throughout the country, within the framework of the project “For Children about the Planet”, MTS conducts eco-lessons, which were attended by more than 380 thousand schoolchildren, as well as 14.5 thousand teachers, educators and volunteers. With the third MTS eco-lesson “Who is an ecotourist and why does he need a smartphone “, developed for children of primary and secondary school age, you can read by registering on the site.



<https://заповедныйурок.рф/ecotourist/>

GREEN MARATHON PROJECT

More than 1.2 thousand employees from 21 companies of Sistema PJSC Group took part in the Green Marathon. The initiative was not only educational, but also competitive. During the marathon, the participants completed more than 20 eco-related tasks gaining points for each of them.



RESPONSIBLE BUSINESS
AND SUSTAINABLE DEVELOPMENT

MTS pays special attention to educational events for contractors and partners, including the annual conference “Responsible business. To be better every day. “ In 2020 to the live broadcast of the event 1.4 thousand participants connected, among which heads of major Russian and international companies, activity coordinators in the field of sustainable development, representatives of public organizations, consulting companies, banks, NGOs, Global Compact UN, PR-, GR-, HR-, IR-procurement management units, as well as employees of the MTS Group. Demonstrating commitment to principles of integrity and transparency in interaction with all stakeholder groups has become the presentation at the conference of the Annual Report on sustainable development of the MTS Group.

- › MTS platform was launched an online course of eight video lessons for employees and external stakeholders parties “Sustainable Business Development Management”, the value of which has increased significantly.

DEVELOPMENT OF TERRITORIES
OF PRESENCE

MTS actively interacts with federal and regional authorities and local communities under projects that support the development not only of the business, but also of the territories of presence. MTS projects are aimed at eliminating the digital divide, creating an effective system of social entrepreneurship, solving key environmental issues, educating and creatively developing children, and preserving the historical heritage. The greatest value for us is the support of these projects by volunteer employees of MTS.

The Company is actively developing digital services using the Internet of Things, artificial intelligence, cloud technology, Big Data, the introduction of which allows for structurally influencing the change in energy consumption and reducing greenhouse gas emissions in various industries, municipal services and the social sphere of the regions. In particular, MTS has effective solutions in the field of environmental monitoring, digitalization of collection and processing of household waste, geo-analytical projects, when “digital copies” of cities are created on the basis of MTS Big Data, as well as “smart” solutions for the generation and routing of traffic flows.

Social Innovation Competition Social Idea

In 2020, the Social Idea anniversary contest of MTS was held in support of the development of social innovations and territories of presence.

A team from Vladivostok won in the Social Mobile nomination with the “Open City” project. It is a navigation system helping build a healthy civil society through targeted charity. The city dwellers develop trust in each other and a desire to cooperate and help not only their loved ones, but also strangers.

WinBin became the winning project in the Social Region Project nomination. It is a unique system for sorting waste and collecting recyclable materials

425
projects

took part in the contest with

45
teams

reaching the finals.

using smart containers: they open up once activated using a smartphone app and take into account the waste weight (sensitivity of up to 10 grams). Cashback is accrued according to the weight of the waste sent to the container.

The first place in the Smart City nomination was given to the “Talking City” project stating an acute social issue of the movement of the blind in the urban environment. Pedestrian and underground passages, staircases and busy street sections pose serious obstacles to them. Therefore, the Talking City team created an audio notification system for visually impaired people about the surroundings, potentially dangerous areas, as well as useful locations: shops, hospitals and recreation areas.

The winners in each nomination will receive an educational Social Tour to Karelia, where they will be able to finalize their projects together with experts and “land” them for further implementation and scaling up.

You can watch the recording of the Grand Finals broadcast at:



<https://final2020.usersocialidea.ru/broadcast>.

¹ The full version of MTS’s 2020 Climate Impact Questionnaire can be viewed by registering on the CDP website <https://www.cdp.net/>

ENVIRONMENTAL ACTIVITIES OF MTS¹

In its activities, MTS strives to not only have a minimal impact on the environment, but also to reduce this impact. The Company is guided by applicable environmental legislation, as well as by the principles of responsible business conduct, and strives to improve the environmental culture of its employees and partners and to implement services based on advanced technologies.

The fundamental principles of the MTS Policy for Environmental Safety and Protection:

- › 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 of all Company employees;
- › implementation of environmental socially significant projects;
- › openness and availability of environmental information;
- › continuous improvement of MTS environmental management system;
- › reduced level of negative impact on environment and aspiration for sustainability.

A unified approach is developed in MTS branches due to the introduction of a unified environmental management system, to ensure compliance

and the performance of nature conservation legislation norms and requirements.

The principal achievements of 2020 in the field of environmental responsibility are as follows.

- › MTS entered the TOP-7 Russian brands in terms of disclosure of information on climate change in the Carbon Disclosure Project (CDP) ranking, raising its scores to “management” (B) from last year’s “awareness” (C).
- › MTS became the winner of the ECObest Award 2020 with the project “Environment Day with MTS: Learn Your Ecological Footprint”, winning the nomination “Contribution to the Development of Environmental Culture”.
- › MTS expanded the functionality of the Work Team on Environment and Responsible Funding within the Committee for Sustainable Development and CSR under the President of MTS PJSC by introducing a procedure for funding socially and environmentally significant projects.
- › MTS structured the approaches in the field of managing its own impact on the climate and the issues of environmental responsibility by creating a functional Ecology team within the structure of the CSR Department.
- › MTS digitized the outbound document flow process kept between the counterparties and the Company, which allowed for not only



speeding up the document flow and ensuring the 100 % safety of primary contracts, but also for reducing the cost of paper and consumables, as well as courier delivery services.

- › MTS arranged uninterrupted operation of power supply units, base stations and transport hubs in the Arkhangelsk Region with the help of a solar power plant , while a photo-wind plant enabling equipment to be powered by a combination of wind and solar energy was launched in Ryazan.
- › MTS and the Russian Environmental Society launched a federal program for digitalization of collection and recycling of solid municipal waste in seven regions.
- › MTS created a new solution, the “My Clean Region” Portal, meant for the administrations of regional and supervisory authorities to control the quality of waste management in the region.
- › MTS launched the Place of Power federal comprehensive program in the field of ecology aimed at preserving natural heritage, developing

environmental education and supporting ecotourism using digital technologies in the national parks Kenozersky, Krasnoyarskie Stolby, Pleshcheyevo Ozero, Samarskaya Luka and other.

- › MTS held a series of webinars “Ecology and Health” dedicated to the delicate relationship and fragile balance of the environment and human immunity prepared with the expert support of specialists from the Clinical Immunology Laboratory of the FMBA of Russia.
- › The Green Marathon of Sistema PJSC Group companies was held with the digital support of MTS. More than 1.2 thousand participants improved their eco skills, while the companies competed for the title of the greenest and most responsible.
- › MTS and the Fixiki animation project launched a joint environmental program.
- › MTS and the Moscow Zoo launched a creative and educational program on ecology for schoolchildren.
- › The MTS StartUp Hub corporate accelerator carried out a set of projects in the field of eco tourism and eco education for the first time.

Volume of the energy resources used by MTS in 2020

Resource type	In kind		In monetary terms, RUB, w/o VATC
	quantity	measurement unit	
Electric power	1,825,672,357.00	kWh	9,704,113,640.00
Heat power	46,154.72	Gcal	79,066,870.11
Water supply	192,763.22	cub. m	9,768,375.40
Gas supply	1,233,853.97	cub. m	5,724,728.06
Petrol	3,051,170.91	liters	111,098,489.63
Diesel fuel	2,811,480.58	liters	111,451,360.20
Liquid gas petroleum-propane	45,224.93	liters	870,505.65

¹ More detailed information is available in the MTS Group Sustainability Report for 2020: chapter “Corporate Social Responsibility”, section “Ecology”.

INFORMATION PROTECTION AND SECURITY

RESULTS OF THE SECURITY UNIT PERFORMANCE IN 2020 AND PLANS FOR 2021

The work of the Security Unit of the MTS PJSC Corporate Center (hereinafter referred to as the Security Unit), as well as of the security departments in the MTS PJSC branches and subsidiaries, was organized and carried out in 2020 in strict adherence to the current legislation of the Russian Federation, the Strategy, internal regulations and action plans of MTS PJSC.

- Pursuant to the guidance documents, the main efforts for integrated security management in 2020 were aimed at the following:
- › implementation of tasks to ensure the sustainability and continuity of business development of the MTS Group, identification and prevention of risks in the field of corporate security;
 - › protection of the interests of the Company's shareholders, personnel and clients, as well as its business processes, assets, property and information resources, from internal and external threats;
 - › implementation of measures to prevent and fight terrorist and criminogenic threats;
 - › improvement of the economic security system and corruption prevention.

As a result of inspections and official investigations carried out in 2020 by security personnel in cooperation with the Company's divisions, the damage in the amount of 2,309.593 million rubles was prevented, the damage in the amount of 373.718 million rubles was established and the damage in the amount of 189.149 million rubles was compensated.

In order to prevent illegal acts in the field of procurement, 53,269 inspections of draft contracts, supplement agreements, orders and supplier selection reports were carried out, and information on 36,509 counterparties was studied, of which 1,366 were rejected as unreliable.

While examining the candidates for entering into labor relations with the Company, 3,763 persons were denied employment on negative grounds (as not meeting the requirements of MTS PJSC for candidates, excluding professional qualities).

Work on the facts and attempts to steal and damage the Company's property, to identify violations of the requirements for communication secrecy, information security standards and compliance with the commercial secret regime was carried out on an ongoing basis.

Based on the materials of the Security Unit (following the results of verification activities), law enforcement agencies initiated 333 criminal cases against the persons engaged in illegal activities and acting to the detriment of corporate security of MTS PJSC in 2020.

OBJECTIVES FOR 2021

Implementing a set of measures aimed at achieving the main goal: ensuring stability, reliability, continuity of development and functioning of the Company's business in 2021. Ensuring consistent operation in the best interests of increasing business profitability, creating effective barriers to prevent losses and damages, countering fraud and maintaining a high level of safety of personnel and facilities.

Information Security Risks

Risk	Description / Risk Factors
Risk of information security breach	Violation of the confidentiality, integrity or accessibility of information due to the inconsistency of the information protection system with current information security threats, failure by administrators and users of information systems or partners of MTS PJSC to fulfill the Company's information security policy. As a result, possible damage arises due to leaks of information constituting a commercial secret, claims of individuals or partners due to violation of personal data security, communication secrets, commercial secrets of partners or other restricted information.
Information security regulatory risks	Sanctions of controlling bodies or negative conclusions of auditors (the General Prosecutor's Office, the Ministry of Digital Development, Communications and Mass Media of the Russian Federation, Roskomnadzor, FSTEC and FSB of Russia, controlling bodies of the countries where we operate, SOX, PCI DSS auditors, etc.) due to the failure to comply with the requirements of Russian, international or national legislation for information security protected by laws in the countries where we operate. Imperfection of information security legislation in the context of creating "digital economy". The existing industry approach to governing information protection is not applicable when integrating information, information processes and systems to build a "digital environment". The presence of different information security requirements for one object of protection in regulations creates the risk of non-compliance.
Contractual risks associated with information security	Refusal to conclude state or other contracts due to failure to comply with competitive conditions for information security (no FSTEC and FSB licenses, Russian or international certificates for IS processes and systems, IS infrastructure required for providing services, etc.).
Risk of clients' claims to information protection in the Company's innovative products	As for the innovative products offered to consumers, it is necessary to create their own information protection system, taking into account the current threats and applicable requirements of the legislation of the Russian Federation. A product developer requires a high level of competence in the development of information protection mechanisms in order to exclude clients' claims due to non-compliance of the product with legal requirements or information security breaches.

INFORMATION SECURITY

GLOBAL TRENDS OF THREATS IN THE SPHERE OF INFORMATION SECURITY

In 2020, the Security Operations Center (SOC) of MTS PJSC recorded multiple cyberattacks on the subscriber personal accounts of MTS PJSC and its subsidiary, MGTS PJSC, as well as DDoS attacks on various services, including the MTS Money fintech resource (payment.mts.ru). The analysis of the mechanisms for implementing attempts to maliciously affect subscribers and own infrastructure of information and communication technologies (ICT), as well as the study of open sources showed that, in addition to the previously noted interest of criminals in obtaining information assets (arrays) with personal data and telemetry of communication service consumers, financial transactions data and other limited access information, there is a clearly visible trend for the attacker to take over hidden parallel control over the software and hardware means of processing the information of the victim company for long-term operation in accordance with their goals.

The COVID-19 pandemic also brought new challenges to the agenda of information security services, especially large tech companies, due to the massive transfer of employees to remote working. Well-protected corporate perimeters turned out to be permeated with thousands of unauthorized entry points from employees' personal devices, which often did not meet corporate requirements for information security and were not equipped with information security means. No video monitoring tools in places of remote work of employees who may access confidential information could also lead to a decrease in the level of security of information belonging to companies.

- In general, despite the unforeseen events caused by the global spread of the coronavirus infection and related structural changes in business processes, the following threats can be predicted for the corporate sector to stay relevant in 2021.
- › Coordinated targeted attacks (Advanced Persistent Threat) on the clients, online services, ICT infrastructure of tech companies, including in order to get a wide range of information about the information security architecture of the existing ecosystems, processes and measures for its implementation.
 - › Social engineering and direct recruitment of the Company personnel, especially those employees who work from home.

¹ The launch date of the solar power plant is January 13, 2021.



- › No means to manage and control employees' personal mobile computing equipment that provides a secure working environment equivalent to desktop platforms in functionality and convenience.
- › Zero-day vulnerabilities in cloud services, lack of security mechanisms acceptable for large companies.
- › Errors in the program code of commercial and proprietary IT solutions, as well as their development without considering the requirements for the safe program code production.
- › Generation of botnets based on terminal user equipment or ICT infrastructures of companies in order to implement unauthorized and malicious cyber attacks.
- › Inconsistency of protection mechanisms in the Internet of Things (IoT) solutions with modern threats and lack of updates for outdated devices still in operation.
- › Development of the trend in the complication of mandatory information protection measures to non-state information resources (personal data, professional and commercial secrets, public communications networks, critical information infrastructure facilities, etc.).

INFORMATION SECURITY SYSTEM
AT MTS

- › Protection of the interests of MTS PJSC in the information sphere is achieved by a set of interrelated organizational and technical measures forming a unified information security management and provision system. An integrated approach allows for protecting the Company and its subsidiaries from modern threats to information security and infrastructure of information and communication technologies and ensuring compliance with the legislative requirements of the Russian Federation, international standards, as well as for preventing financial, reputational and other damage. The information security system has been built and is developing with consideration of the best global practices on the basis of international standards of the ISO 27000 and 15408 series.
- › The personal data protection system provides for the third level of protection in accordance with the legislation of the Russian Federation.
- › Protection of secrecy of communication in communication networks with information protection mechanisms built into communication facilities meets the international standards and requirements of the industry regulator.

- › MTS PJSC is a licensee of FSTEC and FSS of Russia for operations of technical and cryptographic protection of confidential information and monitoring of IS events, and it provides the corresponding services.

INFORMATION SECURITY RESULTS
AND ACHIEVEMENTS IN 2020

- › The manageability of information security units was fully preserved during the emergency mass transfer of the Company's personnel to remote working and continuous monitoring of compliance with the requirements of local regulations on information security was ensured.
- › The development of the information security management and ensuring systems was provided in accordance with the Strategy of MTS Group in the field of integrated security for 2019–2020, as well as the "Plan of measures for ensuring integrated security of MTS PJSC for 2020". The planned tasks were completed, and the set goals were achieved.
- › The protection systems of critical databases were upgraded, 125 online services were provided with WAF protection, the uninterrupted operation of the public key infrastructure and three certification centers of MTS PJSC was guaranteed.
- › The information security processes were integrated into the processes of product transformation, the ecosystem of MTS PJSC is protected and support is provided to the product teams.
- › Target architecture was developed for the solution to integrate subsidiaries into the MTS PJSC security perimeter and to provide secure controlled access to the employees of the MTS Group companies.
- › Permanent representation of experts from the Information Security Department in government programs and in working departmental groups was organized, interaction with regulatory authorities was established.
- › A system of interaction with the Main Center of GosSOPKA (State System for Detection, Prevention and Elimination of the Consequences of Computer Attacks) was introduced to inform the NCCCI (National Coordination Center for Computer Incidents) about the incidents of the CII systems (Critical Information Infrastructure) and the clients of commercial SOC, CII subjects.
- › Following the oversight audit held in 2020, the British Standards Institution conformed the compliance of the Information Security Management System of MTS PJSC with the international standard ISO/IEC 27001:2013 Information technology – Security

techniques – Information security Management systems – Requirements and extended the Certificate of Conformity No. IS719403 for 2021. The certification expands the capabilities of MTS PJSC to participate in bidding and tenders requiring compliance with international IS standards and practices.

2020 LESS RESULTS
AND ACHIEVEMENTS

- › In order to ensure the failure-proof operation of special complexes installed on the MTS PJSC network, actions are organized and held on a permanent basis to prevent and support the equipment and software.
- › As part of fulfilling the tasks of implementing the requirements of Federal Law No. 374-FZ, work is underway on the network of MTS PJSC to implement special complexes in accordance with the concept and deadlines for implementing the law agreed upon with the Federal Security Service (FSB) of Russia.
- › Special complexes have been installed on communication networks, the presence of which makes it possible to provide new communication technologies (NB IoT, IMS, RCS, 5G, eSIM), as well as new convergent services (MTS Connect with Virtual Number and MultiAccount functionality, WiFi Calling, VoLTE/ViLTE, RCS IP Messaging, Virtual PBX, WiFi for business).
- › Work on the modernization of the special equipment supporting the activities of authorized state bodies was carried out on a scheduled basis, in accordance with the approved investment program, in strict accordance with the requirements of the regulatory legal acts. Scheduled events were held in full.

MAIN OBJECTIVES IN THE FIELD
OF MANAGEMENT AND ENSURING
INFORMATION SECURITY FOR 2021

- › Ensuring compliance of the Information Security Management System of MTS PJSC with the international standard ISO/IEC 27001:2013 Information technology – Security techniques – Information security Management systems – Requirements.
- › Infrastructure IS changes as part of the ecosystem construction:
- › participation in the development of new products and services;
- › ensuring compliance with the IS requirements in the production of new products and services;

- › transition of IS divisions to a service model of working with product teams, as well as introduction of IS services for product teams;
- › development and use of IS platforms in subsidiaries of the MTS Group.
- › Development of IS products:
- › expanding the services of the Security Operation Center (SOC);
- › creation of a Threat Intelligence platform for timely detection and prevention of cyber threats;
- › formation of a Red Team to identify and counter cyberattacks.
- › Automation and improvement of IS processes in terms of automating the processes of drawing up a non-disclosure agreement (NDA), creating an automated system for confidential electronic document management (EDM), as well as automating the audit process.
- › Compliance with the legal requirements for the security of critical information infrastructure and the protection of personal data, as well as development of the security system for significant facilities of the MTS PJSC CII.
- › Participation in preparing drafts of new regulations of the Ministry of Digital Development, Communications and Mass Media of the Russian Federation in the area of IS.
- › Implementation of the Information Security Awareness Program for personnel.



ECONOMIC SECURITY

In 2020, the work of the economic security and anti-corruption units of MTS PJSC was focused on identifying financial and economic risks, preventing reputational and material damage, developing recommendations and taking measures to minimize them.

One of the activity areas is the minimization of financial and economic risks when exercising control over the selection of suppliers/contractors, the volume and cost of equipment/work/services and the execution of the Company’s local regulations.

In order to improve the quality of corporate audits, investigations and claim settlement with counterparties to collect overdue receivables, the Economic Security Department was established within the structure of the Department for Economic Security and Countering Corruption of the BB CC (DES&CC).

DES&CC also detected the violations of the secrecy of subscribers’ communications committed by the employees of MTS PJSC quite efficiently. In cooperation with law enforcement agencies, protection of the secrecy of communications was arranged. Positive results were achieved in the measures to identify and document the facts of theft of funds from the bank accounts of legal entities and the suppression of illegal activities in close cooperation with law enforcement agencies.

Due to the changes in the functional strategy of DES&CC, certain functional areas were redistributed: the Subscriber Fraud Countering Department and its functionality were transferred to the Anti-Fraud Center of MTS Group’s BB CC.

In order to reduce the timing of procurement procedures, DES&CC actively participates in the implementation of the procurement transformation project. The regulations governing the Company’s procurement and investment activities were updated. The new versions

of the documents set the obligation of the buyers to get the DES&CC approval on the procurement procedure, the cost of which exceeds 1 million rubles, at the stage of drawing up the ToR. The principle of assigning DES&CC experts to specific areas of procurement was introduced.

DES&CC also updated the local regulations in the field of ensuring economic security and countering corruption. Fundamental changes were made to the Process Regulations RP-053 “Conducting an Internal Investigation”. As a result of improvements in the new version of the RP, the process of conducting corporate audits was formalized.

PRIORITY AREAS
FOR ENSURING ECONOMIC SECURITY
AND COUNTERING CORRUPTION

- › Ensuring control over procurement activities, investment planning, preparation and implementation of investment projects in the areas of economic security and anti-corruption.
- › Improving the arrangement of ensuring economic security and countering corruption within the MTS Group.
- › Participation in the development and implementation of the MTS Group Strategy in the field of comprehensive security of the MTS Group.
- › Organization and control over the timely development and updates of the local regulations in the field of ensuring economic security and countering corruption.
- › Methodological guidance, control and coordination of the activities of regional and subsidiary units in charge of economic security and countering corruption.

SAFETY OF PERSONNEL
AND FACILITIES

The anti-terrorist protection and security of facilities was provided in accordance with the MTS Group Strategy in the field of integrated security for 2019–2020, as well as the “Plan of measures for ensuring integrated security of MTS PJSC for 2020”.

- › The work to ensure access and intra-facility regimes at MTS PJSC was based on the Standard “Requirements for ensuring the security of MTS PJSC facilities”. Access control at the Company’s facilities was carried out by the employees of SAFETI LLC using engineering and technical security equipment, access control and management systems, CCTV, signaling and communication systems.
- › In 2020, the possibility of using the face recognition function to access the facilities of MTS PJSC in the Moscow Region was implemented within the investment project.
- › The ability to use a smartphone as a pass using the Mobile Pass service was implemented in several regions in 2020.
- › In order to prevent the occurrence of vandalism and theft of inventory at the facilities of the radio subsystem and to provide uninterrupted communication services, activities were continued to ensure the continuity of operation of the priority BS due to a significant increase in their equipping with security equipment.
- › In order to check the readiness of the security personnel of the private security company in terms of acting in the event of emergency at the facilities of MTS PJSC, fire-fighting and anti-terrorist trainings were conducted together with the employees of the Administrative Unit throughout 2020. Security officers in all regions of MTS PJSC operation traveled around base

stations in order to check their anti-terrorist protection.

- › In 2020, scheduled measures were taken to identify and eliminate possible channels of leakage of speech information circulating in the premises of the Company’s management through acoustic and technical channels.
- › In accordance with the legislation of the Russian Federation and the recommendations of the Ministry of Emergency Situations of Russia, as well as in accordance with the approved 2020 Action Plans for civil defense, prevention and response to emergency situations and ensuring fire safety, the MTS Group took measures along this line of activity.

PRIORITY AREAS IN THE FIELD
OF PERSONNEL AND FACILITY SAFETY

- › Improving the efficiency of the security system and anti-terrorism protection of personnel and facilities of MTS PJSC.
- › Implementing measures to prevent theft of equipment and inventory from the facilities of MTS PJSC.
- › Maintaining readiness for action of MTS PJSC’s system for emergency prevention and response under threats and emergency conditions.

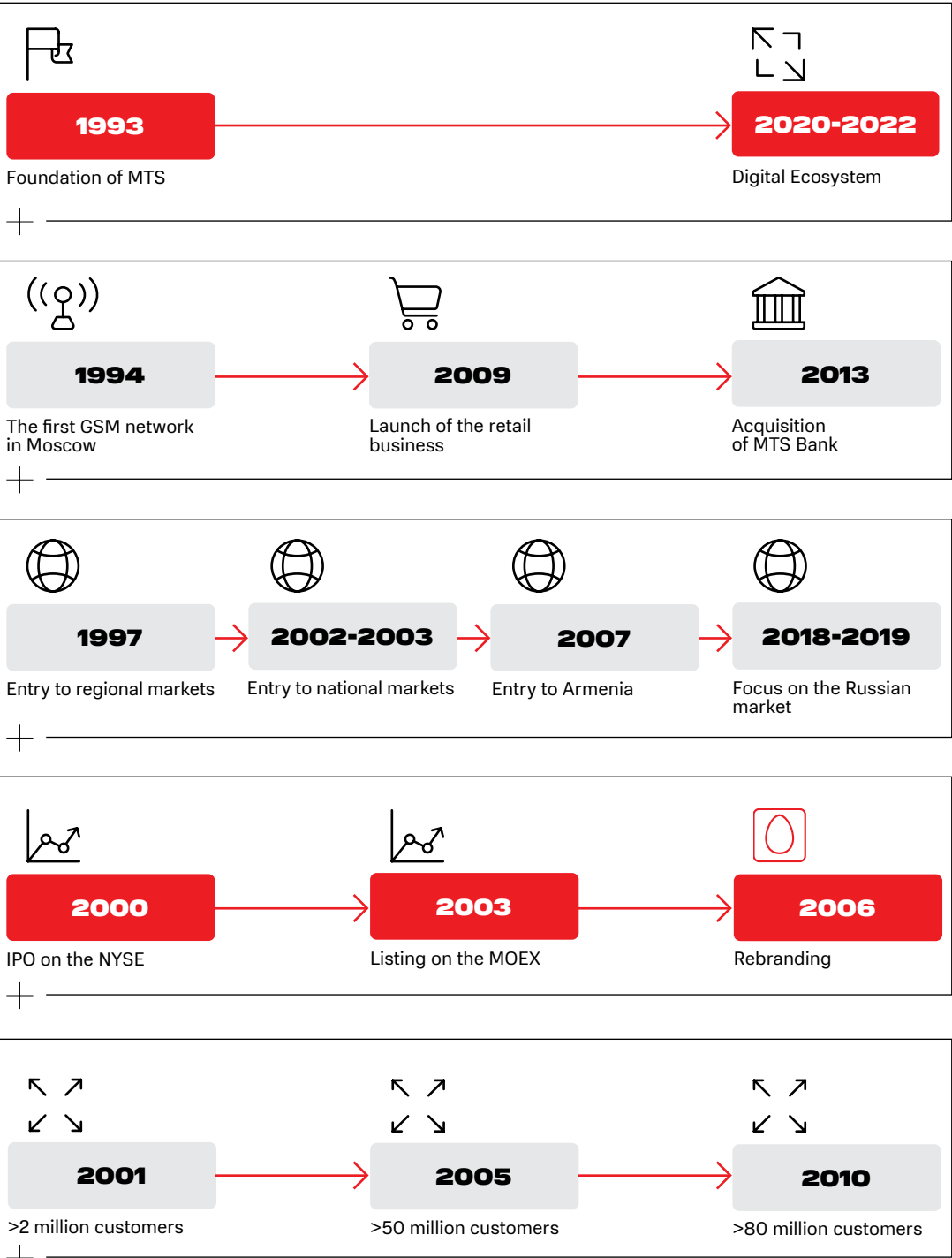
ADDITIONAL INFORMATION

05

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ANNEX 1. HISTORY OF THE COMPANY

2020 MTS entered TOP-5 Russian companies, the leaders in the area of sustainable growth (ESG), and took the lead in the rating among companies of the IT and telecom industry



ANNEX 2. ESSENTIAL AFFILIATES OF MTS PJSC¹

RUSSIAN TELEPHONE COMPANY JOINT STOCK COMPANY

Location: 5 Vorontsovskaya St., building 2, 109147 Moscow, Russia

The share of MTS PJSC in the authorized capital of the affiliate, %: 100

Primary business: sales of MTS PJSC services

Sole executive body:

Sergey Sergeevich Belyakov

Official website: <https://shop.mts.ru>



<https://shop.mts.ru>

MTS BANK PUBLIC JOINT-STOCK COMPANY

Location: 18, Andropov Prospect, building 1, 115432 Moscow, Russia

The share of MTS PJSC in the authorized capital of the affiliate (indirect participation through the subsidiary Mobile TeleSystems B.V. and MGTS PJSC), %: 99.8

Primary business: banking operations

Sole executive body: Ilya Valentinovich Filatov

Official website: <https://www.mtsbank.ru/>



<https://www.mtsbank.ru>

MOSCOW CITY TELEPHONE NETWORK PUBLIC JOINT STOCK COMPANY

Location: 25 Bolshaya Ordynka St., building 1, 119017 Moscow, Russia

The share of MTS PJSC in the authorized capital of the affiliate, %: 99.159

The share of the affiliate in the authorized capital of MTS PJSC, %: 0.38

Primary business: provision of fixed-line communication services in the territory of Moscow

Sole executive body: Vladislav Alexandrovich Medvedev

Official website: <https://mgts.ru>



<https://mgts.ru>

DATA ON CHANGED DEGREE OF CONTROL OVER A CONTROLLED LEGAL ENTITY OF SUBSTANTIAL VALUE FOR THE COMPANY

There were no changes during the reporting period.

Information on Major Transactions of Controlled Entities

During the reporting period, no major transactions were made by RTC JSC.

Information on major transactions is contained in Annex 3 hereof.

Information is available on MTS PJSC corporate website at: Annual statements – Moscow (mts.ru).



mts.ru

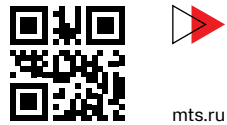
¹ As of December 31, 2020.



**ANNEX 3. LIST
OF MAJOR TRANSACTIONS
AND TRANSACTIONS
OF INTEREST CLOSED
BY MTS PJSC IN 2020**

In 2020, MTS PJSC did not approve (close) transactions, which are recognized in accordance with the Federal Law “On Joint Stock Companies” as major transactions, and also other transactions, the closing of which is covered by the procedure of major transactions approval according to the Charter of the Company.

The list of transactions closed by MTS PJSC in 2020 and recognized in accordance with the Federal Law “On Joint Stock Companies” as transactions of interest, the need to approve which by the authorized management body of the joint stock company is specified by chapter XI of the Federal Law “On Joint Stock Companies”. Information is available on MTS corporate website at: Annual statements – Moscow (mts.ru)



mts.ru

**ANNEX 4. REPORT
ON FULFILMENT
OF THE PRINCIPLES
AND RECOMMENDATIONS
OF THE CORPORATE
GOVERNANCE CODE**

Hereby the Board of Directors of MTS PJSC represents that the principles of corporate governance recorded by the Corporate Governance Code (hereinafter referred to as the Code) are complied with by the Company, excluding certain principles and recommendations of the Code specified in the Annex to this Representation.

This report on compliance with the principles and recommendations of the Corporate Governance Code in MTS PJSC was considered by the Board of Directors of MTS PJSC at the meeting on May 20, 2021, meeting minutes No. 313.

The Board of Directors confirms that the data provided in this report contain full and valid information on compliance of the company with the principles and recommendations of the Corporate Governance Code for 2020, as well as for the period after the reporting date before the approval of the Annual Report of MTS PJSC by the Board of Directors of MTS PJSC.¹

**BRIEF DESCRIPTION
OF MOST SUBSTANTIAL ASPECTS
OF THE MODEL AND PRACTICE
OF CORPORATE GOVERNANCE
IN THE COMPANY**

The system (model) of corporate governance of MTS PJSC was built on the basis of the norms of the existing legislation of the Russian Federation, provisions of the Charter of the Company and principles recommended for use by the Corporate Governance Code, with account of the listing requirements of the Moscow Exchange and NYSE, and also takes into account the G20 corporate governance principles adopted by the Organization for Economic Cooperation and Development. Description of most substantial aspects of the corporate governance model



and practice is provided in the section “Corporate Governance” of the Annual Report of MTS PJSC.

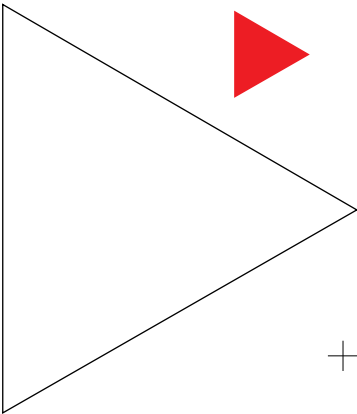
**DESCRIPTION OF THE METHODOLOGY,
WHICH THE JOINT STOCK COMPANY
USED TO ASSESS COMPLIANCE
WITH PRINCIPLES OF CORPORATE
GOVERNANCE RECORDED
BY THE CORPORATE GOVERNANCE
CODE**

Assessment of compliance with corporate governance principles recorded in the Code is implemented by the method of analysis and comparison of internal standards and procedures with recommendations of the Code.

**PLANNED (SUGGESTED) ACTIONS
AND MEASURES OF THE JOINT STOCK
COMPANY TO IMPROVE AND MODEL
AND PRACTICE OF CORPORATE
GOVERNANCE**

In 2021, MTS plans to focus on tracking and analyzing new international practices and trends in the field of corporate governance, as well as introducing practices that will help to increase the level of corporate governance in the Company. Particularly for these purposes, the Board of Directors of MTS PJSC adopted the resolution as of March 18, 2021 (minutes No. 310) on the transformation of the Corporate Governance Committee of MTS PJSC Board of Directors into the ESG Committee (Corporate Governance, Environmental and Social Responsibility Committee) of MTS PJSC Board of Directors.

Detailed data on compliance with the principles of the Code as of the date of approval of the Annual Report of MTS PJSC by the Board of Directors of MTS PJSC, as well as on actions for further implementation of the Code recommendations is provided below in the Annex to this Application.



¹ The reporting year is specified, and if the report on compliance with the principles and recommendations of the Corporate Governance Code comprises data for the period that elapsed from the moment of reporting year completion and to the date of making this report, the date of making this report is specified.



REPORT ON IMPEMENTATION
OF THE PRINCIPLES
AND RECOMMENDATIONS
OF THE CORPORATE GOVERNANCE
CODE

The Board of Directors of MTS PJSC hereby represents that the principles of corporate governance stipulated by the Corporate Governance Code (hereinafter referred to as the Code) are complied with by the Company, excluding certain principles and recommendations of the Code specified in the Annex to this Representation.

This report on compliance with the principles and recommendations of the Corporate Governance Code at MTS PJSC was considered by the Board of Directors of MTS PJSC at the meeting on May 20, 2021, Minutes No. 313.

The Board of Directors confirms that the data given in this report contain full and valid information on the Company's compliance with the principles and recommendations of the Corporate Governance Code for 2020, as well as for the period after the reporting date before the approval of the Annual Report of MTS PJSC by the Board of Directors of MTS PJSC¹.

Brief description of most substantial aspects of the model and practice of corporate governance at the Company

The system (model) of corporate governance of MTS PJSC was built on the basis of the provisions of the applicable law of the Russian Federation, provisions of the Charter of the Company and principles recommended for use by the Corporate Governance Code, with account of the listing requirements of the Moscow Exchange and NYSE, and also takes into account the G20 corporate governance principles adopted by the Organization for Economic Cooperation and Development. Description of most substantial aspects of the corporate governance model and practice is provided in the section "Corporate Governance" of the Annual Report of MTS PJSC.

Description of the methodology, which the joint stock company used to assess compliance with principles of corporate governance set forth in the Corporate Governance Code

Assessment of compliance with corporate governance principles set forth in the Code is implemented by the method of analysis and comparison of internal standards and procedures with recommendations of the Code.

Planned (suggested) actions and measures of the joint stock company to improve the corporate governance model and practice

In 2021, MTS plans to focus on tracking and analyzing new international practices and trends in the field of corporate governance, as well as on introducing practices that will help increase the level of corporate governance at the Company. Particularly for these purposes, the Board of Directors of MTS PJSC adopted the resolution (as of March 18, 2021; Minutes No. 302) on the transformation of the Corporate Governance Committee of the MTS PJSC Board of Directors into the ESG Committee (Corporate Governance, Environmental and Social Responsibility Committee) of the MTS PJSC Board of Directors.

Detailed information on compliance with the principles of the Code as of the date of approval of the Annual Report of MTS PJSC by the Board of Directors of MTS PJSC, as well as on actions for further implementation of the Code recommendations is provided below in the Annex to this Representation.

Due to the spread of coronavirus infection (COVID-19), and in accordance with Article 2 of Federal Law No. 50-FZ of March 18, 2020, all General Meetings of Shareholders of MTS PJSC were held in the form of absentee voting in 2020.

Annex to the Representation of the Board of Directors of MTS PJSC on compliance with the principles and recommendations of the Corporate Governance Code

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status ¹ of compliance with the corporate governance principle	Explanations ² of the deviation from criteria of assessment of compliance with the corporate governance principle
1.1	The company shall ensure an equal and fair attitude towards all shareholders who exercise their right for participation in governance of the Company			
1.1.1	The Company creates the maximum favorable conditions for the shareholders to participate in the general meeting, conditions to generate a justified position on the general meeting agenda items, to coordinate their actions, as well as the opportunity to offer their opinion on the issues considered.	complied with		
		1. The internal document of the Company approved by the general meeting of shareholders that regulates the procedures of holding a general meeting is openly available.	⊕ complied with ⊖ partially complied with ⊘ not complied with	
		2. The Company provides the accessible method of communication with the Company, such as a "hot line", e-mail or forum in the Internet, making it possible for the shareholders to speak their opinion and send questions with respect to the agenda in the process of preparation for a general meeting. The specified actions were undertaken by the Company before every general meeting held during the reporting period.	⊕ complied with ⊖ partially complied with ⊘ not complied with	
1.1.2	The procedure for communicating the holding of a general meeting and providing materials for the general meeting enables the shareholders to properly prepare for their participation in it.	complied with		
		1. The notice on holding a general meeting of shareholders is placed (published) on the website in the Internet at least 30 days before the date of the general meeting.	⊕ complied with ⊖ partially complied with ⊘ not complied with	
		2. The notice on holding a general meeting specifies the venue of the meeting and documents required to be admitted into the venue.	⊕ complied with ⊖ partially complied with ⊘ not complied with	
		3. Shareholders were provided with access to information on those who proposed agenda items and candidates for the Board of Directors and the Audit Commission of the Company.	⊕ complied with ⊖ partially complied with ⊘ not complied with	

¹ The reporting year is specified, and if the report on compliance with the principles and recommendations of the Corporate Governance Code comprises data for the period that elapsed from the time of reporting year completion and to the date of making this report, the date of making this report is specified.

¹ The status "complied with" is only indicated if the company meets all criteria of assessment of compliance with the corporate governance principle. Otherwise, the status "partially complied with" or "not complied with" is indicated.
² Provided for each criterion of assessment of compliance with the principle of corporate governance, if the company only complies with some criteria or does not comply with any criterion of assessment of compliance with the principle. If the company specifies the status "complied with", no explanations are required

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
1.1.3	In the process of preparation and holding of a general meeting, the shareholders could freely and promptly receive information on the meeting and materials to it, pose questions to the executive bodies and members of the Board of Directors of the Company, and communicate with each other.	<p>complied with</p> <p>1. In the reporting period, the shareholders were given a chance to pose questions to members of the executive bodies and members of the Board of Directors of the Company before and during the annual general meeting.</p> <p>2. The opinion of members of the Board of Directors (including special opinions entered into the minutes), on each item on the agenda of the general meetings held in the reporting period was included into the materials for the general meeting of shareholders</p> <p>3. The Company provided access to entitled shareholders to the list of persons authorized to participate in the general meeting, starting from the date of its receipt by the Company, in all cases of holding general meetings in the reporting period.</p>	<p>⊙ complied with ○ partially complied with ○ not complied with</p> <p>⊙ complied with ○ partially complied with ○ not complied with</p> <p>⊙ complied with ○ partially complied with ○ not complied with</p>	
1.1.4	Exercise of the shareholder's right to request convocation of a general meeting, to propose candidates for the management bodies and to make proposals for inclusion into the agenda of the general meeting was not accompanied with needless complexity.	<p>complied with</p> <p>1. In the reporting period, the shareholders were able to make proposals for inclusion into the agenda of the annual general meeting within at least 60 days upon completion of the relevant calendar year.</p> <p>2. In the reporting period, the Company did not reject the inclusion of proposals for the agenda or candidates to the Company's bodies due to misprints and other minor defects in a shareholder's proposal</p>	<p>⊙ complied with ○ partially complied with ○ not complied with</p> <p>⊙ complied with ○ partially complied with ○ not complied with</p>	
1.1.5	All shareholders were able to freely exercise their voting right in the way that was most simple and convenient for them	<p>complied with</p> <p>1. The internal document (internal policy) of the Company contains provisions, in accordance with which, before the end of the relevant meeting, each participant in a general meeting may request a copy of filled-out bulletin certified by the counting board.</p>	<p>⊙ complied with ○ partially complied with ○ not complied with</p>	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
1.1.6	The procedure of holding a general meeting established by the Company provides an equal opportunity to all persons present at the meeting to speak their opinion and ask their questions of interest.	<p>complied with</p> <p>1. During general meetings of shareholders in the form of a meeting (joint presence of shareholders) in the reporting period, sufficient time was provided for reports on agenda items, as well as time for discussion of these questions.</p> <p>2. Nominees to the Company's management and control bodies were available to answer questions of shareholders at the meeting, where such nominations were put to vote.</p> <p>3. When making decisions related to preparation and holding of general meetings of shareholders, the Board of Directors considered the question of using telecommunications facilities for provision of remote access to shareholders for participation in the general meetings in the reporting period.</p>	<p>⊕ complied with ⊖ partially complied with ⊖ not complied with</p> <p>⊕ complied with ⊖ partially complied with ⊖ not complied with</p> <p>⊕ complied with ⊖ partially complied with ⊖ not complied with</p>	
1.2	Shareholders were provided an equal and fair opportunity to participate in the profit of the Company by receiving dividends			
1.2.1	The Company developed and introduced a transparent and clear mechanism for determination of the dividend amount and their payment	<p>complied with</p> <p>1. The Company's dividend policy was developed, approved by the Board of Directors and disclosed.</p> <p>2. If the dividend policy of the Company uses the Company's reporting indicators for determination of the dividend amount, then the appropriate provisions of the dividend policy shall take into account the consolidated indicators of the financial statements</p>	<p>⊕ complied with ⊖ partially complied with ⊖ not complied with</p> <p>⊕ complied with ⊖ partially complied with ⊖ not complied with</p>	

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No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
1.2.2	The Company does not make a decision on payment of dividends if such decision, while formally not violating the limitations established by the law, is economically unjustified and may result in misrepresentation and misperception about the Company's business	partially complied with 1. The dividend policy of the Company includes clear references to financial/economic circumstances, when the Company should not pay dividends.	<div>○ complied with</div> <div>⦿ partially complied with</div> <div>○ not complied with</div>	<p>1. The Company's dividend policy¹ does not contain clear indications of financial/economic circumstances under which the Company should not pay dividends, but includes a provision stating that the Company has no right to declare or pay declared dividends in cases stipulated by the legislation of the Russian Federation.</p> <p>The Company has been consistently paying dividends for the entire duration of its public history (MTS had IPO on the New York Stock Exchange in 2000), providing for dividend income to shareholders at the level of global and regional communications service providers. Stable dividends are an important element of the Company's investment appeal.</p> <p>In 2014, the MTS "3D" strategy was introduced, according to which the payment of dividends is one of its key elements. We do not rule out paying dividends out of retained income of previous years, and therefore do not consider it possible to set, for example, a ban on the decision to pay dividends in the event that the net income for the reporting year is below the amount recommended for payment of dividends for the fiscal year.</p> <p>In accordance with the Dividend Policy, the Board of Directors of the Company takes into account the financial results of the Company's operations when determining the recommended amount of dividends. When determining the amount of dividends, the Board of Directors takes into account a number of additional factors, including prospects for revenue growth, capital expenditure requirements, funds received from general business, potential acquisition opportunities, and the state of the Company's debt obligations.</p> <p>The Company does not make a decision on payment of dividends, if such a decision is economically unjustified and may result in misrepresentation and misperception about the Company's business. The existing practices for dividend payment and the considerable attention paid to this issue by the Board of Directors provide a balanced approach and mitigate risks associated with not fully implementing the recommendation.</p> <p>At one of the meetings of the Corporate Governance Committee under the Board of Directors in 2018, the issue of partial compliance with this recommendation of the Code was considered. It was noted that MTS PJSC did not comply with the recommendation on formal grounds only. While, in our opinion, the Company complies with the Code's basic principle.</p> <p>At a meeting of the Corporate Governance Committee under the Board of Directors of MTS PJSC (Minutes No. 47 dated December 11, 2020), it was noted that in the next review of the Dividend Policy, which is likely to take place in 2022, MTS PJSC plans to consider an opportunity of separately referencing in the Dividend Policy to the fact that the Board of Directors takes into account the consolidated financial statements when determining the amount of dividends.</p>
1.2.3	The Company does not allow a deterioration of the dividend rights of the existing shareholders	complied with 1. In the reporting period, the Company did not commit any actions resulting in deterioration of the dividend rights of existing shareholders	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
1.2.4	The Company strives to exclude the use of other methods of gaining profit (income) by the shareholders at the expense of the Company, apart from dividends and liquidation value	complied with 1. In order to exclude other methods of gaining profit (income) by the shareholders at the expense of the Company, apart from dividends and liquidation value, the internal documents of the Company establish controls, which provide for timely detection and procedure for approval of transactions with persons affiliated with (related to) major shareholders (persons entitled to dispose of voting rights of voting shares), in those cases, when the law does not formally recognize such transactions as related-party transactions	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
1.3	The system and practice of corporate governance provide for equal conditions for all shareholders – owners of shares of one category (type), including minority (small) shareholders and foreign shareholders, and an equal attitude to them from the Company			
1.3.1	The Company has created conditions for a fair attitude to each shareholder from the management bodies and controlling persons of the Company, including conditions preventing abuse on the part of major shareholders in respect to minority shareholders	complied with 1. Within the reporting period, the procedures for management of potential conflicts of interest involving major shareholders were effective, and the Board of Directors paid proper attention to conflicts between shareholders, if any	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
1.3.2	The Company does not undertake actions that result or may result in the factitious redistribution of corporate control	complied with 1. Quasi-treasury shares are absent or did not participate in voting during the reporting period	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	

¹ http://static.mts.ru/uploadmsk/contents/1656/Statute_on_MTS_Dividends_Policy_2016_rus.pdf

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
1.4	The shareholders are provided with reliable and effective ways to register rights for shares, as well as the opportunity of free and unhindered alienation of shares they own			
1.4	The shareholders are provided with reliable and effective ways to register rights for shares, as well as the opportunity of free and unhindered alienation of shares they own	complied with 1. The quality and reliability of activities carried out by the Company's registrar to keep the register of securities' owners comply with the needs of the Company and its shareholders	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
2.1	The Board of Directors carries out strategic management of the Company, determines the basic principles and approaches to the organization of the risk management system and internal control at the company, monitors activity of the executive bodies of the Company, and implements other key functions			
2.1.1	The Board of Directors is responsible for making decisions related to appointments to and dismissals from the executive bodies, including due to improper performance of one's job duties. The Board of Directors also checks that the executive bodies of the Company act in accordance with the approved development strategy and the principal directions of the Company's business	complied with 1. The Board of Directors has powers registered in the Charter for appointment, dismissal and elaboration of the agreement terms in respect to the members of the executive bodies. 2. The Board of Directors considered the report (reports) of the sole executive body and members of the collective executive body on achievement of the Company's strategic goals	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
2.1.2	The Board of Directors establishes the main reference points for the Company's business over a long term, assesses and approves the key indicators of business and main business objectives of the Company, and assesses and approves the strategy and business plans on the main types of the Company's business.	complied with 1. During the reporting period, at the meetings of the Board of Directors, the issues were considered, which were related to the progress of achievement and update of the strategy, approval of the financial and business plan (budget) of the Company, as well as consideration of criteria and indicators (including interim ones) for achievement of the strategic goals and fulfilment of business plans of the Company.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
2.1.3	The Board of Directors defines principles and approaches for the organization of the risk management and internal control system at the Company	complied with 1. The Board of Directors defined principles and approaches for the organization of the risk management and internal control system at the Company. 2. The Board of Directors assessed the Company's risk management and internal control system during the reporting period.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
2.1.4	The Board of Directors determines the Company's policy on remuneration and/or recovery of costs (compensations) to members of the Board of Directors, executive bodies and other key executives of the Company.	complied with 1. The Company developed and introduced the policy (policies) approved by the Board of Directors for remuneration and recovery of costs (compensations) to members of the Board of Directors, executive bodies of the Company and other key executives of the Company. 2. During the reporting period, at the meetings of the Board of Directors, issues related to the specified policy (policies) were considered.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
2.1.5	The Board of Directors plays a key role in prevention, detection and settlement of internal conflicts between the Company's bodies, shareholders and employees.	complied with 1. The Board of Directors plays a key role in prevention, detection and settlement of internal conflicts. 2. The Company has created a system of identification of transactions related to a conflict of interest, and a system of actions aimed at the resolution of such conflicts.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
2.1.6	The Board of Directors plays a key role in ensuring the transparency of the Company, timeliness and completeness of information disclosure by the Company, unhindered access of shareholders to the Company's documents.	complied with 1. The Board of Directors approved the Regulations on Information Policy. 2. There are persons defined as those responsible for implementation of the Information Policy at the Company.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
2.1.7	The Board of Directors monitors the corporate governance practices at the Company and plays a key role in significant corporate events of the Company.	complied with 1. During the reporting period, the Board of Directors considered the issue on the Company's corporate governance practices.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
2.2.	The Board of Directors reports to all shareholders of the Company.			
2.2.1	Information on the activity of the Board of Directors is disclosed and provided to the shareholders.	complied with 1. The Annual Report of the Company for the reporting period includes information on attendance of the meetings of the Board of Directors and committees by certain directors. 2. The Annual Report contains information on the main results of assessment of the activities of the Board of Directors carried out in the reporting period.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
2.2.2	The Chairman of the Board of Directors is available for communication with the Company's shareholders.	complied with 1. There is a transparent procedure at the Company, which provides the shareholders with an opportunity to send questions and express their opinion with regard to them to the Chairman of the Board of Directors.	⦿ complied with ⦿ partially complied with ⦿ not complied with	
2.3.	The Board of Directors is an effective and professional management body of the Company, capable of producing objective independent judgments and making decisions to protect the interests of the Company and its shareholders.			
2.3.1	Only persons with a perfect business and personal reputation and the knowledge, skills and experience required for making decisions falling within the competence of the Board of Directors, and required for effective fulfilment of its functions, are elected members of the Board of Directors.	complied with 1. The procedure accepted at the company to assess performance of the Board of Directors includes, among other things, assessment of professional qualification of the members of the Board of Directors. 2. In the reporting period, the Board of Directors (or its Nomination Committee) conducted assessment of the nominees to the Board of Directors from the point of view of availability of the necessary experience, knowledge, business reputation, absence of conflicts of interest, etc.	⦿ complied with ⦿ partially complied with ⦿ not complied with ⦿ complied with ⦿ partially complied with ⦿ not complied with	
2.3.2	Members of the Board of Directors of the Company are elected through a transparent procedure, making it possible for the shareholders to receive information about candidates, which is sufficient to form a view of their personal and professional qualities.	complied with 1. In all cases of holding a general meeting of shareholders in the reporting period, the agenda of which included issues on election of the Board of Directors, the Company provided to the shareholders the biographic data of all nominees to the Board of Directors, results of assessment of such nominees conducted by the Board of Directors (or its Nomination Committee), and also information on compliance of a nominee with the independence criteria, in accordance with Recommendations 102–107 of the Code, as well as a written consent of nominees to be elected members of the Board of Directors.	⦿ complied with ⦿ partially complied with ⦿ not complied with	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
2.3.3	The composition of the Board of Directors is balanced, among other things, in terms of qualification of its members, their experience, knowledge and business qualities, and is trusted by the shareholders.	complied with 1. Within the procedure for assessing the work of the Board of Directors performed in the reporting period, the Board of Directors analyzed its needs in the field of professional qualification, experience and business skills.	⦿ complied with ⦿ partially complied with ⦿ not complied with	
2.3.4	The quantitative composition of the Board of Directors of the Company makes it possible to organize the activities of the Board of Directors in the most efficient manner, including the possibility to form the committees of the Board of Directors, and also provides the substantial minority shareholders of the Company with a possibility to elect a candidate they vote for into the Board of Directors.	complied with 1. Within the procedure for assessing the Board of Directors conducted in the reporting period, the Board of Directors considered the issue on compliance of the quantitative composition of the Board of Directors with the needs of the Company and interests of its shareholders.	⦿ complied with ⦿ partially complied with ⦿ not complied with	
2.4	The Board of Directors includes a sufficient number of independent directors.			
2.4.1	An independent director is a person with sufficient level of proficiency, experience and independence in order to have his/her own opinion, capable of producing objective and fair judgments independently from the executive bodies of the Company, individual groups of shareholders or other stakeholders. At the same time, it should be taken into account that, under regular conditions, a candidate (elected member of the Board of Directors) may not be recognized as independent, if it is related to the Company, its major shareholder, major contractor or competitor or is related to the government.	complied with 1. Within the reporting period, all independent members of the Board of Directors met all the criteria of independence specified in Recommendations 102–107 of the Code, or were recognized independent by the resolution of the Board of Directors.	⦿ complied with ⦿ partially complied with ⦿ not complied with	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
				<p>For this reason, there is a strong independent block of directors within the Board of Directors of MTS: for the last 5 years, 4 positions out of 9 are occupied by independent directors, and since 2020, independent directors hold 6 out of 9 positions (i.e. make up the majority). The Board of Directors is well-balanced both in terms of numerical composition and in terms of experience and qualification of its members. Independent directors actively participate in the work of the Board of Directors and directly cooperate with the Chairman of the Board of Directors. During the meetings, open discussion on all agenda items is maintained; the discussion is of insightful nature; management initiatives for introduction of new corporate governance practices are supported by the Chairman and further implemented by the Company on a practical level.</p> <p>The Code's recommendations to appoint an independent director as the Chairman of the Board of Directors, to include a sufficient number of independent directors on the Board of Directors and to appoint independent directors as chairmen of the committees, as it seems to us, are ultimately aimed at ensuring the effective work of the Board of Directors.</p> <p>Being aware of the priority of the effective work of the Board of Directors over formal implementation of the Code, we also use additional tools to ensure the effectiveness of the Board of Directors of MTS. For example, we conduct an annual assessment of the Board of Directors (in 2020, an external assessment of performance of the Board of Directors of MTS was conducted). Taking into account the aforementioned factors as a whole, with the current composition of the Board of Directors of MTS, we find it impracticable to select and appoint an alternative chairman, even formally meeting all the criteria of independence. In 2021, the Company will return to this non-respected recommendation of the Code after reviewing the results of an annual assessment of the Board of Directors of MTS and the results of an annual benchmarking analysis of the corporate governance practices of MTS.</p> <p>The availability of a strong professional Chairman of the Board of Directors and effective organization of the work of the MTS Board of Directors, makes it formal for MTS to follow the recommendation of the Code on appointment of a senior independent director. When implementing the recommendations of the Code, we follow the principle that each recommendation of the Code shall be evaluated for its usefulness and applicability to the corporate governance system of a specific company. In 2018–2020, we thoroughly studied the available international experience of senior independent directors working on boards of foreign companies, discussed it within the Corporate Governance Committee and came to the conclusion that there was no benefit in adhering to this recommendation for MTS (taking into account the current composition of the Board of Directors of the Company and the available work practices). In particular, 6 out of 9 directors of the Company are independent. Currently, chairmen of 5 out of 6 committees under the Board of Directors of MTS are independent directors.</p>

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
				<p>There is good communication within the company, including between independent directors (thanks to long-term tenure on the Board of Directors of MTS, as well as to the existing succession system); and furthermore, there is a non-dictatorial and open culture of interaction, including with the Company's management and key shareholders. Thus, MTS has no objective need for additional coordination of the independent directors by the senior independent director. Therefore, today we do not see real scope of functions of the senior independent director; however, we do not rule out the fact that in the future their appointment may be necessary in case of any changes to the Board of Directors (quantity, composition). With account of the above, absence of the independent director status with the Chairman of the Board of Directors, and also of the appointed senior independent director does not entail additional risks for the Company and its stakeholders.</p>
		2. The role, rights and obligations of the Chairman of the Board of Directors (and, if applicable, the senior independent director) are properly defined in the internal documents of the Company	<div>⊕ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
2.5.2	The Chairman of the Board of Directors ensures a constructive atmosphere for holding meetings, free discussion of the issues included in the meeting agenda, and control over implementation of decisions made by the Board of Directors.	complied with 1. Efficiency of work of the Chairman of the Board of Directors is assessed within the procedure for assessing performance of the Board of Directors in the reporting period.	<div>⊕ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
2.5.3	The Chairman of the Board of Directors takes the necessary actions for timely providing the members of the Board of Directors with information required to make decisions on the agenda issues.	complied with 1. The obligation of the Chairman of the Board of Directors to take actions for ensuring timely provision of materials to the members of the Board of Directors on the agenda issues of the meeting of the Board of Directors is recorded in the internal documents of the Company.	<div>⊕ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
2.6	The members of the Board of Directors act fairly and reasonably in the interests of the Company and its shareholders on the basis of sufficient awareness, with a sufficient degree of care and diligence.			
2.6.1	The members of the Board of Directors make decisions with account of all available information, in absence of conflict of interest, with account of an equal attitude to shareholders of the Company, within regular entrepreneur risk.	complied with		
		1. Internal documents of the Company stipulate that a member of the Board of Directors shall notify the Board of Directors, if they have a conflict of interest in respect to any issue on the agenda of a meeting of the Board of Directors or a committee under the Board of Directors, prior to discussion of the relevant agenda item.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
		2. Internal documents of the Company assume that a member of the Board of Directors shall abstain from voting on any issue, where they have a conflict of interest.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
		3. There is a procedure at the Company, which makes it possible for the Board of Directors to receive professional consultation on issues that fall within its terms of reference, at the expense of the Company.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
2.6.2	Rights and obligations of the members of the Board of Directors are clearly formulated and recorded in the internal documents of the Company.	complied with		
		1. There is an internal document accepted and published by the Company, which defines the rights and obligations of the members of the Board of Directors.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
2.6.3	The members of the Board of Directors have sufficient time to perform their obligations.	complied with		
		1. Individual attendance of the meetings of the Board and the committees, as well as time allocated for preparation to participate in the meetings was taken into account within the procedure to assess the Board of Directors, in the reporting period.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
		2. In accordance with the internal documents of the Company, the members of the Board of Directors shall notify the Board of Directors about their intent to enter the management bodies of other organizations (apart from subsidiaries and affiliates of the Company), as well as about the fact of such an appointment.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
2.6.4	All members of the Board of Directors are able to access the Company's documents and information to the same extent. Newly elected members of the Board of Directors are provided with sufficient information about the Company and work of the Board of Directors within the shortest time possible.	complied with		
		1. In accordance with the internal documents of the Company, the members of the Board of Directors are entitled to access the documents and make queries related to the Company and its subsidiaries, and executive bodies of the Company shall provide the relevant information and documents.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
		2. There is a formalized program of induction events for newly elected members of the Board of Directors at the Company.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
2.7	Meetings of the Board of Directors, preparation for them and participation by members of the Board of Directors in them ensure the effective work of the Board of Directors.			
2.7.1	Meetings of the Board of Directors are held when required, with account of the scope of activities and objectives of the Company in a certain period of time.	complied with		
		1. The Board of Directors held at least six meetings in the reporting period.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
2.7.2	The internal documents of the Company stipulate the procedure for preparing and holding meetings of the Board of Directors, providing the opportunity for the members of the Board of Directors to properly prepare for its holding.	complied with		
		1. There is an internal document at the Company, which defines the procedure for preparing and holding meetings of the Board of Directors, where it is stipulated, among other things, that notice of a meeting shall usually be made at least 5 days prior to the meeting date.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
2.7.3	The form of holding a meeting of the Board of Directors is determined with consideration for the importance of the agenda items. Most important issues are resolved at the meetings held with physical presence.	complied with		
		1. The Charter or an internal document of the Company contemplates that the most important issues (according to the list set forth in Recommendation 168 of the Code) shall be considered at in-person meetings of the Board.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
2.74	Decisions on the most important issues of the Company's business shall be made at the meeting of the Board of Directors by the qualified majority or the majority of votes of all elected members of the Board of Directors.	partially complied with 1. The Charter of the Company contemplates that the decisions on the most important issues specified in Recommendation 170 of the Code shall be made at the meeting of the Board of Directors by the qualified majority, with at least three quarters of votes, or by the majority of votes of all elected members of the Board of Directors.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	<p>1. The Charter of the Company does not contemplate that the decisions on the issues specified in Recommendation 170 of the Code shall be made at a meeting of the Board of Directors by the qualified majority, with at least three fourths of votes, or by the majority of votes of all elected members of the Board of Directors. In accordance with the Charter, decisions on most issues falling within the competence of the Board of Directors, are taken by the simple majority (more than a half (½) of votes of the members of the Board of Directors attending the meeting). A small number of issues requires a unanimous decision by all members of the Board of Directors, except for retired members of the Board of Directors.</p> <p>In practice, the specified recommendation of the Code is complied with: during the recent years, more than 90% of the Board of Directors' meetings have taken place with 100% participation of members of the Board of Directors. Therefore, in most cases, the simple majority of votes of the Board of Directors' members attending a meeting is comparable to the majority of votes of all elected members of the Board of Directors.</p> <p>After approval of the Code, the issue on implementation of the recommendation was considered by members of the Corporate Governance Committee under the Board of Directors with involvement of other members of the Board of Directors and the management. The Committee came to the conclusion on unreasonableness of introducing stricter procedures for decision-making by the Board of Directors, including due to the fact that their implementation may negatively impact urgency of decision-making. Risks related to incomplete compliance with the recommendation are levelled out by traditionally high attendance of the Board of Directors' meetings by its members, as well as by decision-making procedures adopted at the Company: decisions made by the Board of Directors are based on the consensus of all members of the Board of Directors, and key decisions are first elaborated by independent members of the Board of Directors within the framework of committees' work.</p> <p>In connection with the above, the Company does not plan to achieve full compliance with this recommendation of the Code in this part.</p> <p>At the same time, the Company will continue monitoring the compliance with this recommendation of the Code by the Russian issuers and will evaluate the opportunity of its introduction at MTS PJSC (depending on changes happening in the field of the Russian corporate governance).</p>

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
2.8	The Board of Directors sets up the committees for preliminary consideration of the most important issues of the Company's business.			
2.8.1	For preliminary consideration of the issues related to control of the Company's financial and economic activities, the Audit Committee comprised of independent directors has been established.	complied with 1. The Board of Directors established the Audit Committee made exclusively of independent directors. 2. The internal documents of the Company define the objectives of the Audit Committee, including those contained in Recommendation 172 of the Code. 3. At least one member of the Audit Committee being an independent director has experience and knowledge in the field of preparation, analysis, assessment and audit of the accounting (financial) statements. 4. Meetings of the Audit Committee were held at least once per quarter during the reporting period.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
2.8.2	For preliminary consideration of the issues related to formation of efficient and transparent remuneration practice, the Remuneration Committee has been established, comprised of independent directors and headed by an independent director, not being the Chairman of the Board of Directors.	complied with 1. The Board of Directors established the Remuneration Committee, which is only comprised of independent directors. 2. The Chairman of the Remuneration Committee is an independent director, who is not the Chairman of the Board of Directors. 3. The internal documents of the Company define the objectives of the Remuneration Committee, including those contained in Recommendation 180 of the Code.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	

¹ If objectives of the Nomination Committee are implemented within another committee, specify its name

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
2.8.3	For preliminary consideration of the issues related to HR planning (succession planning), professional composition and efficiency of work of the Board of Directors, the Nomination Committee (for appointments, HR) has been established, the majority of the members of which are independent directors.	partially complied with		
		1. The Board of Directors has established the Nomination Committee (or its objectives specified in Recommendation 186 of the Code are implemented within a different committee ¹), the majority of the members of which are independent directors.	⦿ complied with ⦿ partially complied with ⦿ not complied with	1. Tasks specified in Recommendation 186 of the Code are imposed upon the Remuneration and Nomination Committee.
		2. The internal documents of the Company define the objectives of the Nomination Committee (or the relevant committee with the combined functions), including those contained in Recommendation 186 of the Code.	⦿ complied with ⦿ partially complied with ⦿ not complied with	2. Activities of the Remuneration and Nomination Committee are performed on the basis of the Committee Regulations. In accordance with the Regulations, the Committee's functions include, inter alia, all objectives listed in Recommendation 186 of the Code, excluding sub-clause 8. The objective to describe individual duties of directors and the Chairman of the Board of Directors was not included into the list of functions of the Remuneration and Nomination Committee for the two main reasons: - main duties of the members of the Board of Directors (including the Chairman of the Board of Directors) are clearly defined in the Regulations on the Board of Directors; - the composition of the Board of Directors is stable enough. Therefore, the scope of individual duties of each director has already been formed, and the Company believes that additional description of duties of directors by the Remuneration and Nomination Committee would be of exclusively formal nature and would not be a catalyst for increased efficiency of the Board of Directors' work. The risks related to partial compliance with this recommendation are levelled out by introduction at the Company of an onboarding course for newly elected members of the Board of Directors, which also contains description of duties of directors and the Chairman of the Board of Directors. In connection with the above, the Corporate Governance Committee made a decision on unreasonableness of including the objective specified in sub-clause 8 of Recommendation 186 of the Code into the functions of the Remuneration and Nomination Committee. The Company does not plan to include this objective into the functions of the Remuneration and Nomination Committee. In connection with the above, the Company does not plan to achieve full compliance with this recommendation of the Code in this part.

¹ If objectives of the Nomination Committee are implemented within a different committee, please specify its name.

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
2.8.4	With account of the scope of activity and the level of risk, the Board of Directors of the Company made sure that the composition of its committees fully complies with the objectives of the Company's business. Additional committees were either formed or were not recognized necessary (Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Management Committee, Budget Committee, Health, Safety and Environment Committee, etc.)	complied with		
		1. In the reporting period, the Board of Directors of the Company considered the issue on compliance of the composition of its committees with the objectives of the Board of Directors and the objectives of the Company's business. Additional committees were either formed or were not recognized necessary.	⦿ complied with ⦿ partially complied with ⦿ not complied with	1. As of January 01, 2020, the following committees were formed under the Board of Directors ¹ : - Audit Committee; - Remuneration and Nomination Committee; - Strategy Committee; - Budget Committee; - Corporate Governance Committee; - Special Committee on Compliance. The Budget Committee was liquidated by resolution of the Board of Directors dated April 9, 2020 (Minutes No. 296). The functions of the Budget Committee have been transferred to the Strategy Committee. At the meeting on June 25, 2020, the Board of Directors considered the issue on compliance of the composition of its committees with the objectives of the Board of Directors and the objectives of the Company's business. Established committees continued their work. On December 17, 2020, by decision of the Board of Directors, a Special Committee was established for the project to unite the personnel of MTS PJSC in the integrated office space in Moscow.

¹ Please specify the list of the additional committees established.

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
2.8.5	The composition of the committees was determined so that it made it possible to perform comprehensive discussion of previously considered issues with account of different opinions.	complied with 1. The Committees under the Board of Directors are headed by independent directors.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	As of the date of publication of this report, MTS PJSC has six committees under the Board of Directors (see clause 2.8.4). Five committees are headed by independent directors, while the Strategy Committee is chaired by F.V. Yevtushenkov, who is not an independent director. F.V. Yevtushenkov was elected Chairman of the Strategy Committee on June 25, 2020. The members of the Board of Directors of MTS decided that F.V. Yevtushenkov was the best candidate to perform the duties of the Chairman of the Strategy Committee. F.V. Yevtushenkov has an extensive experience in holding senior management positions and participating in the development and implementation of strategies within various business areas, and there is no doubt about his honesty, integrity and commitment to the interests of MTS. Having analyzed this recommendation of the Corporate Governance Code, we have concluded that the high level of development of the corporate governance system and the established practice of high-quality and constructive discussions in the Strategy Committee do not require implementation of this recommendation of the Code. The results of the external assessment of the Board of Directors conducted in 2020 demonstrate the validity of this approach: the members of the Board of Directors highly appreciate the work of the Strategy Committee, as well as the efforts undertaken by F.V. Yevtushenkov to make the Committee's discussions more active and vivid. Although the Company does not aim to only achieve formal compliance with the recommendation, the Board of Directors returns annually to review non-respected recommendations of the Code. In order to mitigate the risks of failure to comply with this recommendation, the Company listens carefully to the opinions of the members of the Strategy Committee and collects feedback on the quality of its work and organization of discussions, including as part of assessment of the Board of Directors, and seeks to ensure that independent directors are included in the composition of the Committee. In 2021, the Company will return to this non-respected recommendation of the Code after reviewing the results of an annual assessment of the Board of Directors of MTS and the results of an annual benchmarking analysis of the corporate governance practices of MTS.]
		2. The internal documents (policies) of the Company contain the provisions, in accordance with which the persons not included into the composition of the Audit Committee, Nomination Committee and Remuneration Committee may only visit the meetings of the committees upon the invitation of the Chairman of the relevant committee.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
2.8.6	Chairmen of the committees regularly inform the Board of Directors and its Chairman on the work of their committees.	complied with 1. During the reporting period, the chairmen of the committees regularly reported to the Board of Directors about the work of their committees.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
2.9	The Board of Directors provides for the assessment of the quality of the Board of Directors' work, its committees and members.			
2.9.1	The assessment of the quality of the Board of Directors' work is aimed at defining the degree of efficiency of the work of the Board of Directors, committees and members of the Board of Directors, compliance of their work with the needs of the Company's development, as well as at enhancing the work of the Board of Directors and detecting areas, where their activity may be improved.	complied with 1. Self-assessment or external assessment of the work of the Board of Directors performed in the reporting period included assessment of the work of committees, individual members of the Board of Directors and the Board of Directors in general. 2. Results of self-assessment or external assessment of the Board of Directors performed during the reporting period were considered at the in-person meeting of the Board of Directors.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
2.9.2	The work of the Board of Directors, committees and members of the Board of Directors is assessed on a regular basis at least once per year. For independent assessment of the quality of the work of the Board of Directors, a third party organization (consultant) is engaged at least once in three years.	partially complied with 1. In order to conduct an independent assessment of the quality of the work of the Board of Directors during the three recent reporting periods, the Company engaged a third party organization (consultant) at least once.	<div>○ complied with</div> <div>⦿ partially complied with</div> <div>○ not complied with</div>	
3.1	The Corporate Secretary of the Company performs effective current interaction with the shareholders, coordinates the Company's activities aimed at protection of rights and interests of the shareholders, and supports effective work of the Board of Directors.			
3.1.1	The Corporate Secretary has knowledge, experience and qualification sufficient for performance of their obligations, has an impeccable reputation and is trusted by the shareholders.	complied with 1. The Corporate Secretary has knowledge, experience and qualification sufficient for performance of their obligations, has an impeccable reputation and is trusted by the shareholders. 2. On the Company's website in the Internet and in the Annual Report, there is biographic information available on the Corporate Secretary, with the same level of detail as for the members of the Board of Directors and executive management of the Company.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
3.1.2	The Corporate Secretary has sufficient independence of the executive bodies of the Company and has the necessary powers and resources to perform their objectives.	complied with 1. The Board of Directors approves appointment, dismissal of and additional remuneration to the Corporate Secretary.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
4.1	The level of remuneration paid by the Company is sufficient to engage, motivate and retain people who have the necessary competences and qualification for the Company. Remuneration to members of the Board of Directors, executive bodies and other key executives of the Company shall be paid in accordance with the Remuneration Policy accepted at the Company.			
4.1.1	The level of remuneration paid by the Company to members of the Board of Directors, executive bodies and other key executives creates sufficient motivation for their efficient work, making it possible for the Company to employ and retain competent and qualified experts. At the same time, the Company avoids higher remuneration than necessary, as well as unjustified high gap between levels of remuneration paid to the specified persons and employees of the Company.	complied with 1. There is an internal document (documents) accepted at the Company – a policy (policies) on remuneration paid to members of the Board of Directors, executive bodies and other key executives, which clearly defines the approaches towards the remuneration paid to the specified persons.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
4.1.2	The Company's Remuneration Policy has been developed by the Remuneration Committee and approved by the Board of Directors of the Company. The Board of Directors, with the support of the Remuneration Committee, provides for monitoring of introduction and implementation of the Remuneration Policy at the Company – and reviews and amends it as necessary.	complied with 1. During the reporting period, the Remuneration Committee considered the Remuneration Policy (policies) and practice of its (their) introduction, and submitted the necessary recommendations to the Board of Directors, where required.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
4.1.3	The Remuneration Policy of the Company contains transparent mechanisms to determine the amount of remuneration paid to members of the Board of Directors, executive bodies and other key executives of the Company, and also regulates all types of payments, benefits and privileges provided to the specified persons.	complied with 1. The Remuneration Policy (policies) of the Company contains (contain) transparent mechanisms to determine the amount of remuneration paid to members of the Board of Directors, executive bodies and other key executives of the Company, and also regulates (regulate) all types of payments, benefits and privileges provided to the specified persons.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
4.1.4	The Company determines the policy for recovery of expenses (compensations) that details the list of expenses subject to recovery, and the level of service that the members of the Board of Directors, executive bodies and other key executives of the Company may claim for. Such a policy may be part of the Company's Remuneration Policy.	complied with 1. The Remuneration Policy (policies) or other internal documents of the Company establish the rules for recovery of expenses incurred by members of the Board of Directors, executive bodies and other key executives of the Company.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
4.2	The remuneration system for members of the Board of Directors provides for rapprochement between financial interests of the directors with long-term financial interests of the shareholders.			
4.2.1	The Company pays fixed annual remuneration to members of the Board of Directors. The Company does not pay remuneration for participation in individual meetings of the Board or committees of the Board of Directors. The Company does not use any forms of short-term motivation or additional financial incentives in respect to members of the Board of Directors.	complied with 1. Fixed annual remuneration was the only monetary form of remuneration paid to members of the Board of Directors for their work on the Board of Directors during the reporting period.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
4.2.2	Long-term ownership of the Company's shares provides for rapprochement between financial interests of members of the Board of Directors and long-term interests of the shareholders to the largest extent. At the same time, the Company does not provide for the rights to sell the shares by achievement of certain indicators of activities, and members of the Board of Directors do not participate in option programs.	complied with 1. If the internal document (documents) – Remuneration Policy (policies) of the Company – contemplates provision of the Company's shares to members of the Board of Directors, clear rules of share ownership by members of the Board of Directors aimed at promoting long-term ownership of such shares shall be provided for and disclosed.	<div>⦿ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
4.2.3	The Company does not provide for any additional payments or compensation in case of early termination of powers of members of the Board of Directors in connection with transfer of control over the Company or other circumstances.	complied with 1. The Company does not provide for any additional payments or compensation in case of early termination of powers of members of the Board of Directors in connection with transfer of control over the Company or other circumstances.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	
4.3	The system of remuneration for members of executive bodies and other key executives of the Company provides for the dependence of remuneration on the result of the Company's operation and their personal contribution to the achievement of this result.			
4.3.1	Remuneration paid to members of executive bodies and other key executives of the Company is determined so that a reasonable and justified ratio is ensured between the fixed part of remuneration and the variable part of remuneration, depending on the results of the Company's operation and personal (individual) contribution of an employee to the final result.	complied with 1. During the reporting period, the annual indicators of efficiency approved by the Board of Directors were used to determine the amount of variable remuneration paid to members of executive bodies and other key executives of the Company. 2. During the last completed assessment of the remuneration system for members of executive bodies and other key executives of the Company, the Board of Directors (Remuneration Committee) made sure that the Company uses an effective ratio of the fixed part of remuneration and the variable part of remuneration. 3. The Company has the procedure for returning to the Company of bonus payments, which were illegally received by members of executive bodies and other key executives of the Company.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div> <div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
4.3.2	The Company has introduced a program for long-term motivation of members of executive bodies and other key executives of the Company, using shares of the Company (options or other derivative financial instruments, the basic assets under which are the Company's shares).	complied with 1. The Company has introduced a program for long-term motivation of members of executive bodies and other key executives of the Company, using shares of the Company (financial instruments based on the Company's shares). 2. The program for long-term motivation of members of executive bodies and other key executives of the Company contemplates that the right to sell shares and other financial instruments used in such a program arises not earlier than three years after the moment of their provision. At the same time, the right for their sale depends on achievement of certain indicators of the Company's activities.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	
4.3.3	The amount of compensation ("top-echelon parachute"), paid by the Company in case of early termination of powers to members of executive bodies or key executives at the initiative of the Company and with absence of unfair actions from their side, shall not exceed double size of the fixed part of the annual remuneration.	complied with 1. The amount of compensation ("top-echelon parachute"), paid by the Company in case of early termination of powers to members of executive bodies or key executives at the initiative of the Company and with absence of unfair actions from their side, did not exceed double size of the fixed part of the annual remuneration in the reporting period.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	
5.1	The Company has an efficiently operating risk management and internal control system aimed at ensuring reasonable confidence in achievement of objectives set by the Company.			
5.1.1	The Board of Directors of the Company has defined the principles and approaches towards organization of the risk management and internal control system in place at the Company.	complied with 1. Functions of various management bodies and subdivisions of the Company within the risk management and internal control system are clearly defined by the internal documents/relevant policy of the Company approved by the Board of Directors.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
5.1.2	Executive bodies of the Company ensure development and maintenance of functioning of an efficient risk management and internal control system at the Company.	complied with 1. Executive bodies of the Company provided for distribution of functions and powers in respect to risk management and internal control between the managers (heads) of the subdivisions and departments subordinated to them.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	
5.1.3	The risk management and internal control system in place at the Company provides for objective, fair and clear understanding of the current status and prospects of the Company, integrity and transparency of the Company's reporting, reasonableness and acceptability of the risks undertaken by the Company.	complied with 1. There is an approved anti-corruption policy at the Company. 2. There is an available method at the Company for informing the Board of Directors or the Audit Committee under the Board of Directors about the facts of breaching of the law, internal procedures, or the Company's Code of Ethics.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div> <div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	
5.1.4	The Board of Directors of the Company takes necessary actions to make sure that the Company's existing risk management and internal control system complies with the principles and approaches towards its organization determined by the Board of Directors and that it functions effectively.	complied with 1. During the reporting period, the Board of Directors or the Audit Committee under the Board of Directors assessed the efficiency of the risk management and internal control system in place at the Company. Information on the main results of such an assessment is included into the Annual Report of the Company.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	
5.2	The Company organizes an internal audit to systematically and independently assess the reliability and efficiency of the risk management and internal control system and the corporate governance practices.			
5.2.1	In order to conduct an internal audit, a separate structural subdivision has been established at the Company, or an independent external entity has been engaged. Functional and administrative accountabilities of the internal audit subdivision are separated. The internal audit subdivision is functionally accountable to the Board of Directors.	complied with 1. In order to conduct an internal audit, the Company has a separate structural internal audit subdivision, which is functionally accountable to the Board of Directors or the Audit Committee, or an independent third party entity with the same principle of accountability has been engaged.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
5.2.2	The internal audit subdivision assesses the efficiency of the internal control system, the efficiency of the risk management system, and also the corporate governance system. The Company applies the generally accepted standards of activities in the field of internal audit.	complied with 1. During the reporting period, the efficiency of the internal control and risk management system was assessed as part of an internal audit. 2. The Company applies generally accepted approaches to internal control and risk management.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div> <div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	
6.1	The Company and its activities are transparent for the shareholders, investors and other stakeholders.			
6.1.1	There is an Information Policy developed and introduced at the Company, which provides for effective information interaction between the Company, shareholders, investors and other stakeholders.	complied with 1. The Board of Directors of the Company has approved the Information Policy of the Company developed with account of the Code's recommendations. 2. The Board of Directors (or one of its committees) considered the issues related to the Company's compliance with its Information Policy at least once in the reporting period.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div> <div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
6.1.2	The Company discloses information on the corporate governance system and practices, including detailed information on compliance with the principles and recommendations of the Code.	partially complied with		
		1. The Company discloses information on the corporate governance system in place at the Company and the general principles of corporate governance used by the Company, including on the Company's website in the Internet.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
		2. The Company discloses information on the composition of its executive bodies and the Board of Directors, independent members of the Board and their membership in the committees under the Board of Directors (as defined by the Code).	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
		3. If there is an entity that controls the Company, the Company publishes a memorandum of the controlling entity in respect to the plans of such an entity concerning the corporate governance at the Company.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	The Company did not publish a memorandum of the controlling entity in respect to its plans as regards the Company in connection with the fact that such a memorandum was not adopted by the controlling entity. The controlling shareholder of the Company (Sistema PJSC, hereinafter also referred to as the "Corporation"), timely provides public access to information about all of its plans in respect to the Company by means of various information disclosure channels (annual report, notices of significant facts, press releases, etc.), being governed by the principles of protection of the confidential information and rights of the Company's shareholders. Besides, the Corporate Governance Code is available on the website of Sistema PJSC ¹ . The Corporate Governance Code of Sistema PJSC declares the Corporation's aspiration to ensure compliance with regulations and requirements of the current legislation, as well as with the best corporate governance standards followed in practice by its subsidiaries and affiliates. Besides, the Code contains information on principles of building relations within Sistema PJSC Group of Companies. In accordance with the Code, the main objective proclaimed by the Corporation in respect to its subsidiaries and affiliates (portfolio companies) shall be assistance to their comprehensive development for the purposes of the growth of their value. Besides, when making managerial decisions, the Corporation takes into account interests of all shareholders, investors, main consumers of subsidiaries' products, as well as other stakeholders, including state authorities and employees of portfolio companies. In connection with the above, the use of an additional tool of information disclosure (a memorandum of the controlling entity) for disclosure of the public information is unreasonable. Risks of failure to comply with the recommendation are levelled out by the timely and high-quality disclosure of all material information of the Corporation. MTS has no information about plans of Sistema PJSC on acceptance of the aforementioned memorandum. If the controlling entity accepts the memorandum recommended by the Code, it will be published by the Company ² .

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http://www.sistema.ru/fileadmin/user_upload/corporate_documents/kodeks_korporativnogo_upravljenija.pdf

In connection with the fact that formal compliance with the recommendation of the Code depends on the controlling entity, and not on MTS PJSC, the Company has no information on whether failure to comply with the Code's provision is temporary and whether the controlling shareholder intends to comply with the Code in the future. At the same time, the Company will continue monitoring the compliance with this recommendation of the Code by Russian issuers and will initiate the consideration of the issue at the Corporate Governance Committee, if the practices change.

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
6.2	The Company discloses complete, relevant and valid information about the Company in a timely manner to ensure the possibility of making justified decisions by the Company's shareholders and investors.			
6.2.1	The Company discloses information in compliance with the principles of regularity, consistency and efficiency, as well as of availability, validity, completeness and comparability of data being disclosed.	complied with 1. The Information Policy of the Company determines the approaches and criteria for definition of information capable of significantly influencing the assessment of the Company and value of its securities, as well as the procedures providing for timely disclosure of such information. 2. If the Company's securities circulate in the foreign organized markets, substantial information is disclosed in the Russian Federation and in such markets synchronously and equivalently during the reporting period. 3. If foreign shareholders own a substantial quantity of the Company's shares, then during the reporting year, information was disclosed not only in Russian, but also in one of the most common foreign languages.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div> <div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
6.2.2	The Company avoids a formal approach when disclosing information, and it discloses substantial information about its activities, even if disclosure of such information is not provided for by the law.	complied with 1. During the reporting period, the Company disclosed annual and semi-annual financial reporting prepared in accordance with the IFRS standards. The Annual Report of the Company for the reporting period includes annual financial statements made in accordance with the IFRS standards jointly with the auditor's conclusion. 2. The Company discloses full information on the structure of the Company's capital in accordance with Recommendation 290 of the Code in the annual report and on the Company's website in the Internet.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
6.2.3	The Annual Report of the Company, being one of the most important tools for information exchange with the shareholders and other concerned parties, contains information that allows for evaluating the results of the Company's activities over the year.	complied with 1. The Annual Report of the Company contains information on key aspects of the Company's business operations and financial results. 2. The Annual Report of the Company contains information on environmental and social aspects of the Company's business.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div> <div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	
6.3	The Company provides information and documents at the request of the shareholders in accordance with the principles of an equal and unhindered access.			
6.3.1	The Company provides information and documents at the request of the shareholders in accordance with the principles of an equal and unhindered access.	partially complied with 1. The Information Policy of the Company determines an unhindered procedure for providing the shareholders with an access to information, including that on the Company's controlled legal entities, at the request of the shareholders.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	The Company's Information Policy does not stipulate the shareholders' right for access to information on legal entities controlled by the Company. Due to the fact that the Information Policy of MTS is a high-level document only containing the basic principles to which MTS adheres when disclosing material non-public information, a procedure for providing the shareholders with an access to certain types of information has not been included into it. At the same time, recognizing and respecting the shareholders' right to access information on legal entities controlled by the Company, MTS has posted on its corporate website a procedure for providing such information upon request (https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/predostavlenie-informacii-po-zaprosam-akcionerov). MTS regularly (annually) conducts an analysis of corporate governance practices used by other public companies (benchmarking). The benchmarking results are reviewed by the Corporate Governance Committee (since 2021, the Corporate Governance, Environmental and Social Responsibility Committee) under the Board of Directors of MTS in an extended composition (involving the participation of all independent directors). During the Committee's meetings, recommendations of the Code that are not adhered to by the Company are analyzed and the practicability of their implementation is assessed. This recommendation was considered, inter alia, at the meeting held on December 11, 2020; following the review, the directors found that it would be sufficient to disclose a procedure for providing the shareholders with an access to information on the legal entities controlled by the Company on the Company's website. Therefore, as the Company does not aim to only achieve formal compliance with the recommendation, currently it does not seem practicable to include in the high-level document a procedure for providing specific information disclosed on the corporate website. At the same time, the Board of Directors returns annually to review of non-respected recommendations of the Code.

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
6.3.2	When the Company provides information to the shareholders, a reasonable balance is maintained between the interests of specific shareholders and those of the Company itself, which is interested in preserving the confidentiality of its important commercial information capable of exerting a substantial influence on its competitiveness.	complied with 1. During the reporting period, the Company did not reject requests from the shareholders for provision of information, or such rejections were justified. 2. In cases defined by the Information Policy of the Company, the shareholders are warned about the confidential nature of the information and undertake to maintain its confidentiality.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div> <div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	
7.1	Actions that considerably influence or may influence the structure of the joint stock capital and financial condition of the Company and, therefore, the position of the shareholders (major corporate actions) are carried out under fair conditions, providing for compliance with the rights and interests of the shareholders, as well as of other stakeholders.			
7.1.1	Major corporate actions include reorganization of the Company, acquisition of 30 or more percents of the voting shares of the Company (acquisition), closing of major transactions by the Company, increase or decrease in the authorized capital of the Company, listing and delisting of the Company's shares, as well as other actions, which may result in a substantial change in the rights of the shareholders or violation of their interests. The Company's Charter defines a list (criteria) of transactions or other actions, being major corporate actions, and such actions fall within the competence of the Board of Directors of the Company.	complied with 1. The Company's Charter defines a list of transactions or other actions, being major corporate actions, and criteria for their determination. Decision-making in respect to major corporate actions falls within the competence of the Board of Directors. In cases where implementation of these corporate actions is directly related by the law to the competence of the General Meeting of Shareholders, the Board of Directors provides relevant recommendations to the shareholders. 2. The Company's Charter includes at least the following actions, being the major corporate actions: reorganization of the Company, acquisition of 30 or more percent of the voting shares of the Company (acquisition), closing of major transactions by the Company, increase or decrease in the authorized capital of the Company, listing and delisting of the Company's shares.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div> <div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	
7.1.2	The Board of Directors plays a key role in making decisions or developing recommendations in respect to major corporate actions; the Board of Directors relies on the position of the Company's independent directors.	complied with 1. There is a procedure in place at the Company, in accordance with which independent directors state their position on the major corporate actions prior to their approval.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
71.3	When making major corporate actions, which affect the rights and legal interests of the shareholders, equal conditions are provided for all the shareholders of the Company. If the mechanisms stipulated by the law and aimed at protecting the shareholders' rights are insufficient, additional measures are taken to protect the rights and legal interest of the Company's shareholders. At the same time, the Company not only complies with the formal requirements of the law, but also adheres to the principles of corporate governance set forth in the Code.	complied with 1. Taking into account specific features of the Company's activities, the Company's Charter provides for lower minimum criteria to classify the Company's transactions as the major corporate actions, as compared to those established by the law. 2. During the reporting period, all major corporate actions were approved prior to their implementation.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div> <div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	
7.2	The Company provides for such a procedure of making major corporate actions, which enables the shareholders to obtain complete information on such actions in a timely manner and to influence such actions and guarantees the observance and an adequate level of protection of their rights, when such actions are undertaken.			
72.1	Information on major corporate actions undertaken is disclosed with explanation of reasons, conditions and effects of such actions.	complied with 1. During the reporting period, the Company disclosed information on its major corporate actions in a timely manner and in sufficient detail, including grounds and timeline for undertaking such actions.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
72.2	Rules and procedures related to the implementation of major corporate actions by the Company are stipulated in the internal documents of the Company.	partially complied with 1. The Company's internal documents provide for the procedure of engagement of an independent appraiser to define the cost of property alienated or purchased under a major transaction or an interested-party transaction. 2. The Company's internal documents provide for the procedure of engagement of an independent appraiser to evaluate the cost of purchase and redemption of the Company's shares. 3. The Company's internal documents provide for an extended list of grounds, under which members of the Board of Directors of the Company and other persons specified by the law are recognized as interested in the Company's transactions.	<div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div> <div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div> <div>⦿ complied with</div> <div>⦿ partially complied with</div> <div>⦿ not complied with</div>	<p>The Company's internal documents do not provide for an extended list of grounds, under which members of the Board of Directors of the Company and other persons specified by the law are recognized as interested in the Company's transactions. The Russian legislation does not provide public companies with the possibility to extend the list of grounds for being recognized as interested in a company's transactions, as para. 1 of Article 81 of the Federal Law "On Joint-Stock Companies" gives an exhaustive list of grounds for being recognized as interested in a company's transactions, while para. 8 of Article 83 specifically contemplates the possibility to establish a special procedure for making interested-party transactions only for non-public companies. Therefore, being governed by the instructions of the law, the Company does not provide in its internal documents an extended list of grounds for recognizing a member of the Board of Directors as an interested party of the Company's transactions. However, striving to comply with this recommendation actually rather than formally, and to mitigate additional risks, the Company has established the following procedure in its internal documents: The Company has developed and approved, as an Annex to the Regulations on the Board of Directors, a Procedure for Resolution of a Conflict of Interest of Members of the Board of Directors, which includes, among other things, the obligation of a member of the Board of Directors to report a possible conflict of interest and, if any, to refrain from participating in the discussion and voting on the relevant issue (clauses 2.3.2, 2.3.4, 4.3.2 of the Regulations, Annex 1 to the Regulations). Thus, the Company has additional control procedures for transactions that are not considered related-party transactions under the Russian legislation but may include an element of interest, which indicates to partial implementation of the recommendation. The Company will continue monitoring changes in the Russian legislation, as well as corporate governance practices, in order to achieve the implementation of this recommendation to the fullest extent possible. If amendments are introduced to the legislation, allowing a public company to extend the list of grounds for being recognized as an interested party in a company's transactions, MTS PJSC will review the issue of extending the list of grounds for being recognized as an interested party.</p>

ANNEX 5. ANNUAL
CONSOLIDATED FINANCIAL
STATEMENTS OF MTS
PJSC AND SUBSIDIARIES
FOR 2020

Information is available on MTS corporate website at:
Annual statements – Moscow (mts.ru).



ANNEX 6. CONTACTS
AND ADDITIONAL
INFORMATION ABOUT MTS

Information about the Company	<div>Full trade name of the Company:<ul style="list-style-type: none">> in Russian: Публичное акционерное общество «Мобильные ТелеСистемы»> in English: Mobile TeleSystems Public Joint Stock CompanyShort trade name of the Company:<ul style="list-style-type: none">> in Russian: ПАО "МТС"> in English: MTS PJSCLocation of MTS PJSC: 4 Marksistskaya St., 109147 Moscow, Russian Federation Tel.: +7 (495) 911 6555 Fax: +7 (495) 911 6569 Correspondence address of MTS PJSC: 5 Vorontsovskaya St., building 2, 109147 Moscow, Russian Federation E-mail: info@mts.ru Website: http://www.mts.ru</div>
Information on the Shareholder and Investor Relations Department	<div>Location of Shareholder and Investor Relations Department 5 Vorontsovskaya St., building 2, 109147 Moscow, Russian Federation Shareholder relations department Corporate Governance Development of MTS PJSC: Roman Safronov (Director for Corporate Governance) Tel.: +7 (495) 911 6555 Fax: +7 (495) 911 6569 Email: shareholder@mts.ru Investor Relations Department Investor Relations Department, MTS PJSC: Polina Ugryumova (Director of the Department) Phone: +7 (495) 223 2025 Email: ir@mts.ru</div>

President of MTS PJSC_____ **V.K. Nikolaev**

Chief Accountant _____ **A.V.Dvoretiskikh**