Corporate Governance
Results of the year in the context of implementing the Company's strategy

The year of 2017 became for the Board of Directors and the company as a whole a year of sweeping changes, related to start of implementation of 3D strategy: Data. Digital. Dividends and performance of the digital transformation process. For several years the Company’s business has been undergoing evolutionary changes, where its core element — mobile communication services — became surrounded by new components: fixed segment, retail chain, banking services, satellite TV. Acceptance of Digital areas as the main vector of further development resulted in dramatic acceleration of our forward movement towards new areas, and at the same time significantly expanded the horizon of management decisions taken by us. Now we are looking not only at the telecommunications environment, but also at the areas that are less and less connected to it, but in which, in our opinion, we may achieve success. Besides, the management and the Board of Directors of the Company have the following key objective: to focus at a wide spectrum of different markets, prudently selecting areas for concentration of efforts and expansion. And this presents stricter requirements to qualification of the management and increases the price of decision making.

The necessary condition of success achievement in the dynamic requirement is flexibility, therefore, during the year, we added changes to the business structure, the organizational environment, corporate culture, approaches to strategic management. We formulated the principles that we adhere to in process of making decisions under Digital reality conditions.

- The scale of the business core — telecommunications — shall not shadow new areas. Areas that currently generate units of percent in the structure of our revenue, need the same attention as communications, require management resource involvement, we dedicate more and more time to them at the meetings of the Board of Directors and during work in the Committees. We think it is normal, this is payment for growth, progress of the company, for increased business scale.

- Making decisions on new areas, we do not give priority to the concept of synergy with current activities, but strive to grow full-scale independent businesses, which may survive and demonstrate strong operating results in the tough competitive environment. We do not refuse from searching for synergetic effects — it is necessary to use all chances to move towards success, but we proceed from the fact that neither area shall exist at the expense of reduced efficiency of the other one. There is a large telecommunications part of business generating significant cash flow, but we handle this flow pragmatically and prudently, first of all meaning the achievement of company’s sustainability and compliance with all obligations undertaken before the shareholders.

- Innovation projects are characterized by the need for high speed of decision making, fast response to results or change of externa conditions, therefore, such issues are of priority status for the Board of Directors. Jointly with the company management, we strive to both simplify as much
as possible the regulating procedures in such areas, and to respond as fast as possible, when it is necessary for the Board to take part in making corresponding management decisions.

• Having included digital areas in the company’s business sphere, we came to understanding that managers in charge of new product development, shall have more freedom and powers in decision making and undertake more responsibility for the result. Besides, the Board of Directors have higher responsibility that consists in the vision of project implementation results that may be expected at a certain moment of time. Which actions to take, if something is happening not in accordance with the plan? Are the observed deviations permissible, or are they related to inflated expectations in the short run or the capacities of the company in this area were overestimated, and the objectives may not be achieved, and we should exit the project with minimum damage? The answers to the questions above are usually within the sphere of responsibility of the top management and Board of Directors, and we are ready to make decisions of such kind, but it should be noted that currently we do not see the areas, where the company’s activities result dissatisfies us.

• A separate sensitive area is management of integration of organizations merged with MTS through M&A transactions. Acquisition and incorporation into the core business, for example, of regional fixed networks has become a routine procedure for us, however, actions in respect to acquired successful companies in the sphere, let’s say, of financial technologies or digital commerce shall be prudent. First of all, we strive to become an assistant for them, to ensure support and opportunity for further growth. Therefore, all relevant organizational changes take place with mandatory participation of the Board of Directors, and the main condition for making an integration decision shall be confidence in readiness of both parties for successful further activities within the unified corporate structure.

The current composition of the Board of Directors, undoubtedly, has sufficient competences, experience, motivation and personal qualities necessary to perform all functions imposed upon it, and the best confirmation for it shall be high business results of MTS PJSC demonstrated in this year.

In the reporting year we spent certain time on issues of conceptual nature, paradigms that we focus on, while managing the company. And the Board of Directors’ activities results are first of all specific decisions. The following issues were considered in 2017 by the Board of Directors.

• In the field of strategic management, we adopted a small correction of the strategy that consisted in transfer of “System Integration: area from Digital block to Data”. We spent a lot of time to discuss and make decisions on strategy of development of different business areas, both traditional ones (including mobile data transfer, TV) and Digital (in the field of mobile apps, financial services, promising projects of the Innovation Center). All critical decisions related to strategic positioning and definition of company priorities, were formalized within the process of strategic planning and approved by the Board of Directors in autumn last year.

• A large volume of work was held in the M&A field, during the year the company continued consolidation of certain significant assets and entered new spheres related to digital commerce (Ticketland and Ponominalu), investment products (Sistema Capital), cybersport (Gambit Gaming), financial technologies (Litebox). These transactions were also approved by the Board of Directors.

• Promising Digital areas, being the main area of future company growth, are our topmost priority, therefore here we considered issues of operating nature as well, working in close cooperation with the management, on the one side, ensuring the controlling function, and on the other side —

The Board of Directors confirms previously adopted dividend policy for 2016-2018 and declares that the work of management and the Company as a whole is aimed at achievement of our final objective — unconditional compliance with rights and interests of investors, ensuring high level of yield for our shareholders.

1 Detailed information on the strategy is provided in the section “Our Strategy.”
playing the role of the expert council when making some key decisions.

- While properly supervising the level of capital expenses, the Board of Directors spent a lot of time discussing the general CAPEX program of the company, and also individually some projects with key vendors (in particular, supplies of network solutions by Ericsson, Huawei, Nokia).

- During the year we considered some programs of corporate development related to changes of organizational structure, risk management, IT competence management (within transformation of business processes using Agile practices), etc.

- Among other issues that required review by the Board of Directors, one should mention preparation of materials for the annual general meeting of shareholders, approval of the annual report of MTS, establishment of strategic indicators of business efficiency for the company and the management, review and approval of the annual budget, and also the program for long-term remuneration of employees.

Evaluation 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 by evaluation of performance of the Board of Directors.

In 2016 we revised the methodology for evaluation of performance of the Board of Directors, focusing, among other things, on the recommendations of the Corporate Governance Code.

In 2017 we conducted self-assessment of Board of Directors’ work efficiency according to the new methodology for the second time. You may find out more details about its results below in this section.
Development of Corporate Governance System and Plans for 2018

In the reporting year, we continued to improve the Company’s corporate governance system.

As before, our main efforts were focused on Corporate Governance Code introduction.

During the first half of the year, the results of Code Implementation Road Map performance were summarized. It was a journey of more than three years, and for this time we were able to achieve quite a high level of Code execution. Today we may assume that the project was completed. But it does not mean that we will stop following market trends and practices in this sphere.

For details on fulfilment of the Code please see the section on observation of principles and recommendations of the Corporate Governance Code.

We understand that we are unable to objective assess our place in the corporate governance world, relying on our internal feelings only. Therefore, we pay a lot of attention to benchmarking of corporate governance practices available in the market, which provide us with food for analysis and development.

As you all know, we always strive to be at the cutting edge of corporate governance, that is why we pay a lot of attention to new trends. Today we see a stable interest of the investment community in issues of cybersecurity, corporate and social responsibility (through the prism of ESG factors), and many more. These issues are our focus.

Finalizing the results of the year, it is important to note that we are able to stay in the group of leaders of the Russian corporate governance, despite the changing external factors. And such awareness makes us stronger to move forward.

Ron Sommer,
Chairman of Board of Directors, MTS PJSC

1 Environmental, Social and Governance.
Interaction with Shareholders and Investors

MTS Securities

Dynamics of prices and volume of trading in MTS PJSC common shares

Trading platform: MOEX (Moscow), issuer code MTSS
Dynamics of prices and volume of trading in American Depositary Receipts of MTS PJSC

Trading platform: NYSE (New York), issuer code MBT

Market capitalization of MTS PJSC, million RUB (MOEX)

Bloomberg data.
Dividends and share redemption program

Dividend history and forecast – dividends + shares redemption (billion RUB)

Dividend per share (RUB)
- 19.8
- 24.8
- 25.2
- 26.0
- 26.0
- ≈26.0

Dividend per share through redemption (RUB)
- 0.4
- 10.9
- 3.7
- ≈26.0

* paid dividends
* forecast for dividends
* payments under shares redemption program

1 Includes 9.3 billion RUB under redemption program launched in January 2017

2 The amount of annual dividend payment was recommended by the Board of Directors and is subject to approval at the Annual Shareholders Meeting to be held on June 28, 2018.
• In 2017, MTS paid out 52 billion rubles or 26 rubles per share in the form of dividends. In June MTS made the first payment in the amount of 31.2 billion RUB. (15.6 RUB per ordinary share and 31.2 RUB per ADR) on the basis of results of the full 2016. In Q4 MTS additionally paid 20.8 billion RUB or 10.4 RUB per ordinary share (20.8 RUB per ADR) for the first half of 2017. MTS has fully met its obligation to shareholders on payment of dividends.

• In October and December 2016 the Board of Directors made the decision on holding modified Dutch auctions for the share redemption program for the amount of up to 10 billion RUB. Within two rounds in Q4 2016 and Q1 2017 MTS redeemed 21.9 million shares for the amount of 5 billion RUB. MTS also redeemed proportionately the shares of Sistema JSFC to maintain the efficient share of shareholder’s ownership. In general, MTS used 10 billion rubles for the program, having redeemed 35.1 million shares.

• On September 2017 the Company declared Board of Directors’ approval of the MTS share and ADR purchase program from the open market for the total amount not exceeding 20 billion RUB, until April 2019. The purchase program was adopted in accordance with the Rule 10b5-1 of the Securities and Exchange Act 1934 in the current version and Rule 10b-18 of the Exchange Act. Following the results of 2017, within this program the Company purchases 42 million shares and ADR of MTS for the total amount of 11.9 billion RUB, including redemption of the proportionate quantity of shares from Sistema PJSFC.

History of dividend payment in 2017

• In 2017, MTS paid 52 billion RUB in dividends, and also provided additional income for its shareholders at the expense of the shares redemption program. The shares redemption program provides for additional income for shareholders — 10.9 RUB per share or additional 21.8 billion RUB in 2017.

• It is planned that the total amount of dividends in 2018 will make 52 billion RUB and additional 7.3 billion RUB under redemption program (26.0 RUB per share in the form of dividends and 3.7 RUB per share at the expense of redemption).

<table>
<thead>
<tr>
<th>Shares redeemed during the reporting period</th>
<th>Number of shares, including ADSs</th>
<th>% of share capital</th>
<th>Average share price, RUB</th>
<th>Total spent for redemption, RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares redeemed during the reporting period</td>
<td>43,647,128</td>
<td>2.18%</td>
<td>286.80</td>
<td>12,518,183,515</td>
</tr>
<tr>
<td>Total shares redeemed from the moment of program launch as of March 19, 2018</td>
<td>69,044,332</td>
<td>3.46%</td>
<td>287.30</td>
<td>19,836,539,891</td>
</tr>
</tbody>
</table>

1 Actual average price and total amount spent may differ from calculated indicators by the amount of commissions and other relevant expenses.
Interaction with Shareholders and Investors

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 effective legislation and prevalent international practices.

The effective information disclosure system is built taking into account requirements of listing rules of the Moscow and New-York stock exchanges, operates in the Company and assures compliance with the transparency principle.

In order to improve its activities in the sphere of compliance with the interests of investors and shareholders, establishment of trust relations with the partners, MTS continuously strives to improve the level of its transparency and openness.

In accordance with the public availability principle the Company publishes information on significant events at the website of US Securities and Exchange Commission1, of the Russian Information Agency (newsfeed)2, at the official website of MTS: for shareholders and investors4, as well as in iOS application5.

MTS also publishes at its official website other information. The section “For investors and shareholders” 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 and RAS, information on quoted prices of shares and bonds. Annual Report of MTS PJSC is also published in iTunes7.

The Company management is involved into maintenance and development of the effective dialog with equity market participants. MTS representatives regularly participate in international conferences, hold road shows and meetings with in investors, 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.

MTS continuously improves 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 react promptly to requests from employees and contractors, as well as to increase the employees loyalty, "Single Hot Line" Information Resource has been created to the Company. Messages can cover a wide range of issues related to various activities of MTS and its subsidiaries, which enables employees and contractors to obtain exhaustive information in response to their questions.

Main stakeholders of MTS PJSC: shareholders, investors, employees, customers/subscribers, mass media, government, local communities, business.

In case of question related to MTS activities the investors may contact the services on interaction with shareholders and relations with investors.

Corporate Governance Development of MTS PJSC:
Maxim Kalinin (Director for Corporate Governance)
Tel.: +7 (495) 911 6552. Fax: +7 (495) 911 6551.
E-mail: shareholder@mts.ru

Department for Corporate Finances and Investor Relations:
Joshua Tulgan (Director of the Department)
Tel.: +7 (495) 223 2025. Fax: +7 (495) 911 6588.
E-mail: ir@mts.ru

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1 http://www.sec.gov
2 http://www.disclosure.ru
3 http://ir.mts.ru/about-mts/corporate-governance/
4 http://ir.mts.ru
6 http://ir.mts.ru
Investor’s calendar for 2017

The specified information is available at MTS website at http://ir.mts.ru/news-and-events/ir-calendar/.

Matters of interest for investors

Matters of interest for investors in 2017 may be divided into three main blocks.

**Macroeconomic matters:**
- investment appeal of the Russian market;
- main macroeconomic parameters and their impact at company’s business.

**Industrial matters:**
- main trends and drivers of the industry;
- thesis on telecom market recovery in Russia;
- competition;
- pricing policy;
- surplus retail optimization;
- regulatory environment.

**Matters related directly to company’s business:**
- company’s strategy;
- M&A transactions;
- launch of new services and products;
- impact of Sistema and Rosneft litigation at company’s business;
- dividend policy and redemption program;
- capital investments.
Our achievements

1. XX Annual contest of annual reports (organizers: Moscow Stock Exchange and RCB media group). MTS PJSC annual report – prize winner in the nomination “The best disclosure of information on Corporate Governance”.

2. The Chairman of the Board of Directors Ron Sommer entered the rating of “Top-25 Chairmen of the Boards of Directors” within “Director of the Year 2017” National Award ceremony.

5. The Company entered TOP-10 companies with best practice of corporate governance following the results of 2017 research “National Corporate Governance Index” held by the National Association of Corporate Directors and Center of Corporate Development TopCompetence with support of the Moscow Stock Exchange and Lomonosov Moscow State University.

6. Index of Association of Independent Directors: 2nd place in inquiry of experts, managers, investors and owners of business; 19th place according to formal attributes when assessed by the criteria of the British Institute of Directors (in final index prepared on the basis of two researches MTS was included into TOP-6).
3. The independent Director Stanley Miller entered the rating of “Top-50 Independent Directors” within “Director of the Year 2017” National Award ceremony.

4. The independent Thomas Holtrop entered the rating of “Top-50 Independent Directors” within “Director of the Year 2017” National Award ceremony.

7. 7th place in the rating of transparency of corporate reporting among 200 largest companies of Russian (Transparency International).
MTS Group
Governance System

Model of Group management supposes a single development strategy of Group’s companies with regard to priorities and business peculiarities.

**Corporate Center:**
- determines common strategy of the Group, uniform standards, regulations and management procedures.
- looks for new points of growth through the development of new businesses by creation and commercial manufacture of innovative products
- develops strategy and implements the investment policy,
- manages the brand
- defines operational and functional norms, regulations and key indicators for all Business Units,
- controls fulfilment of the business plan by all units of the company,
- carries out large-scale purchases of media resources, equipment and IT products in the interests of the entire Group,
- assists in distribution of best practices within the Group.

Differentiation is associated not only with our intention to generate value in the promising markets, but also with the desire to diversify the service portfolio, thus mitigating the industry risks and strengthening competitive position of MTS. We are taking a broader look at the areas of our operations, going beyond the status of a conventional telecommunications operator, and covering not only a full range of communication services but also the related areas such as financial services, M2M, geo-location and cloud-based services, online cash registers, and also purely innovation services for MTS: telemedicine, cybersport, online training, ticket sales. For each area we choose our operation strategy: purchase or development of new companies, business areas, method of their integration and interaction with the main business. We are looking to create differentiating factors that will enable us to significantly differ from our competitors, to deliver a special value, to provide our customers with a unique customer experience, to create products and services that would not only motivate people to choose MTS, but would also significantly increase our customers’ loyalty.

**Business Unit MTS Foreign Subsidiaries**
Operational management of subsidiaries doing business in the territory of Turkmenistan, Armenia and the Republic of Belarus.

**Business Unit MTS Ukraine**
Management of activities in Ukraine.
MTS PJSC is successfully implementing the goals on strengthening of its leadership and maintenance of high business efficiency due to an effective management of the Group of Companies.

Coordination Commissions by the main areas of activities are operating for the discussion of strategic and operational issues at the expert level.

### Main business areas of the Group

#### Telecommunications
Key competence, core business. Intellectual, organizational and management potential gained is used as a basis to look for the points of growth at the adjacent markets, using synergy effect of interaction with the parent company.

#### Fixed business
MTS is among the largest Russian companies providing services of a broadband access (BBA) to the internet and cable television. Synergy with the fixed BBA is used to provide to MTS customers a digital cable television (IPTV and DVB-C), video services, complex solutions for offices, combining landline and mobile communications.

#### Mobile retail (MTS Retail Chain)
is the key channel of customers attraction and service. Our subscribers can always receive in MTS offices a full range of services provided by the operator, including of services of the broadband access to the internet and television. Own retail network of MTS, having combined the opportunities of telecommunications and banking technologies, is the key tool for integration of the operator and MTS Bank. Using this channel to sell the financial services and promote consumption of the data transfer services, including by selling our own range of branded subscriber devices, facilitates the increase of operational efficiency.

#### System integration
Due to NVision Group the operator offers comprehensive services in the areas of IT, communications and system integration to its customers. Considering that IT market is growing faster than traditional telecommunication services for the corporate customers, the entire business of MTS experiences a positive impact.

#### Design and development of billing platform (MTS-IT)
Ensuring unified structure engaged in development of billing system and some other key IT systems, simplification and acceleration of software products testing processes and optimization of internal IT expenses.

#### Banking and Financial Services (MTS Bank)
Partnership with MTS Bank allowed us to become an integrated provider of telecom and financial services, use a synergy of the two areas to increase a loyalty and monetization of customers, become the first provider of financial services for the largest subscriber base in Russia in order to increase loyalty and service life of the subscribers and rise ARPU.

#### Satellite TV
Entering satellite TV market was a logical development of the largest carrier business in Russia, which enables to achieve additional synergy of the existing resources and present a completely new product for Russia which combines the advantages of satellite TV and mobile communication.
Structure of Management and Supervisory Bodies

1. General meeting of shareholders
   - Election
   - Recommendations

2. Board of Directors
   - Audit Report
   - Results of inspections
   - Control of decision-making by management bodies
   - Monitoring, appointment
   - Report, preliminary review of materials, execution of decisions

3. Management Board

4. President

5. Subsidiaries

6. Auditing Commission

7. External Independent Auditor

8. Branches and Representative Offices

9. Work Monitoring
Committees under the Board of Directors

- Budget Committee
- Audit Committee
- Appointments and Remuneration Committee
- Corporate Governance Committee
- Strategy Committee
- Special Committee of Independent Directors on MTS Bank project (since March 01, 2018)

Committees under the President

- Discipline Committee
- Committee for Products, Tariffs and Services
- Disclosure Committee
- Risk Committee
- Job Evaluation Committee
- Brand and Customer Experience Committee
- Committee for Management of Strategic Equipment Vendors in MTS Group
- Billing Domain Management Committee
- Committee of MTS and Comstar IT Systems Integration Program
- Financial Technologies Management Committee
- Investment and Tender Committee
- Committee for Increasing Involvement
- TB and BIT Efficiency Improvement Committee
- Committee for Modifying ERP Systems of MTS Group
- Committee on MTS PJSC
- CSR Committee
- Managing Committee Btg Data CC of MTS Group
- Committee for Improving Efficiency of the Procurement Management Unit and Administrative Unit of MTS Group CC
- Committee for Improving Efficiency of Sales and Service Unit of MTS Group CC
- Committee for Improving Efficiency of Marketing Unit and Operator Business Development Unit of MTS Group CC
- MTS PJSC Investment Committee of Regions
- Compliance Committee
- Committee for Implementation of Programs and Projects of Development in System Integration Sphere of MTS PJSC and NVision Group JSC
- Managing Committee M2M/IoT CC of MTS Group
- PRIVATE CLOUD and NFV Projects Managing Committee
## Structure of management and control bodies

<table>
<thead>
<tr>
<th>Governing Bodies</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>General meeting of shareholders</td>
<td>Higher Governing Body of MTS PJSC. Procedure for the General Shareholders’ Meeting is aimed at assurance of adherence to the rights of shareholders, and meets all the requirements of the Russian Federation legislation. Procedure for preparation, convocation, holding and summarizing results of the General Shareholders’ meeting is defined by the Charter and Regulation on the General Meeting of MTS PJSC Shareholders.</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>Board of Directors exercises a general management of MTS PJSC activities. It is a key element of the corporate governance system of the Company, representing interests of shareholders through the effective management organization. Establishment procedure, status, composition, functions, purposes and goals, powers of the Board of Directors, its operating procedure and interaction with other management bodies of the company are determined by the Charter and Regulation on the Board of Directors of MTS PJSC.</td>
</tr>
<tr>
<td>Management Board</td>
<td>Collective executive body of MTS PJSC. It shall organize an effective day-to-day management of current activities of the Company, including implementation of decisions taken by the Board of directors within its current competences. Number and identities of the Management Board members shall be approved by the Board of Directors upon a proposal of the President. Management Board Chairman is the President of the Company. Management Board follows the Charter and the Regulation on Management Board of MTS PJSC in its activities.</td>
</tr>
<tr>
<td>President</td>
<td>Sole executive body of MTS PJSC who exercises a day-to-day management of current activities of the Company. 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 Company’s employees. The President governs the Company’s activities in accordance with the Charter and the Regulation on President of MTS PJSC.</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th><strong>Internal Control System</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audit Committee under the Board of Directors</strong></td>
<td>The Audit Committee is a collegial advisory body of the Board of Directors that reviews issues related to monitoring of risk management and internal control system performance, reliability of the financial statements of MTS Group, consideration of nominees and assessment of performance of external auditors, and also provides recommendations to the Board of Directors for to make decisions on such issues.</td>
</tr>
<tr>
<td><strong>Auditing Commission</strong></td>
<td>Auditing Commission is a permanent elective body of the Company, exercising periodic control over the financial and economic activities of the Company, activities of its management bodies and officers. Its activities are regulated by the Charter and the Regulation on Auditing Commission of MTS PJSC.</td>
</tr>
<tr>
<td><strong>Internal Control and Audit Unit</strong></td>
<td>The Internal Control and Audit Unit is an independent structural subdivision of MTS PJSC and consists of the Internal Audit Department, Control Department, Methodology and Coordination Department. Head of the Internal Control and Audit Unit is the Director for Internal Control and Audit who is functionally subordinated to the Board of Directors of MTS PJSC, and administratively subordinated directly to the President of MTS PJSC. Objectives, tasks, obligations, principles of functioning and powers of the Internal Control and Audit Block are set in the Policy &quot;Internal Control and Audit&quot;. The Internal Control and Audit Block regulates its activities complying with the mandatory guidance of the international Institute of Internal Auditors, which includes Main Principles of Professional Practice of Internal Audit, Code of Ethics, International Professional Standards of Internal Audit and Internal Audit Definition.</td>
</tr>
<tr>
<td><strong>Department of Internal Control Systems</strong></td>
<td>The Internal Control Systems Department is a business unit, which is included into the Finance and Investment Block of MTS PJSC Corporate Center and comprises the ICS Development and Methodology Department, Certification and SoD Analysis Department, ICS Development and Support in CD Department, Center of Training Competence of ICS in SSC, and also the distributed Internal Control Systems Center in five regions of the Russian Federation. The Internal Control Systems Department is headed by the Director of the Department, which is directly subordinate to the Management Board Member, Vice-President for Finance, Investments, Mergers and Acquisitions of MTS PJSC and is accountable to the Audit Committee under the Board of Directors of PJSC MTS.</td>
</tr>
<tr>
<td><strong>Compliance Department</strong></td>
<td>Compliance Department is an independent structural unit consisting of compliance system development, subsidiaries relations, unified compliance system coordination groups, compliance communication group and control compliance group. The Director of the Department is directly subordinate to the President of MTS PJSC and is accountable to the Audit Committee of the Board of Directors and the Board of Directors of MTS PJSC. The activities of the department are regulated by the Regulations on Compliance Department.</td>
</tr>
<tr>
<td><strong>Auditor</strong></td>
<td>Independent assessment of reliability of accounting (financial) statements of the Company. In order to audit and approve the annual financial statements of the Company, the General Meeting of Shareholders shall annually approve the Auditor.</td>
</tr>
</tbody>
</table>

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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, Regulation on the General Meeting of Shareholders of MTS PJSC,¹ and the requirements of legislation of the Russian Federation.

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

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

Notifying shareholders on holding of the General Meeting of Shareholders

Shareholders shall be notified on holding of the General Meeting of Shareholders through publication of this information at the official website of the Company (www.mts.ru) at least in 30 (thirty) calendar days before its date.

The message on conductance of the General Shareholders’ Meeting may be additionally sent to the persons entitled to participate in the General Shareholders’ Meeting 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.

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; model proxy form shall be published at 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 Board of Directors on issues of the agenda of the General Shareholders’ Meeting, and to voice their opinion on issues of the Meeting’s agenda by sending e-mails to the address shareholder@mts.ru.

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 the General Meetings of Shareholders is carried out through a direct participation in the meeting or filling and sending to the Company (and to its registrar) of ballots for voting on the agenda issues.

Organization and holding of the General Meetings of Shareholders shall be arranged in a way allowing for an

¹ http://ir.mts.ru/about-mts/corporate-governance/company-documents/
unburdensome access of all the shareholders. General meetings held in the form of a joint attendance shall be organized only in the city the Company is located (in Moscow) at addresses convenient for coming and personal participation of the shareholders and their representatives.

Over the last years we have been giving our shareholders the opportunity to follow the meeting in real time on MTS website. Video record of the meeting is available after the end of the meeting at MTS website in the “General Meetings of Shareholders” section. Besides, activities allowing to demonstrate innovative technologies of МТС and to receive consultation on various projects of the Company were arranged during the registration of shareholders.

Electronic services for shareholders

Electronic voting

In 2016 we launched, and in 2017 we continued successful experience of using e-voting when holding shareholders’ meetings. At the annual and extraordinary General Meeting of Shareholders, on June 29 and September 30, 2017, MTS shareholders could remotely attend the meeting via the MTS Shareholder’s Personal Account: to view the broadcast, to study meeting materials, to send a question to the Meeting Presidium and to vote.

E-voting is available to all shareholders: those that store their shares directly in the register, or customers of the broker, depositary or Central Depositary.

Personal Account of the Shareholder

In 2017 we proposed to our shareholders a convenient online service — MTS Shareholder’s Personal Account.

The personal account was developed specially for MTS shareholders in our corporate style. It provides shareholders with 24/7 access to information on the quantity and cost of their shares, accrued and paid dividends, contacts and useful links; makes it possible to attend general meetings of shareholders through Internet, including review of meeting materials, watching online broadcast that are held in presence, to send questions to the Meeting Presidium directly in process of the
meeting; makes it possible to fill in document forms in advance for transactions in the securities owners register and to receive notices on delivery of documents under the shareholder’s personal account.

During the annual general meeting of MTS shareholders in June 2017, our shareholders in real time observed not only the meeting process from the screens of their gadgets, but also monitored voting online from the MTS shareholder’s Personal Account.

Mobile app for shareholders

In 2017 we declared development of a mobile app for our shareholders.

In 2018 our shareholders may participate in the annual General Meeting of MTS Shareholders with the help of a mobile app Shareholder.online, developed by the MTS registrar — JSC Independent Registrar Company.

Apart from voting at the shareholder’s meeting, the app will make it possible to study materials of the meeting, to watch its broadcast and ask a question to the Presidium. Such app will provide access to information on quantity and cost of shares in the shareholder’s account in the registrar, and will also notify about delivery of documents to its account in the registrar.
General Shareholders’ Meetings in 2017

Two General Shareholders’ Meetings were conducted in 2017.

Annual General Meeting of MTS PJSC shareholders
June 29, 2017
In the form of joint attendance
(minutes No.41 dated 29.06.2017)

The Annual General Shareholders’ Meeting approved the Annual Report for 2016 and annual accounting statements for 2016. A decision on the profit distribution was taken, and the dividends were announced on the results of the reporting 2016. New compositions of the Board of Directors of the Company and Auditing Commission were elected.

Company’s auditor was appointed

Changes to the Charter, Regulations on the Board of Directors were approved.

The decision was made on reorganization of MTS PJSC via subsidiaries incorporation into MTS PJSC: TP LLC, COMSTAR KMAO JSC, SMARTS Yoshkar-Ola JSC.

New revisions of the documents were drawn up with regard to legislation changes, requirements of regulating bodies and recommendations of the Corporate Governance Code.

Extraordinary General Meeting of MTS PJSC shareholders
September 29, 2017
in the form of absentee voting
(minutes No.42 dated 02.10.2017)

The extraordinary General Meeting of Shareholders decided to distribute the profit (payment of dividends) of MTS PJSC based on the results of the first half of 2016, on making amendments and additions to the charter of MTS PJSC, as well as made decision on participation of MTS PJSC in non-profit organizations:

- Association of Participants in the Internet of Things Market.

Quorum of annual General meetings of shareholders of MTS PJSC for the last 5 years

![Quorum Graph](image-url)
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.

In companies aimed at long-term successful development, the role of the Board of Directors increases dramatically, since the Board of Directors have act reasonably and in good faith for the benefit of the company and its shareholders.

The Board of Directors is a strategic management body, whose main objective is the implementation of general (directing) management of the company’s activities, as well as execution of supervisory and overseeing functions. First of all, its competence include the most important issues of the Company’s management, such as strategy definition, investment and budget planning, developing management motivation and evaluation 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.

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

The main purposes of the Board of Directors are:

- development and analysis of general corporate strategy, control over its implementation;
- providing for the control over executive bodies and chief executives of the Company, and evaluation of their activities;
- increase of capitalization of the Company, expansion of its market positions, achievement and preservation of the Company’s competitiveness;
- maintenance of a stable financial standing, increase of revenues and profitability;
- protection of rights and lawful interests of Company’s shareholders.

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 don’t have significant contradictions over.

Plan of 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 Company’s operation: strategy, finances, budget and risks, HR matters. Such plan shall be prepared with regard to the suggestions of the Board of Directors members and Company’s managers. All issues of 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.

To hold the 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, briefing with BoD members (PreBoard), the meeting of the Board of Directors, and to make all practical arrangements: on provision of simultaneous translation, services on hotel booking, transfers, catering, etc.

Chairman of the Board of Directors holds monthly meetings/consultations in the form of audio conferencing with representatives of shareholders and/or managers 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 Company's systems and processes.

We believe it is a good practice allowing to share ideas and observations from their experience of working with other companies and businesses, which at the end of the day enriches our discussions in the Board of Directors and forms a strong base for right decisions of the executives.

Our Company has the practice of field meetings of BoD. This approach allows for BoD members to combine discussion of planned meetings' issues with analysis of Company's operation in specific regions, and business meetings with the heads of Company's branches.

Electronic document management system — “Portal of the Board of Directors”

MTS (Board of Directors, Management Board, Committees of the Board of Directors and the President) and subsidiaries of MTS Group effectively operate electronic document management system – Portal of the Board of Directors, installed on personal tablets of members of the management bodies. In 2017 we finalized functional capabilities of the Portal, in particular, the following improvements were implemented.

1. System user questionnaire: makes it possible to construct different surveys. For example, in November 2017 for the first time the performance of the Board of Directors was assessed through the Portal in November 2017.

2. Additional section with information on security transaction bans: includes relevant information on “closed” periods.

In 2018 we plan to implement the capability of voting at the Portal, at the meetings of the management bodies, with the help of an electronic signature on a SIM-card.

These improvements allowed us to accumulate in a single mobile space the necessary and relevant set of options for the work of members of the Company's collegial management bodies, to automate their work, as well as to improve the ergonomics of the system's use.

2017 saw 10 meetings of the Board of Directors, including six in-person meetings and four meetings by correspondence.

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1 In accordance with best practices, the Company establishes restrictions for all employees and members of management bodies to make transactions with MTS securities in so called “closed periods”. Another “closed period” starts every time on the first day of the financial quarter and ends in 2 business days after publication of the MTS financial results for the preceding financial quarter. The “open” period starts immediately after the end of the “closed” period and ends on the first day of the financial quarter. In practice the “open” period is from 2 to 5 weeks in each quarter.
Participation of the directors in meetings of the Board of Directors in 2017

<table>
<thead>
<tr>
<th>Director</th>
<th>In-praesentia meeting</th>
<th>In-absentia meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ron Sommer</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Aleksandr Evgenievich Gorbunov</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Andrey Anatolievich Dubovskov</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Artem Ivanovich Zasursky</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Michel Combes</td>
<td>6</td>
<td>4</td>
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<tr>
<td>Stanley Miller</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Vsevolod Valerievich Rozanov</td>
<td>6</td>
<td>4</td>
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<tr>
<td>Regina von Flemming</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Thomas Holtrop</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Mikhail Valerievich Shamolin</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

1 Elected as a member of the Board of Directors on June 29, 2017.
2 Powers of the Board of Directors member terminated on June 29, 2017.

Duration of meetings of the Board of Directors and committees in 2017

<table>
<thead>
<tr>
<th>Meetings (in presence)</th>
<th>Number</th>
<th>Average duration (h)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>6</td>
<td>3.3</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>10</td>
<td>1.5</td>
</tr>
<tr>
<td>Remuneration and Nomination Committee</td>
<td>6</td>
<td>1.5</td>
</tr>
<tr>
<td>Corporate Governance Committee</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Strategy Committee</td>
<td>5</td>
<td>2.2</td>
</tr>
<tr>
<td>Budget Committee</td>
<td>5</td>
<td>2</td>
</tr>
</tbody>
</table>

Over 90% meetings of the Company’s Board of Directors were held with 100% participation of the Board of Directors members.
MTS Group Governance System

Structure of issues reviewed at meetings of the Board of Directors in 2015-2017

- Strategy, key business areas
- Finance, audit
- Corporate governance
- Transaction approval
- HR and organizational structure
- Participation in subsidiaries and affiliates
- Other

Number of meetings of the Board of Directors in 2015-2017

- Absentee
- In-person

Number of issues considered at meetings of the Board of Directors in 2015-2017

- Actual
- Scheduled
Agenda items of the meetings of the Board of Directors of MTS PJSC in 2017, decisions on which had significant importance for the Company

1. MTS Group strategy for 2018-2020, MTS PJSC foreign assets development and management strategy.
2. Review of the results of MTS Group budget fulfilment for 2016, on MTS Group budget adoption for 2018.
3. Appointment of the President of MTS PJSC.
4. Election of MTS PJSC Management Board Members.
5. Procedure of implementation of MTS PJSC bond option program.
8. Acquisition of subsidiaries, participation of MTS PJSC in other organizations.
9. Approval of the repurchase price of MTS PJSC shares.
10. Approval of the agreement between the strategic partnership between MTS PJSC and Rostelecom PJSC.
12. Review of reports:
   • on risk management;
   • on evaluation of completion of individual tasks of the President and Management Board members;
   • on business status of essential subsidiaries of MTS PJSC;
   • on the results of the self-assessment of the Board of Directors;
   • on operation of the units of internal audit, control and compliance, including the report on risk management system efficiency;
   • on CSR program implementation.

Instructions of the Board of Directors given to managers of the Company

Members of the Board of Directors get information on the status of completion of Board’s assignments at each in-person meeting. Proper completion of the Board of Directors’ assignments is one of the conditions for awarding the Company’s personnel.

In 2017 the Board of Directors gave 38 instructions to managers of the Company.
Composition of the Board of Directors

The composition and structure of the Board of Directors affects its performance, and thus performance of the entire Company; with that, the important aspect is the balance of the composition in terms of qualifications of its members, their experience, 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 the difficult situation based on the information prepared by management, relying on his experience and ability to quickly analyze information, checking responses to the questions asked.

The quantitative composition of the Board of Directors of the Company is permanent. The Board of Directors was elected at the annual General Meeting of MTS PJSC Shareholders on June 29, 2017, and for the entire of 2017 it consisted of nine (9) 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, to provide high efficiency of work and fully meets the needs of the Company and interests of the shareholders. Issues related to the needs of the Board of Directors in the field of professional qualification, experience and business skills of the members of the Board of Directors, and also to the quantitative composition, were considered within the framework of the procedure for assessment of the Board of Directors’ work (in more detail – section “Assessment of the Performance of the Board of Directors”).

The qualitative corporate governance system and the effectively operating Board of Directors are the critical conditions of long-term sustainable development of a contemporary company.

We recognize that independent directors should be included in the composition of the Board of Directors for effective implementation of its functions and making informed decisions, ensuring control over management in the interests of the company’s owners. Independent directors allow to ensure a reasonable balance of interests of all the parties concerned: the Company itself, its shareholders and other concerned parties. 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 2015, we increased the number of independent directors in the Board of Directors to four. 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.

Criteria of independence of the Board of Directors’ members are defined in the Regulation on the Board of Directors of MTS PJSC1 and correspond to state-of-the-art international practices of corporate governance. It is worth noting that current independent directors fully correspond to the criteria of independence stipulated both in the Corporate Governance Code and in the Listing Regulations of the Moscow Exchange and NYSE.

NYSE listing also adds additional obligations for us related to the composition of the Board of Directors: we are 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.

Composition of the Board of Directors as of December 31, 2017

![Composition of the Board of Directors](http://ir.mts.ru/about-mts/corporate-governance/company-documents/)

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According to recommendations of the Code, key committees: Audit Committee, and also Remuneration and Appointments Committee are formed exclusively from independent directors. Other committees include at least two independent directors.

For key projects, the Board of Directors establishes Special Committees, which also include independent directors. For example, such committee, consisting only of independent directors, was established in 2018 for the project of MTS PJSC share increase in authorized capital of MTS-Bank PJSC.

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 him 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 the BoD members, representatives of the majority shareholder and managers of the Company. Following the strategic sessions results, the matter of update of the Company’s strategy and development plan shall be presented to the Board of Directors for consideration.

Independent Directors are actively involved in preliminary discussions of related-party transactions before their review by the Board of Directors. The Company also implements a practice of preliminary review of transactions at the meetings of the Audit Committee under the Board of Directors consisting only 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.
Numerical composition of the Board of Directors and Committees in 2015-2017

Share of Independent Directors in the composition of the Board of Directors and Committees in 2015-2017
Ron Sommer

Non-executive Director
Chairman of the Board of Directors
Chairman of the Strategy Committee under the Board of Directors

In 2017 entered the rankings of “25 best representatives of the Board of Directors” during the ceremony of “Director of the year 2017” National Awards

Born in 1949 in Haifa.

In 1971 graduated from the University of Vienna and earned Ph.D. in Mathematics.

Professional experience

In 1980 took the position of an executive director in the German branch of Sony Group, in 1986 became the Chairman of Sony Deutschlands Management Board.

1990–1993: President and Chief Operating Officer of Sony Corporation (USA).


1995–2002: Chairman of the Management Board of Deutsche Telekom AG.

2004–2009: member of Motorola Inc. Board of Directors (USA).

2004–2012: member of the International Advisory Board of Blackstone Group.

2006–2009: member of the Board of Directors in WEATHER INVESTMENTS (Italy).

2009–2011: First Vice President and the Head of “Telecommunication Assets” business unit of JSFC Sistema OJSC.

2009–2015 — Chairman of the Board of Directors of SHYAM TELESERVICES Limited (India).

Member of the Supervisory Board of Munich Reinsurance company, member of the Board of Directors of Tata Consultancy Services, Chairman of the Supervisory Board of VF Ukraine PrJSC, member of the Board of Directors of Sistema PJSC.

Citizenship: Germany.

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Shareholders’ Meeting on June 25, 2009.

As of December 31, 2017 he owned ordinary registered shares of MTS PJSC in the amount of 129,770 shares.
Andrey Dubovskov
Executive Director
Member of the Corporate Governance Committee under the Board of Directors
Member of the Strategy Committee under the Board of Directors

Born in 1966 in Almaty.

In 1993 graduated from the All-Russian State University of Cinema n.a. S.A. Gerasimov with the specialty in film direction.

Professional experience


2006–2007: Director of “Ural” Macro-Region of MTS PJSC.

2007–2008: First Deputy CEO of MTS Ukraine PrJSC.

2008–2011: CEO of MTS Ukraine PrJSC.

2011–2018: President, Management Board Chairman of MTS PJSC.

2018 to present: President, Management Board Chairman of Sistema PJSC.

Chairman of the Board of Directors in MGTS PJSC and Russian Telephone Company JSC, Deputy Chairman of the Board of Directors in “Mobile TeleSystems” JLLC, member of the Supervisory Board in VF Ukraine PrJSC, member of the Board of Directors in JSFC Sistema OJSC, Member of the Board of Trustees of BF Sistema, member of the Board of GSM Association (GSMA).

Citizenship: Russia.

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Shareholders’ Meeting on June 27, 2011.

As of December 31, 2017 he owned ordinary registered shares of MTS PJSC in the amount of 467,805 shares.
Aleksandr Gorbunov

Non-executive Director
Deputy Chairman of the Board of Directors
Member of the Strategy Committee under the Board of Directors

Member of the Budget Committee under the Board of Directors

Born in 1967 in Moscow.

In 1992 graduated from Moscow Engineering Physics Institute with specialty in experimental nuclear physics and plasma physics.

In 1999 earned MBA from Harvard University.

Professional experience

2002–2003: Deputy CEO of NTP Intellect Telecom OJSC.

2003–2005: Head of the Strategic Analysis Service, Chief Strategy Officer of the Strategic Analysis Department of MTS OJSC.

2005–2006: Head of the Corporate Development Department, acting First Vice President and the Director of Strategy and Development Complex of JSFC Sistema OJSC.

2006–2010: Vice President for Strategy and Development of Komstar-OTS OJSC.

2010–2012: Executive Vice President for Telecommunication Assets Development of “Basic Assets” Business Unit of JSFC Sistema OJSC.

2012–2015: Executive Vice President (Investment Portfolio) of JSFC Sistema OJSC.

2015–2018: Vice President, manager of telecommunication assets of Sistema PJSC.

2018 to present: Member of the Management Board – Vice President, Strategy and Development, MTS PJSC.

Chairman of the Board of Directors in SISTEMA SHYAM TELESERVICES LIMITED, member of the Board of Directors of Detskiy Mir PJSC.

Citizenship: Russia.

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Shareholders’ Meeting on February 14, 2013.

As of December 31, 2017 he didn’t own shares of MTS PJSC (directly/indirectly).
Michel Combes

Independent Director

Member of the Audit Committee under the Board of Directors

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

Member of the Strategy Committee under the Board of Directors

Born in 1962 in Bologna.

He graduated from Ecole Politechnique and National Higher School of Telecommunications in Paris; he has degrees from Paris Dauphine University (Ph.D. in the Corporate Strategy) and Conservatory of Arts and Crafts (Ph.D. in Prognostics).

Professional experience


2008–2012: European CEO of Vodafone, London; Non-executive Director of Vodafone PLC.


2010–2013: Director of ISS.

2013–2015: Chief Executive Officer of Alcatel-Lucent SA.

2014–2015: Non-executive Director, member of ALTICE Audit Committee.

2015–2016 — Member of the Board of Directors and Chief Executive Director of Altice NV.

2015–2017 — Chief Executive Director and Chairman of Board of Directors of SFR Group.

President, Financial Director, Member of the Board of Directors of Sprint Corporation, Non-Executive Director of HDL Development.

Citizenship: France.

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Shareholders’ Meeting on February 14, 2013.

As of December 31, 2017 he didn't own shares of MTS PJSC (directly/indirectly).
Born in 1958 in Winberg, Cape Town, South Africa.

Citizen of Belgium and South Africa. Resides in Belgium.

Degree in Law and Administration from South Africa University and degree in Personnel Management from Management and Trade University in Cape Town (South Africa).

He completed several programs of business administration including the Proteus Leadership program in London Business School.

Professional experience


1994 to the present day — Chief Executive Officer of Athena Investment Holdings SA Luxembourg (former Leaderman — SA Luxembourg).

1997 to the present day: Chief Executive Officer of Leaderman — NV Belgium.

1998: Chief Executive Officer of KPN Orange.

1998–2010: Chief Executive Officer of Royal KPN NV.


2001–2010: Chairman and CEO of BASE NV Belgium; President of KPN Mobile International.

2002 to the present day: Chief Executive Officer and owner of ULS BVBA Belgium.

2004–2010: Chairman, Executive Member of the Board of Directors of E-Plus Germany.

2002 to the present day: Chief Executive Officer and owner of Milvest BVBA Belgium.

2006–2010: Chairman of the Board of Directors in E-Plus GMBH Germany.

Director and owner of Main Branch Pty South Africa, director of Arrow Creek Investments 75 (PTY) LTD South Africa, Chairman of the Board of Directors of Ice Group (former AINMT Holdings AB), non-executive director of MTN Group Limited.

Citizenship: Belgium.

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Shareholders’ Meeting on June 24, 2010.

As of December 31, 2017 he didn’t own shares of MTS PJSC (directly/indirectly).
Vsevolod Rozanov
Non-executive Director
Deputy Chairman of the Board of Directors
Chairman of the Budget Committee under the Board of Directors
Chairman of the Corporate Governance Committee under the Board of Directors
Member of the Strategy Committee under the Board of Directors

Born in 1971 in Moscow.

He graduated from the Economic Department of Moscow State University n.a. M.V. Lomonosov with specialty in Economics of Foreign Countries.

Professional experience


2006–2008: Vice President for Finance and Investments, Management Board member of MTS OJSC.

2008–2013: President of SISTEMA SHYAM TELESERVICES LIMITED (India)

2013–2018: Senior Vice President, Head of the Finance and Investments Complex, Management Board member in Sistema PJSC.

2018 – to present: Managing Partner, Member of the Management Board, Sistema PJSC.

Chairman of the Board of Directors in MTS-Bank PJSC, Deputy Chairman of the Board of Directors in SISTEMA SHYAM TELESERVICES LIMITED, member of the Board of directors of LLC Sistema Capital MC, EAST-WEST UNITED BANK S.A., Landshaft LLC, Segezha Group MC, Mikron PJSC, INSITEL Services Private Limited, Deputy Chairman of the Management Board member in Sistema Charity Fund.

Citizenship: Russia.

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Shareholders’ Meeting on June 27, 2012.

As of December 31, 2017 he owned ordinary registered shares of MTS PJSC in the amount of 72,792 shares.
Regina Von Flemming
Independent Director

Member of the Budget Committee under the Board of Directors

Member of the Corporate Governance Committee under the Board of Directors

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

Member of the Special Committee under the Board of Directors

She was born in 1965, in Lubeck.

In 1992 graduated from Free University of Berlin with specialty in Political Science, and from Institute for Policy Studies (Paris).

In 1993 the fellow of INSEAD Business School (Paris), and also a post graduate training cours at the German Developing Aid Institute (Germany).

Professional experience

1996–1999: CEO of Krone Russia

1999–2000: CEO of Ehrmann Russia

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


Member of the Board of Directors of Wirtschaftsforum, member of the Board of Russky Standard Charity Foundation, member of the Board of Trustees of the German-Russian Forum in Berlin, member of the Board of the Endowment Fund of the Jewish Museum, Moscow.

Citizenship: Germany

She was elected as a member of MTS PJSC Board of Directors for the first time at the General Shareholders’ Meeting on June 25, 2015.

As of December 31, 2017 she didn’t own shares of MTS PJSC (directly/indirectly).
Thomas Holtrop

Independent Director
Chairman of the Audit Committee under the Board of Directors
Member of the Remuneration and Nomination Committee under the Board of Directors
Member of the Budget Committee under the Board of Directors
Finance Expert

In 2017 entered the rankings of “50 best independent directors” during the ceremony of “Director of the year 2017” National Awards

Born in 1954 in Dortmund.

He studied psychology in University of Freiburg and business administration with the specialty in economics and production organization in 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 in Bank 24 AG and Deutsche Bank 24 AG.

2001–2004: President of T-Online International AG.


2005–2006: Chief Executive Officer of Thomas Cook AG.


2009–2011: member of Komstar-OTS OJSC Board of Directors, Chairman of Audit Committee, Strategy Committee and 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 Shareholders’ Meeting on February 14, 2013.

As of December 31, 2017 he didn’t own shares of MTS PJSC (directly/indirectly).
Artem Zasursky
Non-executive Director

Member of the Strategy Committee under the Board of Directors

Born in October 1979 in Moscow.

In 2005 graduated from the fellowship of the Faculty of Journalism in Lomonosov Moscow State University.

In 2001 he graduated from the Lomonosov Moscow State University with a degree “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, Development, SMM OJSC.

2013–2016 — General Director, Stream LLC.

2016 — present day — Vice President — Head of the Strategy Complex, JSFC Sistema PJSC.

Member of the Board of Directors, Sitrionics JSC, System-BioTech LLC, System-BioTechnologies LLC, Detskiy Mir PJSC, Sistema Finance S.A.

Citizenship: Russian Federation.

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Shareholders’ Meeting on June 29, 2017.

As of December 31, 2017 he didn’t own shares of MTS PJSC (directly/indirectly).
### Key competences of the Board of Directors

<table>
<thead>
<tr>
<th>Member of the Board of Directors</th>
<th>Duration of work in the Board of Directors</th>
<th>Key competences</th>
</tr>
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<tbody>
<tr>
<td>Ron Sommer</td>
<td>7 years (since June 2009)</td>
<td>Strategy, Finance and Audit, Industry Specialization (Telecom)</td>
</tr>
<tr>
<td>Andrey Dubovskov</td>
<td>5 years (since June 2011)</td>
<td>Strategy, Finance and Audit, Industry Specialization (Telecom)</td>
</tr>
<tr>
<td>Aleksandr Gorbunov</td>
<td>3 years (since February 2013)</td>
<td>Strategy, Finance and Audit, Industry Specialization (Telecom)</td>
</tr>
<tr>
<td>Artem Zasurskiy</td>
<td>1 year (since June 2017)</td>
<td>Strategy, Finance and Audit, Industry Specialization (Telecom)</td>
</tr>
<tr>
<td>Michel Combes</td>
<td>3 years (since February 2013)</td>
<td>Strategy, Finance and Audit, Industry Specialization (Telecom)</td>
</tr>
<tr>
<td>Stanley Miller</td>
<td>6 years (since June 2010)</td>
<td>Strategy, Finance and Audit, Industry Specialization (Telecom)</td>
</tr>
<tr>
<td>Vsevolod Rozanov</td>
<td>4 years (since June 2012)</td>
<td>Strategy, Finance and Audit, Industry Specialization (Telecom)</td>
</tr>
<tr>
<td>Regina von Flemming</td>
<td>2 years (since June 2015)</td>
<td>Strategy, Finance and Audit, Industry Specialization (Telecom)</td>
</tr>
<tr>
<td>Thomas Holtrop</td>
<td>3 years (since February 2013)</td>
<td>Strategy, Finance and Audit, Industry Specialization (Telecom)</td>
</tr>
</tbody>
</table>

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 didn't 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 2017.
Role of the Board of Directors Chairman

The key figure in the Board of Directors is the Chairman; his energy, experience and tact affects the entire work climate and, ultimately, performance of the Board.

The Chairman of the Board of Directors in this position, first of all, serves as a “manager”. Secondly, he must be a strategist who interprets the global picture and the external environment of the company, initiates changes, understands value creation process and determines the business strategy. Thirdly, he is a “mentor”, which gives feedback to the General Director and key managers, focusing on their development and personal growth. Finally, he plays the role of facilitator, creating a productive working environment in the Board, professionally moderating the discussion and encouraging directors to speak on the substance of the issues discussed.

The chairman of the Board of Directors of MTS OJSC since 2009 is a non-executive director – Mr. Ron Sommer.

Large experience of Ron Sommer in management bodies of Russian and largest foreign companies, including in telecom industry, in combination with high qualification, make a substantial contribution into the effective organisation of the work of the Board of Directors of our Company.

Two deputy Chairmen of the Board of Directors were elected to provide for an efficient BoD operation, with competences determined for each of them:

- Alexander Gorbunov: strategy, international mergers/acquisitions and partnerships of MTS Group;
- Vsevolod Rozanov: operational and financial control, management of debt and exchange risks of MTS Group.
Corporate secretary\(^1\)

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

Functions of the Corporate Secretary in MTS PJSC are performed by a special structural subdivision – Corporate Governance Department, main functions, rights and obligations of which are defined in the Regulations on Corporate Governance Department\(^2\).

Functions of the Corporate Governance Department in MTS PJSC include:

- participation in the improvement of the Company’s corporate governance system and practice;
- participation in the organization of the preparation and holding of the Company’s general meetings of shareholders;
- provision of the work of the Board of Directors and Committees of the Board of Directors of the Company;
- participation in the realization of the Company’s policy on information disclosure, and also provision of Company’s corporate documents storage;
- provision of interaction of the Company with its shareholders and participation in the prevention of corporate conflicts;
- provision of the implementation of the procedures established by the Law and internal documents of the Company ensuring the rights and legitimate interests of shareholders and control over their exercising;
- provision of 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;
- immediate notification of the Board of Directors of all identified violations of the Law and internal documents of the Company, 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 Board of Directors of the Company.

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 Director of Corporate Governance of MTS PJSC, Maxim Kalinin.

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\(^1\) http://ir.mts.ru/about-mts/corporate-governance/corporate-secretary/.

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 regulatory documents of the Company which guarantee the enforcement of rights and interests of its shareholders.

Regulatory base for implementation of BoD Secretary’s functions, besides the Charter, is the Regulation on MTS PJSC Board of Directors.

Secretary of the Board of Directors:

- carries out an instatement 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 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 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.

The BoD Secretary since 2005 is the Corporate Governance Director of MTS PJSC, Maxim Kalinin.
Maxim Kalinin

Born in 1972 in Moscow.

In 1997 he graduated from Lomonosov Moscow State University with the specialty in Law.

Before coming to the Company, he worked in private business with foreign participation: 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 reorganization of MTS Group subsidiaries, was responsible for corporate governance in MTS and subsidiaries. He went from a legal counsellor to a deputy director of the department.

From 2005 to the present day exercises the powers of BoD Secretary of MTS PJSC.

In 2010 he won the Vth National Award “Director of the Year” in the nomination “Corporate Governance Director – Corporate Secretary”.

For the last years he was regularly included into the rankings of 25 best Corporate Governance Directors and Corporate Secretaries during the ceremony of “Director of the year” National 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.

Professional experience

2005 to present: Corporate Governance Director of MTS PJSC.

Corporate Governance Director of MTS PJSC is also responsible for:

• preparation and conduct of meetings of the shareholders of MTS PJSC;
• management of MTS Group subsidiaries;
• ensuring the timely disclosure of information in accordance with the requirements of the securities market legislation;
• development of Corporate Governance System of MTS Group;
• complex management of intangible assets;
• other functions.

Citizenship: Russia.

He doesn’t own (directly/indirectly) neither MTS PJSC shares nor stocks or shares of 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.
Committees of the Board of Directors

Committees of the Board of Directors serve as a tool for preliminary in-depth study of issues before they are submitted to the meeting of the Board of Directors. Members of the committee study in detail the considered issue and propose to the members of the Board of Directors the elaborated alternative decisions making it possible for them to join issue discussion faster.

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 by the end of 2017: Budget Committee, Audit Committee, Renumeration and Nomination Committee, Corporate Governance Committee, Strategy Committee.

Powers of and requirements to compositions of the committees shall be determined by regulations on committees approved by the Board of Directors. Committees may involve external experts and advisors in order to resolve their tasks. Results of review of agenda issues by the Committees shall be communicated to Board of Directors members before each BoD meeting.

Each BoD member is also a member of one to three committees. Representation of Company’s managers in the committees allows for a meaningful dialog during the committee meetings.

<table>
<thead>
<tr>
<th>Committee</th>
<th>Committee Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Committee</td>
<td>Preparation of recommendations to the Board of Directors on issues of preparation, approval, correction and supervision over performance of budgets, long-term business plans and investment plans of the Company</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>Preparation of recommendations to the Board of Directors in part of supervision over financial and operational activities of the Company</td>
</tr>
<tr>
<td>Remuneration and Nomination Committee</td>
<td>Preparation of recommendations to the Board of Directors on issues of HR policy, determination of the remuneration system of the first persons, generation of the Company’s corporate culture development strategy</td>
</tr>
<tr>
<td>Corporate Governance Committee</td>
<td>Preparation of recommendations to the Board of Directors on issues of preliminary review of internal regulatory documents, annual report, sustainability report of the Company and development of corporate governance practices.</td>
</tr>
<tr>
<td>Strategy Committee</td>
<td>Preparation of recommendations to the Board of Directors upon review of a strategic development of key functions, projects and Company in general, and implementation of investment projects and long-term investment programs</td>
</tr>
<tr>
<td>Special committee of independent directors under the Board of Directors of MTS PJSC on the project of increased interest of MTS PJSC in the charter capital of MTS Bank PJSC</td>
<td>Preparation of recommendations to the Board of Directors on issues of transaction closing terms and related risks, development on an opinion on feasibility of transaction closing</td>
</tr>
</tbody>
</table>

1 Created on March 1, 2018.
Members of the Board of Directors, 2015-2017

- 2015: 5
- 2016: 6
- 2017: 5

Number of committees of the Board of Directors in 2015-2017

- 2015: 6
- 2016: 5
- 2017: 5

Average level of attendance of the meetings of the Committees in 2015-2017

MTS Group Governance System
## Attendance of Committee meetings in 2017

<table>
<thead>
<tr>
<th>Committee Member</th>
<th>Remuneration and Nomination Committee&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Audit Committee&lt;sup&gt;2&lt;/sup&gt;</th>
<th>Budget Committee&lt;sup&gt;3&lt;/sup&gt;</th>
<th>Strategy Committee&lt;sup&gt;4&lt;/sup&gt;</th>
<th>Corporate Governance Committee&lt;sup&gt;5&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ron Sommer</td>
<td>4/5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andrey Dubovskov</td>
<td>3/5</td>
<td></td>
<td></td>
<td>2/3</td>
<td></td>
</tr>
<tr>
<td>Aleksandr Gorbunov</td>
<td>5/5</td>
<td>5/5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Artem Zasursky</td>
<td>4/5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ruslan Ibragimov</td>
<td></td>
<td></td>
<td></td>
<td>3/3</td>
<td></td>
</tr>
<tr>
<td>Aleksey Kornya</td>
<td>5/5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Michel Combes</td>
<td>4/7</td>
<td>9/11</td>
<td></td>
<td>3/5</td>
<td></td>
</tr>
<tr>
<td>Vasily Latsanich&lt;sup&gt;1&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td>3/5</td>
<td></td>
</tr>
<tr>
<td>Stanley Miller</td>
<td>7/7</td>
<td>11/11</td>
<td></td>
<td>5/5</td>
<td>2/3</td>
</tr>
<tr>
<td>Vyacheslav Nikolaev&lt;sup&gt;2&lt;/sup&gt;</td>
<td>2/5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vsevolod Rozanov</td>
<td>5/5</td>
<td>5/5</td>
<td></td>
<td>3/3</td>
<td></td>
</tr>
<tr>
<td>Regina Von Flemming</td>
<td>7/7</td>
<td></td>
<td></td>
<td>5/5</td>
<td>3/3</td>
</tr>
<tr>
<td>Thomas Holtrop</td>
<td>7/7</td>
<td>11/11</td>
<td></td>
<td>5/5</td>
<td></td>
</tr>
<tr>
<td>Sergey Shishkin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0/3</td>
</tr>
</tbody>
</table>

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1. In 2017, 7 meetings of the Remuneration and Nomination Committee were held, including 5 in-person meetings and 2 meetings in the form of absentee voting
2. In 2017, 11 meetings of the Audit Committee were held, including 10 in-person meetings and 1 meeting in the form of absentee voting
3. In 2017, 5 in-person meetings of the Budget Committee were held
4. In 2017, 5 in-person meetings of the Strategy Committee were held
5. In 2017, 3 in-person meetings of the Corporate Governance Committee were held
6. Powers of the Strategy Committee member terminated on June 29, 2017
Activities of Committees in the reporting year

Budget Committee

Budget Committee is an auxiliary body of MTS PJSC Board of Directors for preparation of recommendations to the Board of Directors upon review of matters of preparation, approval, amendment and supervision over the execution of budgets, long-term business plans and investment plans of MTS PJSC.

Tasks

Development and provision to the Board of Directors of recommendations on the following matters:

- approval and amendment of budgets, long-term business plans and investment plans;
- supervision over the progress of budget fulfilment;
- Methods for determination of key indicators of budgets, long-term business plans and investment plans.
- budget fulfilment and necessity of its amendment.

Number and identities of the members

Number of the Committee members within the reporting year didn’t change (five members, including the Chairman).

<table>
<thead>
<tr>
<th>Committee Member</th>
<th>From June 23, 2016</th>
<th>From June 29, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vsevolod Rozanov, Chairman, Non-executive Director</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td>Aleksandr Gorbunov, Non-executive Director</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td>Regina Von Flemming, Independent Director</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td>Thomas Holtrop, Independent Director</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td>Aleksey Kornya, President, Management Board Chairman of MTS PJSC</td>
<td>☑</td>
<td>☑</td>
</tr>
</tbody>
</table>

☑ — person was/is a Committee member
Meetings

Reporting year saw 4 (four) in-person meetings of the Committee.

<table>
<thead>
<tr>
<th>Committee Member</th>
<th>April 12 (in-person)</th>
<th>June 28 (in-person)</th>
<th>September 19 (in-person)</th>
<th>October 25 (in-person)</th>
<th>December 14 (in-person)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vsevolod Rozanov</td>
<td>■</td>
<td>■</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>Aleksandr Gorbunov</td>
<td>■</td>
<td>■</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>Aleksey Kornya</td>
<td>■</td>
<td>■</td>
<td>■</td>
<td>■</td>
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</tr>
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<td>Regina Von Flemming</td>
<td>■</td>
<td>■</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>Thomas Holtrop</td>
<td>■</td>
<td>■</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
</tbody>
</table>

■ — Committee member participated in the meeting  □ — Committee member didn't participate in the meeting

Issues and recommendations reviewed

- CAPEX Budgetary Performance by MTS Group in 2016 and Forecast for 2017
- Management of MTS Group accounts receivable Report for 2016
- Results of MTS PJSC debt and liquidity management in 2016
- Performance of CAPEX budget in 2017 and objectives for 2018
- Approval of MTS Group budget for 2018.
- And others.

The Committee has provided the following recommendations to the Board of Directors:

- take note of the report on MTS Group Budget and CAPEX Program Execution in 2016 and Current Forecast of Execution in 2017;
- submit draft budget 2017 for consideration of the Board of Directors of MTS PJSC.
- take note of the preliminary MTS Group budget for 2017 and performance improvement program;

Work results in 2017

The Committee considered during the reporting year all required issues related to approval and amendment of budgets, long-term business plans and investment plans. Besides, the Committee's operation plan for the next year on main functional areas was drafted and approved.
Composition of the Budget Committee 2015-2017

Meetings of the Budget Committee 2015–2017
Audit Committee

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.

The committee follows in its activities the recommendations and requirements of the effective legislation, the Charter and internal documents of the Company, Code of Ethics and Business Conduct, decisions of management bodies of the Company, and Regulation on the Audit Committee.

Tasks:

• control over completeness, accuracy and credibility of financial statements of MTS Group of Companies; analysis of annual financial statements, intermediate financial information and corresponding documents submitted to US Securities and Exchange Commission and other regulating bodies for the assessment of their completeness and information consistency, conducted jointly with the executives and external auditor;

• control over reliability and efficiency of the system for risk management, compliance and internal control, and corporate governance system; analysis and evaluation of completion of the procedures for risk management, compliance and internal control; control of procedures for compliance of the Group with legislation (anti-corruption, anti-monopoly, etc.) requirements, ethical standards, regulations and procedures of the Group, requirements of stock exchanges;

• assurance of independence and fairness of internal and external audit implementation; review of internal control and audit policies, plan, corresponding budget and results of Internal Control and Audit Unit activities, as well as assessment of efficiency of Internal Control and Audit Unit activities, including approval and evaluation of KPIs fulfilment; assessment of independence, fairness and lack of a conflict of interests of Group’s external auditors, including evaluation of candidates for the Group’s auditor position, drawing up proposals on appointment, reelection and dismissal of Group’s external auditors, payment for their services and conditions of their involvement; supervision over the external audit and evaluation of quality of the audit inspection, and assessment of the auditor’s report confirming the veracity of financial statements;

• control over efficiency of the system for notification on potential cases of unethical practices of the Group’s employees and third parties or other violations in the Group; review of reports on operation of the Single Hotline of MTS Group of Companies; control of ethical standards, analysis and assessment of implementation of policies for the management of conflicts of interests;

• other tasks.

1 https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenti-pao-mts/ponozhenie-o-komitete-po-auditu/
In 2017 the Audit Committee continued its work to supervise over financial statements of the group, including control of corresponding information disclosure, over efficiency of the group’s internal control system, including risk management, compliance system and corporate governance, and also over efficiency of internal audit and external auditor activities to support their independence and objectiveness, assessment of their activities’ quality.

Thomas Holtrop, Chairman of the Audit Committee
Key areas of the Audit Committee activities in 2017

In the sphere of risk management and internal control system

During 2017 the Committee controlled the procedures providing for Group’s compliance with the requirements of Sarbanes-Oxley Act. Plan for 2017 and operation results of the Department for Internal Control Systems for the first half of 2017 and for 2016 in general were reviewed. The committee reviewed and preliminarily approved the risk management report of MTS PJSC for the first half and 2017.

The analysis of intermediate financial information of the Group was conducted jointly with the executives and external auditor for the first, second and third quarters of 2017; also they analyzed consolidated financial statements of the Group for the year, prepared in accordance with International Financial Reporting Standards (IFRS). The Annual Report of MTS PJSC of 20-F form for 2017 was discussed and approved. The reports on financial and operational performance of MTS Group for I, II, III, IV quarters and 2017 were reviewed and approved.

During 2017 the Committee reviewed transactions of interest, whose cost exceeds the established materiality threshold, and with companies of Sistema PJSFC Group, the results of analysis of economic feasibility and compliance with requirements of regulatory documents in closing of such transactions that was completed by the Internal Control and Audit Block were taken under advisement.

In the area of internal control and audit management

During 2017 the Committee reviewed information about current operation of the Internal Control and Audit Unit. The Chairman of the Audit Committee held regular meetings with the Director for Internal Control and Audit. In December 2017 the Committee reviewed and approved the strategy, KPIs, work plan and budget of the Internal Control and Audit Block for 2018, and also the new version of the "Internal Control and Audit of MTS PJSC" Policy.

The Audit Committee reviewed and took under advisement the results of external assessment of the Internal Control and Audit Block performance quality, following which its performance was recognized as complying with the International Professional Standards of Internal Audit and Code of Ethics of the Internal Auditors’ Institute.

The Committee reviewed and approved the results of Internal Control and Audit Block performance for the first half of the year and in total for 2017, the compliance with 2017 KPIs was assessed. The Audit Committee positively evaluated the Internal Control and Audit Block performance, finds the function effective and performance of the Block tasks in full compliance with the expected results.

In the area of external audit management

The audit committee recommended CJSC Deloitte and Touche CIS as the auditor of financial statements of MTS PJSC, which was confirmed by recommendation of the Board of Directors and by shareholders of the Company at the Annual General Shareholders’ Meeting.

On June 29, 2017 according to the recommendation of the Audit Committee, on June 28, 2017 the Board of Directors approved the amount of remuneration for the auditor of CJSC Deloitte and Touche CIS for audit of financial statements of MTS Group of Companies for 2017 in the amount of 125,070 thous. RUB (VAT and overhead expenses excluded).

Each year at the beginning of audit process the auditor shall present to Committee's consideration a detailed audit plan, identify and evaluate key risks. Evaluation

In the field of compliance system management

The Committee reviewed strategic areas of compliance activities for 2017 in MTS Group of Companies and discussed reports on the status of compliance system implementation in MTS PJSC and subsidiaries in the first half of 2017, and the results of the year. The Committee positively assessed the compliance function and considers it to be effective. The Committee took under advisement the Report on development of MTS PJSC Unified Compliance System. In February 2018, the Committee approved the functional strategy of MTS Group in the field of compliance for 2018.
of efficiency and quality of the audit process shall be prepared by the Committee according to the results of analysis of auditor’s reports. Audit Committee discussed and approved results and conclusions of the external auditor based on results of the review of quarterly overviews of financial information for the first, second and third quarters of 2017 and the annual audit, including comments in the area of internal control. Based on 2017 results the Committee gave a positive evaluation of the audit quality and audit procedure efficiency in general.

The Audit Committee gave a positive evaluation of auditor’s opinions based on results of the audit of MTS PJSC financial statements for 2017 prepared in accordance with Russian accounting standards, and consolidated financial statements of MTS PJSC and its subsidiaries for 2017 prepared in accordance with IFRS.

The Committee exercised supervision over compliance of the auditors with independence principles. During 2017 the Committee considered information on permissible non-audit 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 non-audit services were preliminarily approved by the Committee in accordance with the procedure described in the Regulation on Audit Committee.

In the area of counteraction to unethical practices of MTS Group employees and third parties and compliance with ethical standards and conflict of interest management

In 2017, the Committee reviewed performance of the Single Hotline of MTS Group of Companies for 2016, and on a monthly basis reviewed reports on operation of the Internal Control and Audit Block. The reports of the Discipline Committee for 2017 were considered and taken into account.

Issues and recommendations of the Audit Committee reviewed at the meetings in 2017:

- approval of reports on financial and operational results of MTS Group for 2016, and for the 1st, 2nd and 3rd quarters of 2017;

- review and approval of reports of CJSC Deloitte and Touche CIS on the results of annual audit for 2016, and quarterly reviews of financial information for the 1st, 2nd and 3rd quarters of 2017, annual audit plan for 2017, preliminary approval of permissible non-audit services;

- recommendation to the Board of Directors to approve CJSC Deloitte and Touche CIS as auditor of financial statements of MTS PJSC in 2017 with remuneration in the amount of 125,070 thous. RUB (VAT and overhead expenses excluded);

- discussion and approval of the Annual Report of MTS PJSC by the form 20-F;

- review of MTS PJSC Risk Management Report for the first half of 2017 and recommendation to the Board of Directors to approve the same;

- review and recommendation to the Board of Directors on approval of new revision of the Policy "Internal Control and Audit at MTS PJSC";

- review and approval of performance of Internal Control and Audit Unit for 2016 and the first half of 2017;

- taking under advisement confirmation of organizational independence of the Internal Control and Audit Block for 2017;

- review and approval of the strategy, KPIs, work plan and budget of the Internal Control and Audit for 2018;

- review of the plan for 2017 and operation results of the Department for Internal Control Systems for 2016 and the first half of 2017;

- review and approval of the report on implementation of MTS Group compliance strategy 2016 and report on the status of implementation of compliance strategy at MTS PJSC and its subsidiaries in the first half of 2017;
• review of the report on development of MTS PJSC Unified Compliance System;

• review of work results of the Single Hotline of MTS Group of Companies for 2017;

• review of transactions of interest, whose cost exceeds the established materiality threshold, and with companies of Sistema PJSC Group, the results of analysis of economic feasibility and compliance with requirements of regulatory documents in closing of such transactions;

• approval of the Committee work plan for 2018.

Work results in 2017

In the reporting year the Committee reviewed issues related to the assurance of control over reliability and efficiency of the system for risk management and internal control, compliance system, veracity of financial statements of MTS Group of Companies, independence and fairness of internal and external audit implementation, efficiency of the system for notifying on potential cases of unethical practices of the Group’s employees and third parties or other violations in the Group.

The Committee’s operation plan for the next year on main functional areas was drafted and approved.

Composition of the Audit Committee 2015-2017

Meetings of the Audit Committee 2015–2017

- In person form  •  Absentee form
Remuneration and Nomination Committee

The Remuneration and Nomination Committee is an auxiliary collective deliberative body under the Board of Directors. Main purposes of the Committee are: formulation of HR policy of the Company, determination of the system for renumeration of chief officers of the company, shaping the strategy for development of corporate culture in MTS Group.

Committee members follow leading international practices and trends in preparation of effective solutions within the terms of their reference.

The committee follows in its activities the recommendations and requirements of the effective legislation, the Charter and internal documents of the Company, Code of Ethics and Business Conduct, decisions of management bodies of the Company, and Regulation on the Committee.

Tasks:

- Development and update of MTS PJSC HR policy, preparation of a succession pool for the positions of chief officers;
- Drawing up proposals on candidates and on determination of significant conditions for renumeration 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 Corporate Secretary;
- Development and submission for BoD review of internal documents related to implementation of the Options Plan of the Company;
- Control over meeting the requirements of the effective legislation, MTS PJSC Charter and internal regulatory acts of MTS PJSC as to compliance with HR policy of the Company, standards and procedures in the sphere of renumeration and appointments;
- Determining methods and evaluation of performance of the Board of Directors of the Company;
- The Committee preliminarily addresses the issues reviewed at meetings of the Company’s Board of Directors in the sphere of appointment and renumeration of top managers of the Company.

1 https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenti-pao-mts/polozhenie-o-komitet-po-voznagrazhdeniyam-i-naznacheniym
Number and identities of the members

Number of the Committee members within the reporting year didn’t change (five members, including the Chairman).

<table>
<thead>
<tr>
<th>Committee Member</th>
<th>From June 23, 2016</th>
<th>From June 29, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stanley Miller, Chairman, Independent Director</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>Michel Combes M. Combes, Independent Director</td>
<td>■</td>
<td>■</td>
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<tr>
<td>Thomas Holtrop, Independent Director</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>Regina von Flemming, Independent Director</td>
<td>■</td>
<td>■</td>
</tr>
</tbody>
</table>

■ — person was/is a Committee member

Meetings

Reporting year saw 7 (seven) in-person meetings of the Committee. Participation of Committee members in the meetings is reflected in the table.

<table>
<thead>
<tr>
<th>Committee Member</th>
<th>February 21 (in-person)</th>
<th>April 11 (in-person)</th>
<th>May 25 (by correspondence)</th>
<th>June 28 (by correspondence)</th>
<th>June 29 (in-person)</th>
<th>September 18 (in-person)</th>
<th>December 14 (in-person)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stanley Miller</td>
<td>■</td>
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<tr>
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</tr>
<tr>
<td>Regina Von Flemming</td>
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</tr>
</tbody>
</table>

■ — Committee member participated in the meeting  ■ — Committee member didn’t participate in the meeting

Main areas of activities of the Remuneration and Nomination Committee in 2017:

Matters of appointments and succession assurance

- Candidates for positions of an immediate subordination to the Company’s President were considered. Experience sufficiency was evaluated; the results achieved in the Company were analyzed for internal candidates. Candidates for key managerial positions in various functions of the Company were considered, their readiness for appointment as well as strengths and development possibilities were evaluated.
- Independence of the candidates for inclusion in the Audit Committee under the MTS PJSC Board of Directors was assessed.

Issues of the systems for remuneration of managers

- Key indicators of the performance of company’s top managers were determined, the results of previous period activities were reviewed.
- Procedures required for the support of long-term motivation program were implemented, including determination of the current-year program participants and program’s KPI targets.
- Technical standards for top managers were updated according to the current needs.
Matters related to the efficiency of development of the personnel management function at MTS

- HR strategy implementation results and objectives for future periods were reviewed. Recommendations on the main areas of activities were given to the Company’s managers.

- Key transformations of the Company’s organizational structure, their correspondence to the upper-level business objectives and the Company’s strategy

Issues and recommendations reviewed

- Assessment of the results of activities performed by the President and top managers of the company in 2016.

- Setting goals for 2018, including the list, target values and influence (weight) of each of the parameters upon the resulting remuneration award.

- Review of KPI results of the long-term awarding programs for 2017 and setting goals for 2016.

- Drawing up lists of participants of the long-term awarding programs according to the program’s regulations.

- Appointments and employment termination of the Management Board members and top managers; it was recommended to rotate Management Board of the Company.

In the reporting year the Appointments and Remuneration Committee continued working over important aspects of personnel management for the company. Efficiently using the international corporate governance experience and best professional practices, the committee consults the Board of Directors on these issues.

We strive to ensure that the MTS policy in the field of compensation and benefits is recognized as the best practice in the labor market; best managers work in the Company, and employees’ work is assessed using clear and transparent indicators established by the management authority of the Company. The Committee generalizes the results of achievement of the annual key performance indicators and provides recommendations to the Board of Directors on short-term and long-term stimuli based on analysis of local and international market conditions.

All members of the Committee are confident that in virtue of engagement of the best personnel, investment into training, retention and fair remuneration at the market level, creation of opportunities for their development in the competitive, but fair environment, the Company provides for its success for many years ahead.

The Committee watches implementation of Company’s strategic development initiatives. An important goal, on the one hand, is to ensure fair remuneration of outstanding results, and on the other hand, not to ignore absence of efforts. Together with the Audit Committee, special attention is paid to compliance with the corporate governance rules, regulatory requirements and prevention of financial crimes. In accordance with the recommendation of the Appointments and Remuneration Committee, company’s management KPIs were supplemented with objectives related to corporate governance and adherence to compliance principles.

The Committee is responsible for review of external and internal candidates for key management jobs of the Company, and for assessment of independent candidates for the Board of Directors. Recently the Committee summarized results of Company’s President and top management results in 2017, and also approved the strategy in the field of personnel management for 2018-2019.

Stanley Miller, Chairman, Appointments and Remuneration Committee
Changes in the Company's organizational structure in general and with respect to direct subordinates of the President of the Company.

Composition and readiness of successors to top managers of the Company.

Evaluation of top managers' remuneration level against the market level and their contribution to Company's results.

Standards of material and technical support of the Company's top managers have been updated.

Assessment of compliance of candidate members of MTS PJSC Board of Directors with the independence criteria.

Development of the company's organizational structure.

The Committee has provided the following recommendations to the Board of Directors:

On all the issues discussed, the Committee provided recommendations for proper decisions in accordance with the best world practices, the current business environment and the company's development strategy.

Work results in 2017

In the reporting year, the Committee reviewed all the necessary issues related to the competence of the Committee required to effectively support the Company's activities and its development.

Particular attention was paid to the development of internal successors to leadership positions and digital transformation of the company.

Besides, the Committee's operation plan for the next year on main functional areas was drafted and approved.

Composition of the Remuneration and Nomination Committee 2015-2017

Meetings of the Remuneration and Nomination Committee 2015–2017

2015  •  2016  •  2017

• Independent

2015  •  2016  •  2017

• In person form  •  Absentee form
Corporate Governance Committee

The committee was formed to develop and improve the system and practices of corporate governance in the Company. The Committee within the terms of its reference preliminarily reviews the most important issues and prepares recommendations for the Board of Directors to take relevant decisions.

The committee follows in its activities the recommendations and requirements of the effective legislation, the Charter and internal documents of the Company, Code of Ethics and Business Conduct, decisions of management bodies of the Company, and Regulation on the Committee.

Tasks

The Committee faces the challenges on a development of priority areas of 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:

- control over reliability and efficiency of the system and practices of corporate governance, and preparation of suggestions on their improvement, as well as a comparative analysis of corporate governance policies and programs in 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 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;
- preliminary review of internal regulatory documents of the Company submitted for approval (preliminary review) of the Board of Directors, and of the Company’s annual report.

Number and identities of the members

Number of the Committee members within the reporting year didn’t change (seven members, including the Chairman).

<table>
<thead>
<tr>
<th>Committee Member</th>
<th>From June 23, 2016</th>
<th>From June 29, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vsevolod Rozanov, Chairman, Non-executive Director</td>
<td></td>
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<tr>
<td>Andrey Dubovskov, President, Chairman of MTS PJSC Management Board, Executive Director¹</td>
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<tr>
<td>Ruslan Ibragimov, Management Board Member, MTS PJSC-Vice-President on Corporate and Legal Issues</td>
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<tr>
<td>Stanley Miller, Independent Director</td>
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<td></td>
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<tr>
<td>Regina von Flemming, Independent Director</td>
<td></td>
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<tr>
<td>Sergey Shishkin, Non-Executive Director</td>
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</tbody>
</table>

¹ Dubovskov A.A. held the position of the President and Chairman of the Management Board of MTS PJSC for the entire 2017. On March 12, 2018 his powers were terminated, and he took over the position of the President and the Chairman of the Management Board of Sistema PJSFC.

Meetings

Reporting year saw three in-person meetings of the Committee. Participation of Committee members in the meetings is reflected in the table.

<table>
<thead>
<tr>
<th>Committee Member</th>
<th>April 11 (in-person)</th>
<th>September 19 (in-person)</th>
<th>December 14 (in-person)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vsevolod Rozanov</td>
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<tr>
<td>Andrey Dubovskov</td>
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<tr>
<td>Sergey Shishkin</td>
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</table>

Issues reviewed in 2017:

- report on company’s corporate governance system for 2016;
- MTS PJSC corporate governance benchmarking for 2016;
- self-assessment of the Board of Directors 2017;
- extension of the D&O Insurance Agreement;
- information on relevant changes to legislation;
- benchmarking of corporate governance of MTS PJSC for 2017;
The Committee has provided the following recommendations:

- to determine areas of development for corporate governance for 2017;
- to approve the report on work of the Corporate Governance Director;
- take into account the provided information on extension of MTS Group companies directors and officials liability insurance agreement (D&O Agreement);
- to pass a resolution on annual assessment of the Board of Directors of MTS PJSC in 2017; to approve objectives, objects, subjects and tools of assessment; to approve the schedule plan of assessment;
- to determine areas of development for corporate governance for 2018.

Work results in 2017

The Committee considered in 2015 all the matters related to development of corporate governance in the Company; no issues on settlement of corporate conflicts arose; no complaints or comments from the shareholders on a competence of the Committee were received.

Main attention of the Board of Directors was focused on implementation of the Corporate Governance Code provisions and self-assessment of the Company’s Board of Directors.

Composition of the Corporate Governance Committee 2015–2017

Meetings of the Corporate Governance Committee 2015–2017

- 2015
- 2016
- 2017
Strategy Committee

The Committee is an auxiliary body of MTS PJSC Board of Directors for preparation of recommendations to the Board of Directors upon review of a strategic development of key functions, projects and Company in general, and implementation of investment projects and long-term investment programs.

Tasks:

- preliminary review and provision of recommendations to the Board of Directors on issues within the terms of reference of the Strategy Committee;
- discussion and drawing up of recommendations on strategic activity areas and projects of the Company.

Number and identities of the members

Composition of the Committee was changed during the reporting year.

<table>
<thead>
<tr>
<th>Committee Member</th>
<th>From June 23, 2016</th>
<th>From June 29, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ron Sommer, Chairman, Non-executive Director</td>
<td></td>
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<tr>
<td>Aleksandr Gorbunov, Non-executive Director</td>
<td></td>
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<tr>
<td>Andrey Dubovskov, President, Chairman of MTS PJSC Management Board, Executive Director ¹</td>
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<tr>
<td>Stanley Miller, Independent Director</td>
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<tr>
<td>Michel Combes, Independent Director</td>
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<td></td>
</tr>
<tr>
<td>Vsevolod Rozanov, Non-executive Director</td>
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<tr>
<td>Artem Zasursky, Vice President, Head of the Strategy Complex, Sistema PJSC</td>
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<tr>
<td>Vyacheslav Nikolaev, Member of the Management Board — Vice-President for Marketing, MTS PJSC</td>
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<tr>
<td>Vasily Latsanich, Management Board Member, Vice President for Strategy and Marketing, MTS PJSC</td>
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<td>-</td>
</tr>
</tbody>
</table>

¹ — person was/is a Committee member

In the reporting year, we reviewed all the key aspects of MTS ‘long-term business development. Our attention was focused on the transformation of MTS business, including management of these transformations; functional strategies in the field of technologies, IT, TV services, and also innovations and digital areas. It should be noted that all the issues evoked lively discussions among the members of the Committee, and resulted in a number of recommendations to the management of the Company.

Ron Sommer, Chairman of the Strategy Committee
Meetings

Reporting year saw five (5) in-person meetings of the Committee.

<table>
<thead>
<tr>
<th>Committee Member</th>
<th>February 21 (in-person)</th>
<th>April 11 (in-person)</th>
<th>June 28 (in-person)</th>
<th>September 19 (in-person)</th>
<th>December 14 (in-person)</th>
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</thead>
<tbody>
<tr>
<td>Ron Sommer</td>
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<tr>
<td>Aleksandr Gorbunov</td>
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<tr>
<td>Andrey Dubovskov</td>
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<tr>
<td>Stanley Miller</td>
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<tr>
<td>Michel Combes</td>
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<td>Vsevolod Rozanov</td>
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<td>■</td>
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</tbody>
</table>

■ — Committee member participated in the meeting  ■ — Committee member didn't participate in the meeting

Issues reviewed by the Committee in 2017

- MTS Group IT Strategy for 2017-2019
- Technological strategy of MTS Group for 2017-2019
- MTS Innovation Center: current status and plan of works for 2017-2019
- Clustering: 2016 results, 2017 objectives and plans

- Key changes and innovations in regulation of MTS business areas in Russia. Threats, opportunities, status and plans.
- MTS Strategy in the field of TV (all types, including relevant aspects of fixed BBA).
- Satellite TV: current status and strategy.

The Committee has provided the following recommendations to the Company’s Board of Directors and Management of MTS Group:

- To develop the plan of actions for recruitment of IT experts and building of competences in MTS.
- In technological reports and strategies, to use indicators of network traffic and quality prime cost, and also to disclose subjects of IoT, WiFi Calling, VoLTE, OTT Voice at strategic session.
- To consider at the strategic session the problems of OTT messenger penetration growth, projects of digital transformation, data transfer pricing, priorities of capital investments between 3G and 4G, long-term prospects of Big Data, WiFi calls and process aspects of IoT development.
- To recommend to MTS management to organize a meeting on global scenarios of MTS business devel-
opment, in order to demonstrate their comparison in materials of the strategic session.

- Within business planning and budgeting, to develop the decision on changing the KPI weights within the system of motivation for directors of clusters and regions inside clusters.

- To develop a differentiated approach to definition of target reduction of retail chain for its application to scheduling and budgeting of sales operations in 2018.

- To recommend to MTS management to add information to the report on status of Digital project on structure of active use base of MTS payment services (MTS Wallet), quantity of customer profiles and metrics, collected for them, quantitative information on financial effect of key Big Data projects, metrics of MTS mobile app user satisfaction, exclusion of "M2M SIM-cards quantity" from the list of strategic KPIs.

- To select and elaborate the optimal scenario of satellite TV project development.

Work results in 2017

In the reporting year the Committee considered issues related to the strategic development of the Company in the main functional areas, as well as to key projects for differentiation and transformation of MTS Group business. In addition, a work plan for the Committee for the next year was developed, based on an analysis of the development of new digital business areas of MTS and consideration of functional strategies.
Events after the reporting date

On March 2018 the Special committee of independent directors under the Board of Directors of MTS PJSC was formed on the project of increased interest of MTS PJSC in the charter capital of MTS Bank PJSC.

Committee composition:

- Thomas Holtrop – Committee Chairman;
- Stanley Philip Miller;
- Michel Combes;
- Regina Von Flemming.
Information on remuneration of 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 Regulation on remunerations and compensations paid to members of the Board of Directors of MTS PJSC.¹

**Remuneration** for the fulfilment of obligations of MTS PJSC Board of Directors members shall be paid to the Board of Directors members who are independent directors and to the Board of Directors members who are not employees or members of management bodies of the companies included in MTS Group.

All the categories of Company’s Board of Directors members shall have the right for compensation of overhead expenses related to the fulfilment of obligations of a Board of Directors member.


There are three forms of remuneration for Board of Directors members

<table>
<thead>
<tr>
<th>Basic remuneration</th>
<th>Remuneration for fulfilment of additional obligations related to the work in Board of Directors Committees</th>
<th>Performance-based bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic remuneration shall be paid for the fulfilment of obligations of a Company’s BoD member during the corporative year; it doesn’t depend on number of meetings the Director participated in.</td>
<td>Mandatory committees: 15,000 USD per year (for the work in each committee); Other committees: 5,000 USD per year (for the work in each committee); Special committees: 20,000 USD per year (for the work in each committee).</td>
<td>Members of the Board of Directors receive bonus based on their performance over the year, depending on amount of Company’s capitalization according to results of Company’s operation in case of profit. With that, value of the year-end bonus paid to Directors can’t exceed 200,000 USD</td>
</tr>
<tr>
<td>Amount of basic remuneration of the Director is 250,000 USD</td>
<td></td>
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</tr>
</tbody>
</table>

Total amount of remuneration can’t exceed 500,000 USD

The Company does not compensate for Directors who are not Russian tax residents the amount of individual income tax that should be deducted from them according to the Russian legislation and/or paid by them in accordance with legislation of another country.
Compensations of expenses

Compensations shall be paid in accordance with actually made and documented target expenses:

- on travelling to the destination and back
- on accommodation lease
- on communication services
- other documented expenses.

Board of Directors members also get compensations for miscellaneous expenses in amount not more than 200 thousand USD per year

Directors who are not Russian citizens receive compensations in US dollars.

The remuneration system of 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 fulfilment of the principles and recommendations of the Corporate Governance Code.

Remuneration paid to members of the Board of Directors in 2017

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Total, RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration for participation in operations of the management body</td>
<td>119,468,631.14</td>
</tr>
<tr>
<td>Cost compensations</td>
<td>4,334,241.71</td>
</tr>
<tr>
<td>TOTAL</td>
<td>123,802,872.85</td>
</tr>
</tbody>
</table>
Evaluation of Board of Directors’ performance

The effectiveness of the Board of Directors affects the quality of management, performance of the organization and, as a consequence, its market capitalization. In order to improve the practices of the Board of Directors, a systematic evaluation is necessary, after which the members of the Board of Directors will better understand their strengths and development zones and can identify opportunities for constructive and sustainable changes in the long term.

The evaluation of the Board of Directors performance acts as an efficient tool of corporate governance development and is aimed to raise the efficiency of 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 made a decision on the need for drafting a new methodology. In 2016, with joint participation of Remuneration and Nomination Committee, Corporate Governance Committee and the Board of Directors, an independent consultant was selected to update the existing methodology for the evaluation of performance of the Board of Directors. A new methodology was approved by the Board of Directors.

The Methodology defines the approach to the Evaluation, the purpose of which is to improve performance of the Board of Directors, its committees, Board of Directors members, and improve the quality of corporate governance in MTS as a whole. The methodology contains description of the following:

- context of international and Russian practice, where the issue of evaluation is being considered;
- objects and subjects (participants) of evaluation;
- methods and tools of evaluation;
- principles, procedures and main areas of evaluation;
- evaluation procedure;
- approach to analysis and use of evaluation results;
- approach to risk management in process of evaluation.

Evaluation principles are the following:

- regular performance;
- relevance;
- practical focus;
- objectivity of results;
- comparability of results;
- confidentiality.

The objects of the Evaluation 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 evaluation is maximization of Board of Directors contribution to successful development and growth of company value through solving such tasks as:

- determination of 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 presence and level of motivation of the Board of Directors members;
confirmation of sufficient control from the side of the Board of Directors over operations of the organization and determination of quality of interrelations between the Board of Directors and 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 Board of Directors performance evaluation is definition of their efficiency in preliminary elaboration of issues and assistance to the Board of Directors in process of decision making. Such objective may be achieved by solving such tasks as:

- confirmation of the role, function and objectives of the Committee;
- inspection of balanced composition of the Committee from the point of view of number of its members, their knowledge, professional experience and competences;
- analysis of quality and efficiency of Committee interaction with the Board of Directors and management.

Individual evaluation of members of the Board of Directors is aimed at maximization of their contribution to operations of the Board of Directors and Committees, and also detection of directors’ need for upgrade or development of certain skills enabling more effective operation of the Board of Directors and Committees.

The evaluation is carried out on a regular basis (annually) and can be conducted both independently (by questionnaire method) and with involvement of an independent consultant.

Following 2016 evaluation results, a plan of actions was generated to develop corporate governance, with the following key actions:

- change the approach to formation of the agenda for in-praeentia meetings of the Board of Directors (split off technical issues into a separate block);
- arrange for the participation of independent Board of Directors directors in the work of the Strategy Committee;
- ensure meetings of independent members of the Board of Directors with individual categories of employees;
- include individual issues of management remuneration and succession into the plan of work of the Remuneration and Nomination Committee;
- ensure research on issues of top management remuneration, etc.

All listed actions were performed.

In 2017 we evaluated the Board of Directors according to the new methodology for the second time: in the form of self-evaluation by survey method. For the evaluation, a 4-point scale was used. It should be noted that in the reporting year we set the objective to prepare for the future external evaluation of the Board of Directors. For this purpose, when doing the evaluation in 2017, we tried to model the procedure of external evaluation, using the corresponding tools. For example, additionally individual interviews were held with all members of the Board of Directors and individual representatives of the management with support of independent moderators.

The result lived up to our expectations and actually we received the product of external evaluation: the difference was only the format of presenting the evaluation results to the committees and the Board of Directors.

In process of evaluation, a wide list of issues was analyzed: balance of power in the Board of Directors, role of the Board of Directors in generation and implementation of the Company strategy, analysis of quantitative and personal composition of the Board of Directors and Committees, qualification and experience of the members of the Board of Directors, role of independent directors, procedure of Board of Directors and committees meetings, evaluation of efficiency of Chairman’s, Secretary’s work and work of each of the committees under the Board of Directors.

During self-evaluation, the Board of Directors considered issues aimed at detection of faults in the field of professional qualification, experience, business skills of the members of the Board of Directors, and also compliance of the quantitative composition of the Board of Directors with the Company’s needs. The results of self-evaluation demonstrated that the composition of the Board of Directors was balanced, combination of professional competences, knowledge and experience of the members of the Board of Directors reflects the needs of the Company and makes it possible to efficiently perform tasks and functions of the Board of Directors.

Evaluation results were considered at the joint meeting of the Corporate Governance Committee and the Remuneration and Nomination Committee, and then at the
meeting of the Board of Directors. The meetings were in-person meetings.

The average score on all evaluation elements was 3.84 and did not change almost compared to the similar indicator of 2016 (3.85). At the same time the average score was no less than 3.69 points for all evaluation components.

In the opinion of the assessment process participants, the Board of Directors plays a crucial role in MTS corporate governance system, duly performing its functions and paying sufficient attention both to strategic issues and to those in the field of business efficiency control. This is promoted by work of the Chairman of the Board of Directors and Corporate Secretary that they perform at high level.

Besides, directors and other participants of the evaluation process expressed their proposals for further improvement of the work of the Board of Directors and key issues that the Board of Directors should focus on.

Following the completed evaluation, recommendations were worked out to improve the work of the Board of Directors, and a plan of actions was developed for 2018. The key recommendations are related to issues of strategy, succession, business efficiency and committee operations.

We positively evaluate the results of last year evaluation and see high level of its participants’ involvement, therefore we plan to conduct it further, and will also consider the feasibility of engagement of a separate consultant for the evaluation process (in accordance with the Code recommendation).

Informing newly elected members of the Board of Directors about Company’s operation

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

The President, Company’s management and 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.
Role of the Board of Directors in organization of the efficient risk management and internal control system

The Board of Directors within its competence is liable for organisation of the risk management and internal control system in the Company, including approved reports on efficiency of the risk management system, efficiency of the Company’s internal control system, including compliance system.

The Board of Directors is liable for efficiency of the risk management process, for building and maintaining of the Company’s risk management and internal control system; twice a year reviews risk management report, annually reviews a report of the Audit Committee based on annual results with analysis of current control systems and discovered violations.

Today, an efficiently operating risk management and internal control system aimed at assuring reasonable confidence in achievement of objectives set in the Company exists in the Company.

Officials and MTS Group Companies Liability Insurance

Insurance amount (limit of liability) for five (5) last years remained unchanged and amounts to 250 million USD (for each of annually executed insurance agreements).

D&O policy

Enables to assure protection of members of the Board of Directors, Management Board and management of MTS PJSC (hereinafter — “Officials”) and provide coverage for:

- indemnification of Officials, in connection with actions or claims submitted against them or their persecution by authorised state authorities for their actions/omissions while they exercise office duties in the office held, namely:
  - compensation of expenses of Officials for lawyers and legal protection in connection with the above actions or claims;
  - indemnification of damages caused to plaintiffs by actions/omission of Officials (in the event that the lawsuit is satisfied by the court);
- indemnification of damages of MTS PJSC and subsidiaries of MTS PJSC for claims related to securities (except for lawsuits related to IPO of American depositary receipts).

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1 A more detailed information is presented in the section “Risk Management and Internal Control System”.
President and Management board of MTS

A key role in implementation of the selected strategy, organisation of efficient implementation of resolutions of the Board of Directors, management of current operations of the Company belongs to Executive Bodies of the Company — President (sole executive body) and Management Board (collegial executive body).

Executive bodies are accountable to the Board of Directors and General Shareholders Meeting.

The executive bodies of the Company shall be established by the Board of Directors.

The President and Management Board act on the basis of the articles of association of MTS PJSC, Regulation on President of MTS PJSC¹ and Regulation on the Management Board of MTS PJSC².

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;

• assure establishment and maintenance of operation of the efficient risk management and internal control system in the Company, are responsible for implementation of resolutions of the Board of Directors in terms of organisation of the risk management and internal control system;

• shall be responsible for 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 early termination of President’s powers as well as on termination of powers of an individual member of the Management Board or all members of the Management Board and on establishment of new Executive Bodies.

During 2017 (from March 5, 2011) Andrey Anatoliievitch Dubovskov performed functions of the President of MTS PJSC.

Since March 13, 2018 the functions of MTS PJSC President are performed by Alexey Valerievich Kornya.

1 http://www.company.mts.ru/comp/ir/control/regulations-ceo/
2 http://www.company.mts.ru/comp/ir/control/regulations/executive_board/

Duration of work in the Management Board

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Composition of the Management Board in 2017
Information about the President and members of the Management Board as of December 31, 2017

Aleksey Kornya
President, Management Board Chairman of MTS PJSC (since March 13, 2018)

Born in 1975 in Bryansk.
In 1998 he graduated from St. Petersburg State University of Economy and Finance.

Professional experience:
2000–2000: CJSC PricewaterhouseCoopers Audit, consultant-auditor

2000–2004: OJSC North-West Telecom, chief financial consultant, chief specialist on financial consultation

2004–2007: MTS PJSC, in July 2004 — financial director of the branch of MTS PJSC of Ural macroregion; in October 2007 — director of the Financial Planning and Analysis Department of the Financial Unit of MTS Group

2007–2008: MTS PJSC, controlling director of the Finance and Investment Unit.

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, Finance and Investments

2016–2018: Member of the Management Board — Vice-President for Finance and Investment, Mergers and Acquisitions, MTS PJSC

2018 — present — MTS PJSC, President, Member of the Management Board

Member of the Board of Directors of Mobile TeleSystems JLLC, MTS Bank PJSC, RTC JSC, Sistema Capital MC LLC, Member of the Supervisory Board of PrJSC MTS Ukraine, Member of the Budget Committee at the Board of Directors of MTS PJSC.

Member of the Management Board of MTS PJSC since 2008.

As of December 31, 2017 he owned ordinary registered shares of MTS PJSC in the amount of 148,624 shares.
Andrey Dubovskov

President, MTS PJSC Management Board Chairman (until March 13, 2018)

Born in 1966 in Almaty.

In 1993 he graduated from the All-Russian State University of Cinema n.a. S.A. Gerasimov with the specialty in film direction.

Professional experience


2004–2006: Director of MTS PJSC Branch in Nizhny Novgorod

2006–2007: Director of “Ural” Macro-Region of MTS PJSC

2007–2008: First Deputy CEO of MTS Ukraine PrJSC

2008–2011: CEO of MTS Ukraine PrJSC

2011–2018: President, Management Board Chairman of MTS PJSC

2018 to present: President, Management Board Chairman of Sistema PJSC

Chairman of the Board of Directors in MGTS PJSC and Russian Telephone Company JSC and Deputy Chairman of the Board of Directors in Mobile TeleSystems JLLC, member of the Supervisory Board in VF Ukraine PrJSC, member of the Board of Directors in JSFC Sistema OJSC, Member of the Board of Trustees of BF Sistema, member of the Board of GSM Association (GSMA).

Citizenship: Russia.

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Shareholders’ Meeting on June 27, 2011.

As of December 31, 2017 he owned ordinary registered shares of MTS PJSC in the amount of 467,805 shares.

1 Deputy Chairman of the Management Board was not elected.
Mikhail Arkhipov

Member of the Management Board — Vice-President, Human Resources
(until January 9, 2018)

Born in 1982 in Murmansk.

In 2004 he graduated from the faculty of sociology of Lomonosov Moscow State University.

Professional experience

2004–2004: LLC MPZ Campomos, HR manager

2004–2008: OJSC San InBev, compensations and benefits manager, compensations and benefits director

2008–2009: senior human resources manager of CJSC KPMG

2009–2013: human resources director of PJSC SIBUR Holding

2013–2018: Member of the Management Board — Vice-President, Human Resources, MTS PJSC

Member of the Board of Directors of SHYAM TELESERVICES Limited.

Member of the Management Board of MTS PJSC since 2013.

As of December 31, 2017 he owned ordinary registered shares of MTS PJSC in the amount of 28,783 shares.
Kirill Dmitriev

Member of the Management Board, Vice President for Sales and Service

Born in 1978 in Kingisepp.

In 2000 he graduated from St. Petersburg State University of Economy and Finance.

**Professional experience**

2006–2009: Director of key retail accounts of Baltic Beverages Holding (Ukraine)

2009–2011: PrJSC MTS Ukraine, Director of the Western Territorial Department

2011–2014: PJSC MTS, General Director of North-West macroregion

2014–2016: PISC MTS, Member of the Management Board — Director of Moscow Macro-Region

2016 to present: MTS PJSC, Member of the Management Board — Vice-President for Sales and Service

Member of the Supervisory Board of MTS Ukraine PrJSC, Member of the Board of Directors, Member of the Strategy Committee, Member of the Nomination and Remuneration Committee of MGTS PJSC, Member of the Board of Directors of RTK JSC and CITY TELECOM CJSC, Member of Supervisory Board of VF Retail LLC.

Member of the Management Board of MTS PJSC since 2014.

As of December 31, 2017 he owned ordinary registered shares of MTS PJSC in the amount of 58,449 shares.
He was born in 1963 in the town of Taldykorgan.

In 1986 he graduated from the faculty of law of Lomonosov Moscow State University.

In 1992 he completed postgraduate studies of Peoples’ Friendship University of Russia named after P. Lumumba. PhD in law.

Professional experience

1992–1996: 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: worked as a lawyer in various bar associations


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, Corporate and Legal Issues

2008 to present: MTS PJSC, Vice-President, Corporate and Legal Issues, Management Board Member

Management Board Member, vice-president of the Non-Profit Partnership “Association of Corporate Lawyers”, member of the Non-Profit partnership “Assistance to Competition Development in CIS countries”, member of the All-Russian Public Organization “Association of Russian Lawyers”, senior director of the Association of Independent Directors, Board Member, Chairman of the Board of the Association of National Payment System Organizations “National Payment Association”, member of the Partnership of Antimonopoly Experts Association, Member of the Supervisory Board of Autonomous Non-Profit Organization “Digital Economy”, independent director of OJSC “Publishing House “Higher School”, member of the Board of Directors of LLC “Doctor nearby” and Publishing House “Education” JSC, member of the Corporate Governance Committee at the Board of Directors of MTS PJSC.

Member of the Management Board of MTS PJSC since 2007.

As of December 31, 2017 he owned ordinary registered shares of MTS PJSC in the amount of 113,877 shares.
Vyacheslav Nikolaev
Member of the Management Board — Vice President, Marketing

Born in 1970 in Moscow.

In 1992 he graduated from the faculty of mathematics of computation and cybernetics, Lomonosov Moscow State University.

In 1994 he completed management training in the Kriible Institute, Washington, DC.

Professional experience

1994–1999 — international consulting company European Public Policy Advisers, Senior Adviser

1999–2000 — J’son and Partners (telecommunications consulting), Adviser


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, Consumer Market Marketing

2017 to present: MTS PJSC, Member of the Management Board — Vice-President, Marketing

Member of the Board of Directors of MGTS PJSC, MTS Bank PJSC, RTC JSC, MTS Armenia CJSC.

Member of the Management Board of MTS PJSC since 2017.

As of December 31, 2017 he didn’t own shares of MTS PJSC (directly/indirectly).
Igor Yegorov

Member of the Management Board, Moscow Region Director

Born in 1968 in Irkutsk.

Graduated from St. Petersburg State Electrotechnical University with a degree “Automated Control Systems Engineer”.

Professional experience

1993-1995: VEC ltd LLP, manager
1995–2003: Jump LLC, Commercial Director
2003–2005: Primtelefon CJSC, Commercial Director
2005–2006: Primtelefon CJSC, Director of Marketing
2006–2007: MTS OJSC, Director of MTS OJSC Branch in Chita Region
2007–2008: MTS OJSC Branch, MR Far East, Director of Marketing
2008–2011: MTS OJSC Branch, MR Far East, Commercial Director for Retail Market
2011–2014 — MTS OJSC Branch, MR Far East, Branch Director
2014–2016: MTS OJSC (since 2015 MTS PJSC), MR Center, Branch Director
2016 to present: MTS PJSC, member of the Management Board. Director of Moscow Region

As of December 31, 2017 he owned ordinary registered shares of MTS PJSC in the amount of 29,035 shares.
Andrey Smelkov

Member of the Management Board — Vice President, Director, MTS Foreign Subsidiaries Business Unit

Born in 1976 in Velikiy Novgorod.

In 1998 he graduated from the faculty of management and economics of Novgorod State University named after Y. Mudriy. In 2000 he received a degree in Telemark University (Norway) majoring in economics and business administration. In 2012 he completed the course in Wharton Business School (USA) for competence development program for heads of companies.

Professional experience

He has extensive professional experience in telecommunication industry in CIS countries.


2002–2002: CJSC Novgorod Telecommunications, Marketing and Advertisement Manager

2002–2003: CJSC Novgorod Telecommunications, Marketing and Advertisement Director

2003–2004: CJSC Novgorod Telecommunications, Deputy General Director


2006–2008: PJSC Vimpelcom (subsidiary in Uzbekistan), Chief Manager for Regional Network Development, Deputy General Director for Business Development in Regions

2008–2010: SkyMobile company (Kyrgyzstan), General Director

2010–2013: Tele2 (Kazakhstan), Chief Executive Officer, Chairman of the Management Board

2013–2013: Tele2 AB (Sweden), Chief Adviser of the Vice President

2013 to present: MTS PJSC, Member of the Management Board — Vice President, MTS Foreign Companies Business Unit

Chairman of the Board of Directors of HC MTS-Turkmenistan and MTS Armenia CJSC, Member of the Board of Directors of JLLC Mobile TeleSystems, Sistema Shyam Teleservices Limited.

Member of the Management Board of MTS PJSC since 2013.

As of December 31, 2017 he owned ordinary registered shares of MTS PJSC in the amount of 34,487 shares.
Andrei Ushatskiy

Member of the Management Board — Vice President, Engineering and IT

Born in 1974 in Moscow.

In 1997 graduated from the Moscow Energy Institute.

In 2002–2004 studied under MBA program for managers in the Academy of National Economy at the RF Government.

Professional experience

He has been working in MTS PJSC since 1996, starting from the post of the radiorelay line service specialist, then head of the network operation service, director of the network operation department and director of MTS Russia business unit.

2009–2013: MTS PJSC Vice President for Engineering

2013 to present: MTS PJSC, Member of the Management Board — Vice-President, Engineering and IT

Chairman of the Board of Directors of JSC Metro-Telecom, Member of the Board of Directors of ES MTS-Turkmenistan, JSC NVision Group, Sitronics JSC, STS JSC, Member of the Board of Directors, Member of the Strategy Committee of PJSC MGTS.

Member of the Management Board of MTS PJSC since 2009.

As of December 31, 2017 he owned ordinary registered shares of MTS PJSC in the amount of 111,239 shares.
Valery Shorzhin

Member of the Management Board — Vice President, Procurement and Administration

Born in 1963 in Ulyanovsk.

In 1986 he graduated from MHTC named after N.A. Bauman.

Professional experience

1993–1996: JSCB Tveruniversal bank, Department of bank technologies automation

1996–2000: STS Sovintel, Communication Engineer, Head of the Traffic Analysis and Control Group, Director of the Network Control and Development Department

2000–2006: STS Sovintel, IT Director

2006–2008: Farlep-Invest (Ukraine), IT Director and Chief Technical Officer

2008–2011: MTS PJSC, IT Director

2011–2014: MTS PJSC, Director of the Procurement Department

2014 to present: MTS PJSC, Management Board Member — Vice-President, Procurement and Administration

Member of the Board of Directors, MGTS PJSC, NVision Group JSC and NIS JSC.

He was elected for the first time in the Management Board of MTS PJSC in 2009; he was reelected in the Management Board in 2011.

As of December 31, 2017 he owned ordinary registered shares of MTS PJSC in the amount of 89,776 shares.
Events after the reporting date

1. Appointment of Maria Golyandrina to the position of the Member of the Management Board — Vice President, Human Resources

The Board of Directors of MTS PJSC on December 15, 2017 made the decision to terminate since January 9, 2018 the powers of the Member of the Management Board, MTS PJSC, Mikhail Arkhipov and on election of Maria Golyandrina as the Member of the Management Board since January 10, 2018, who previously for three years headed the MTS Department of Compensations, Benefits and HR Administration.

2. Appointment of Alexey Kornya as the MTS President

The Board of Directors of MTS PJSC on March 1, 2018 made the following decision:

- to terminate early the powers of the President, the Chairman of the Management Board of MTS PJSC Andrey Dubovskov on March 2018;
- to appoint the President, the Chairman of the Management Board of MTS PJSC Mr alerievich Kornya for three years since March 13, 2018.

3. Appointment of Andrey Kamenskiy as the Member of the Management Board, Vice President for Finance and Investment, Mergers & Acquisitions.

4. Appointment of Alexandre Gorbunov as the Member of the Management Board — Vice President, Strategy and Development.

The Board of Directors of MTS PJSC on April 10, 2018 made the following decisions:

- Appointment of the new Management Board Member-Vice President, Finance, Investments, Merger and Acquisitions.
- Appointment of the new Management Board member — Vice President, Strategy and Development.
- Determination on April 16, 2018 of quantitative composition of the Management Board of MTS PJSC as 11 members as follows:
  1. Aleksey Kornya — Chairman of the Management Board, MTS PJSC
  2. Maria Golyandrina
  3. Aleksandr Gorbunov
  4. Kirill Dmitriev
  5. Igor Yegorov
  6. Ruslan Ibragimov
  7. Andrey Kamenskiy
  8. Vyacheslav Nikolaev
  9. Andrey Smelkov
  10. Andrei Ushatskiy
  11. Valery Shorzhin

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1 Information on M. Golyandrina at https://moskva.mts.ru/about/obshhestvennosti-i-smi/rukovodstvo/top-menedzhment/golyandrina
2 Information on A. Kornya at https://moskva.mts.ru/about/obshhestvennosti-i-smi/rukovodstvo/top-menedzhment/kornya
3 Information on A. Kamenskiy at https://moskva.mts.ru/about/obshhestvennosti-i-smi/rukovodstvo/top-menedzhment/kamenskiy
4 Information on A. Gorbunov is provided in the section “MTS PJSC Board of Directors”
Activities of Management Board

For the previous 2017 the Management Board held 26 meetings:
20 in person form, 6 in the form of absentee voting.

Participation of members of the Management Board in meetings of the Management Board in 2017

<table>
<thead>
<tr>
<th>Member of the Management Board</th>
<th>In-Person Meetings</th>
<th>Meetings by Correspondence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrey Dubovskov</td>
<td>20</td>
<td>6</td>
</tr>
<tr>
<td>Mikhail Arkhipov</td>
<td>17</td>
<td>6</td>
</tr>
<tr>
<td>Kirill Dmitriev</td>
<td>18</td>
<td>6</td>
</tr>
<tr>
<td>Igor Egorov</td>
<td>18</td>
<td>6</td>
</tr>
<tr>
<td>Ruslan Ibragimov</td>
<td>16</td>
<td>6</td>
</tr>
<tr>
<td>Aleksey Kornya</td>
<td>16</td>
<td>6</td>
</tr>
<tr>
<td>Vasily Latsanich</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Vyacheslav Nikolaev</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>Andrey Smelkov</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>Andrey Ushatskiy</td>
<td>17</td>
<td>6</td>
</tr>
<tr>
<td>Valery Shorzhin</td>
<td>20</td>
<td>6</td>
</tr>
</tbody>
</table>

1 Powers of the Member of the Management Board terminated from July 01, 2017.
2 Elected Member of the Management Board since July 01, 2017

According to the information available to the Company, in the reporting year there were no conflicts of interest among the members of the Management Board, including those related to the participation of these persons in the management bodies of competitors of MTS PJSC.

The Company did not grant loans (credits) to the President and Management Board in 2017.

Significant issues considered at the meetings of the Management Board of MTS PJSC in 2017

1. Performance of MTS Group for 2016

2. Results of rating of MTS PJSC, subsidiaries, branches of MTS PJSC for 2016, quarters I-III, 2017

3. Approval of the principles of the KPI system of MTS PJSC for 2017.

4. Risk management in the field of intellectual property in MTS PJSC.

5. Results of audit of the processes in the field of intellectual property (IP), changes to risk map of MTS PJSC and approaches to building IP management system.

6. Extension of liability insurance agreement of directors and officials of MTS Group companies


8. Changes to the system for MTS PJSC employees performance evaluation.

9. Usage of electronic signature in MTS PJSC.


11. Review of reports on implementation of functional strategies of MTS Group for 2016 in the fields of:

   • marketing;
   • sales and service;
   • engineering and IT;
   • personnel management;
   • procurement;
   • safety;
   • PR;
   • compliance;

12. Approval of functional strategies for 2017:

   • MTS Group strategy in the field of HR management;
   • MTS Group sales and service strategy (new revision).

13. Approval of functional strategies for 2018 in the following fields:

   • marketing;
   • sales and service;
   • personnel management;
   • engineering and IT;
   • regulatory risk management;
   • PR;
   • corporate security and access control;
   • compliance;
   • procurement;
   • corporate social responsibility.


15 Participation, termination of participation in non-profit organizations:

   • determining the position of MTS PJSC on the issue of participation of NVision Group JSC in non-profit organization — Association of Computer and Information Technologies Enterprises (AP KIT);
   • termination of MTS PJSC participation in self-regulated organizations Soyuz ProektSvyazTelekom and Soyuz StroySvyazTelekom;
   • participation of MTS PJSC in Association of IoT Market Participants;
- participation of MTS PJSC in non-profit organization “Atlantic Council”;
- determining the position of MTS PJSC on the issue of participation of NVision Group JSC in autonomous non-profit organization “Jurisdiction for Development and Introduction of XBRL Format” (XBRL Jurisdiction);
- participation of NIS PJSC in non-profit organizations;
- participation of MTS PJSC in the autonomous non-profit organization “Digital Economy”;

### Key competences of the Management Board Members

<table>
<thead>
<tr>
<th>Member of the Management Board</th>
<th>Duration of work as Management Board Member</th>
<th>Key competences</th>
</tr>
</thead>
</table>

1 Elected Member of the Management Board since July 01, 2017.
Principles of remuneration of Management Board members and senior officials

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 authorised 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.

Information about principles and system of remuneration of senior officials

Remuneration of senior officials shall be fixed and calculated based on the Policy for labour 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 installations approved by the Board of Directors.

The system of remuneration to senior officials includes elements of base remuneration and variable premium part:

- base remuneration – monthly official salary;
- 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 labour and corporate relations between the Company and its management.
- Variable part of remuneration is determined by results of Company’s business in the reporting period in accordance with internal regulations of the Company and approved by the Board of Directors of the Company.
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 and industrial 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 block 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 specialized committees on an annual basis.

The list of corporate performance indicators of the MTS PJSC President includes such indicators as:

- OIBDA;
- income;
- integral evaluation of implementation of strategic projects and business development.

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 member of the Board of Directors as well as evaluate their performance which is performed based on materials approved by the Remuneration and Appointment Committee.

The evaluation of the President and member of the Management Board for 2017 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 of members of the Management Board and senior officials based on 2017 results

Remuneration paid to members of the Management Board in 2017

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Total, RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration for participation in operations of the management body</td>
<td>0</td>
</tr>
<tr>
<td>Salary</td>
<td>172,591,777.99</td>
</tr>
<tr>
<td>Bonuses</td>
<td>519,199,718.00</td>
</tr>
<tr>
<td>Cost compensations</td>
<td>119,126,592.11</td>
</tr>
<tr>
<td>Other remuneration types</td>
<td>6,645,612.49</td>
</tr>
<tr>
<td>TOTAL</td>
<td>817,563,700.59</td>
</tr>
</tbody>
</table>
Remuneration paid to senior officials in 2017

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Total, RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>304,451,351</td>
</tr>
<tr>
<td>Bonuses</td>
<td>560,723,785</td>
</tr>
<tr>
<td>Cost compensations</td>
<td>145,892,087</td>
</tr>
<tr>
<td>Other remuneration types</td>
<td>5,100,808</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,016,168,032</strong></td>
</tr>
</tbody>
</table>

1 Includes information on remuneration of 25 top officials of the Company (including Members of the Management Board).


The structure of income of Company’s chief executives varies depending on the post level.

The higher is the post in the internal hierarchy of the Company, the larger share is the variable remuneration part.

The actual element value individually varies depending on the work schedule in the reporting year, reached results as per KPIs and shareholder value according to the long-term bonus payment program.

Typical element ratio is presented in the following options.

**Typical remuneration structure ratio**

![Diagram showing the remuneration structure for Management Board members and Department Directors.](image-url)
Management of subsidiaries of MTS Group

Shareholders
Ownership, election of the Board of Directors

Board of Directors
Strategy, appointment and control of management

President
General management of the company

Management Board
Management of functions

Telecom
SIBINTERTELECOM
Teleservis

Procurement
System Integration
NVision Group
Dzhums Proekty

Sales
Telephony, Internet, TV
MGTS

Technologies
IT
MTS IT
STS JSC
Nvision Czech Republic
ITM-UKRAINE

Foreign
Turkmenistan
Armenia
Belarus
Ukraine

Telematics
NIS

Retail
RTC
Cloud Retail NEW

Television
Satellite TV

Power
MTS ENERGO NEW

Construction of FOCL/BS /
METRO-TELECOM
In 2017, new businesses were included into MTS Group. Currently, work on implementation of MTS corporate governance standards is carried out in the companies.

The Company established a multi-level corporate management system, which provides for consecutive interaction of all holding’s management bodies starting from General Meeting of Shareholders of MTS to executive bodies of subsidiaries. Such a model enables a parent company to efficiently coordinate operations of all subsidiaries while assuring interests of all stakeholders.
### Factors affecting management style

<table>
<thead>
<tr>
<th>&gt;50%</th>
<th>&lt;50%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Control</strong></td>
<td><strong>Company profile</strong></td>
</tr>
<tr>
<td>Strategic management through representatives in the BoD</td>
<td>Strong brand</td>
</tr>
<tr>
<td>Core with a strong brand</td>
<td>Publicity</td>
</tr>
<tr>
<td>Non-core with minority shareholders</td>
<td>Minority shareholders</td>
</tr>
<tr>
<td>New businesses</td>
<td>Integration</td>
</tr>
<tr>
<td>Functional management through functions of HR, IT, HR units</td>
<td>Jurisdiction</td>
</tr>
<tr>
<td>New businesses</td>
<td></td>
</tr>
<tr>
<td>Operational management through management company</td>
<td></td>
</tr>
<tr>
<td>Core companies for integration</td>
<td></td>
</tr>
</tbody>
</table>

**Note**
- SC: Subsidiary
- BoD: Board of Directors
- RB: Auditing Commission

Subsidiaries sent to MTS PJSC information for the purposes of disclosing information on substantial facts in accordance with the requirements of the existing legislation:
- on corporate conflicts;
- on occurrence of substantial facts in accordance with the Russian legislation on securities.

Subsidiaries independently disclose information to Unified Federal Register of Information and in accordance with legislation on securities.
Creating Board of Directors in subsidiaries

1. **President** nominates business curators for subsidiaries.

2. **Curators** are nominating candidates for subsidiaries’ BoD.

3. **Representatives** based on the Management Policy of the subsidiary:
   - Supervision over implementation of decisions
   - Voting recommendations
   - Information about subsidiaries

---

**Criteria for the formation of BoD**
- MTS and subsidiaries management
- Company profile / relevance
- Consent of the candidate
- Presence in other BoD
- Conflict of interests/stake

**Influence of MTS on key business processes of subsidiaries through the BoD**
- Strategy and investments
- Business plan and budget
- Functional strategies
- Remuneration system
- Management control, audit, compliance
- Asset control

**End-to-end competences of MTS Board of Directors with respect to subsidiaries**
- Strategy and budget of the Group
- Nominations to BoD and Auditing Commission of foreign companies
- M&A, reorganization

**132 representatives to the Board of Directors are nominated by MTS annually**
Involvement of MTS representatives in Boards of Directors of subsidiaries

1. **BoD plan.**
   - Matrix of coordinators from MTS.
   - **Responsible officers at subsidiaries** coordinate materials for BoD with MTS units.

2. **Corporate Secretary**
   - Coordinates materials for the BoD meeting with the Chairman of the Board of Directors of subsidiary / curator for the business area.

3. **Corporate Secretary**
   - Notifies members of the BoD and sends the materials.

4. **Business area curator**
   - Sends voting recommendations containing the opinions of MTS departments.

5. **Members of the BoD**
   - Vote either according to the position defined by MTS BoD, or being guided by their own opinion, taking into account the recommendations.

6. **Corporate Secretary**
   - Approves the minutes with BoD members.
Internal Control and Audit

Internal Control System

The internal control system of MTS PJSC represents a combination of internal control processes implemented by ICS entities based on existing organisational structure, internal policies and regulations, internal control and risk management procedures and method applied in the Company at all management levels and as part of all functional areas.

Establishment and efficient operation of the internal control system are aimed at assuring reasonable confidence in achievement of objectives faced by the Company and enable to assure proper control over 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 monitored, 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 application of sanctions for officials’ bribery against MTS PJSC is provided. For the purposes of counteraction to abuses, authorisation of transactions and operations, distinction of powers and rotation of duties, control of actual availability and condition of facilities is implemented.

MTS PJSC approved the Policy for meeting anti-corruption legislation defining measures aimed at establishing elements of the corporate culture, organisational structure, rules and procedures assuring non-admission of corruption.

As part of the Single hot line of MTS Group of Companies the line of the internal control and audit unit was organised as a safe, confidential and available method of the Audit Committee informing of the Board of Directors and Internal Control and Audit Unit about facts of breaches of legislation, internal procedures, Code of Business Conduct and Ethics of MTS PJSC by its any employees and (or) any members of the management.

“The function of internal control and audit in MTS Group has travelled a long way of development and improvement. For the last three years separate internal control and audit units with often overlapping functionalities were formed into a single effective Internal Control and Audit Block with new objectives and tasks, which is continuously developing, different from the point of view of employees’ skills and competences, including in innovation spheres, ready to think out of the box and to solve difficult issues. Currently the approach to control and audit has been essentially modified — from the current practice of relations “Controller/Auditor — Under Audit” to the partnership scheme. The Internal Control and Audit Block is first of all a business assistant and assistant.

Following the results of external assessment completed in the beginning of 2018, the Internal Control and Audit Block performance was recognized as complying with the International Professional Standards of Internal Audit and Code of Ethics of the Internal Auditors’ Institute. The Internal Control and Audit Block of MTS PJSC was rated high by stakeholders and recognized as one of leading functions of internal audit among the Russian companies”.

Maxim Mamonov, Internal Control and Audit Director
body or body of control over financial and economic activities of MTS PJSC.

Proposals for improvement of anti-corruption procedures and other internal control procedures are received by the hotline addressed to the Audit Committee of the Board of Directors and the Internal Control and Audit Unit. A person who submitted relevant information is protected from any forms of pressure (including from dismissal, persecution, any forms of discrimination).

For systematic independent evaluation of reliability and efficiency of the risk management and internal control system and corporate management performance of the internal audit by the Internal Control and Audit Unit of MTS PJSC was organized in MTS PJSC. The Internal Control and Audit Block is an individual structural division of MTS PJSC functionally subordinate to the Board of Directors and administratively — directly to the President of MTS PJSC.

The Audit Committee of the Board of Directors of MTS PJSC twice a year reviews reports on operation of the Internal Control and Audit Block, Internal Control Systems Department, Compliance Department and Risk Management Unit. The Audit Committee positively evaluated the work of the Internal Control and Audit Block in terms of evaluation of internal control, risk management and corporate governance system efficiency as well as evaluated operation of the risk management functions as efficient and meeting tasks as of today and also positively evaluated performance of the compliance function and considers it to be effective.

The Audit Committee positively evaluated the work of the Internal Control Systems Department with regard to creation, implementation and development of an effective system of internal control over reliability of preparation of financial statements of MTS Group, including in new businesses, for 2017.

The Audit Committee of the Board of Directors of MTS PJSC on a quarterly basis reviewed reports of external auditors CJSC Deloitte and Touche CIS approving their performance.

The Board of Directors defines a policy in respect of internal control and annually reviews the report of the Audit Committee based on the work results for a year with an analysis of current control systems and discovered violations. Report of the Auditing Commission is annually attached to materials of the annual General Shareholder Meeting of MTS PJSC.

The Internal Control and Audit Block of MTS successfully underwent the external independent evaluation — activities of the subdivision was recognized as compliant with the International Professional Standards of Internal Audit and Code of Ethics, Institute of Internal Auditors, the reputable international professional association. For some areas, Internal Control and Audit Block of MTS occupies not only the leading positions in Russia, but meets the strictest global standards of quality in part of setting objectives and performance of tasks, building communications, and also organization of work and status of Internal Audit Service.
Audit Committee at the Board of Directors

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".

Auditing Commission

On June 29, 2017 the followings persons were elected as members of the Auditing Commission at the annual general shareholder meeting of MTS PJSC:

1) Borisenkova Irina Radomirovna, born in 1963, takes the post of the Chief Accountant, managing director of the Finance and Investment Complex of Sistema PJSC;

2) Mamonov Maxim Aleksandrovitch, born in 1978, takes the post of the internal control and audit director of MTS PJSC;

3) Panarin Anatoliy Gennadyevich, born in 1988, takes the post of the Planning Head of the Finance and Investment Complex of Sistema PJSC.

Results of evaluation by the Committee of the external and internal audit process efficiency :

- please see the section "Audit Committee Performance Report"

Report on operation of the Auditing Commission

In April 2017, based on the results of the performed audit, the Auditing Commission did not record material facts of violation of accounting and financial statements submission procedures while carrying out financial and economic activities of the Company.

The Auditing Commission confirmed that financial statements of the Company for 2016 and the Annual report on Company’s activities for 2016, in terms of Company’s financial statements, are authentic.

In April 2018 the Auditing Commission inspected business operations of the Company for 2017. The report of the Auditing Commission will be provided for approval of the Annual General Meeting of MTS Shareholders in June 2018.
Internal Control and Audit Block

The Internal Control and Audit Block is an independent structural subdivision and consists of the Internal Audit Department, Control Department, Methodology and Coordination Department. Head of the Block is the Director for Internal Control and Audit who is functionally subordinated to the Chairman of the Audit Committee under the Board of Directors of MTS PJSC, and administratively subordinated directly to the President of MTS PJSC.

The Internal Control and Audit Block performs the following functions:

- evaluation of the internal control system’s efficiency based on the following areas: efficiency and effectiveness of business operations, authenticity of financial and management accounting, compliance with internal standards and external requirements;
- evaluation of the risk management system’s efficiency in the company in general and development of recommendations for improvement of the risk management system;
- development of recommendations for improvement of internal control, risk management and corporate governance procedures, and assistance to management in development of corrective measures based on the results of performed audits/inspections of financial and economic activities;
- implementation of monitoring of execution of recommendations for rectification of violations and deficiencies discovered based on audit results;
- analysis of authenticity of performance indicators and achievement of planned results during audits/inspections of financial and economic activities;
- coordination, analysis and registration of messages received to the “Unified hot line”;
- analysis of compliance of company’s operations with requirements of legislation (including anti-corruption) during audits/inspections of financial and economic activities.

The Internal Control and Audit Block submitted three reports at meetings of the Audit Committee. All reports were approved by the Audit Committee.

The Internal Control and Audit Block since February to March 2018 underwent external independent evaluation, following the results of which its operations were recognized as complying with the International Professional Standards of Internal Audit and Code of Ethics of the Internal Auditors’ Institute.

Report on operation of the Internal Control and Audit Block

During 2017 the Internal Control and Audit Block operated in accordance with the set objectives, tasks and performed functions.

In December 2017 the Board of Directors developed and approved a new revision of the Policy “Internal Control and Audit” complying with the requirements of the Corporate Governance Code of the Central Bank of Russia, Regulations “On listing for on-exchange trading”, International Fundamentals of Professional Practice of Internal Audit adopted by the International Internal Auditors’ Institute.

Results of the Internal Control and Audit Block’s operation for the first six months and in general for 2017 were inspected and approved by the Audit Committee. The Audit Committee positively evaluated operations of the Internal Control and Audit Block, and believes it is efficient.

In 2017 the Audit Committee approved the strategy, KPIs, work plan and budget of the Internal Control and Audit Block for 2018.
Department of Internal Control Systems

The Internal Control Systems Department is a business unit, which is included into the Finance and Investment Block of CC and comprises the ICS Development and Methodology Department, Certification and SoD Analysis Department, ICS Development and Support in CD Department, Center of Training Competence of ICS, and also the distributed Internal Control Systems Center in five regions of the Russian Federation. The Internal Control Systems Department is headed by the Director of the Department, which is directly subordinate to the Management Board Member, Vice-President for Finance, Investments, Mergers and Acquisitions of MTS PJSC and is accountable to the Audit Committee under the Board of Directors of PJSC MTS.

The Department of Internal Control Systems performs the following main functions:

- building, implementation and development of the system for internal control over reliability of financial statements of MTS Group;
- perform testing, evaluation and certification of the system of internal control over generation of financial statement of MTS Group;
- manage separation of authorities in SOX-essential information systems (SoD-analysis);
- coordinate interaction of external auditors and functional subdivisions of the company during the audit of efficiency of the internal control system of MTS Group.

The department of internal control systems is directly subordinate to the vice-president of MTS PJSC for finance, investments, mergers and acquisitions and is accountable to the Audit Committee at the Board of Directors of MTS PJSC.

Report on operation of the Department of Internal Control Systems

In 2017, within the framework of internal control system development in 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 2016, changes in the organizational structure and business processes, works were performed to formalize control procedures aimed at coverage of essential risks, and their efficiency was assessed.

In accordance with the function development area, changes were made to the organizational structure of the ICSD. Standards and regulations that govern the operations of the Internal Control System Department were revised.

Methodology was approved, and works were performed to reduce the identified conflicts of roles and powers (SoD) in Oracle EBS.

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 internal evaluation and external audit the internal control system of MTS Group as of December 31, 2017 was found efficient having no material and significant deficiencies.
External Audit

Auditor

On June 29, 2017 at the Annual General Meeting of shareholders of MTS PJSC, AO Deloitte & Touche CIS (Location: 5 Lesnaya Str., Moscow, Russian Federation 125047), OGRN 1027700425444, certificate of membership in the Self-Regulating Organization of Auditors “Russian Union of Auditors” (Association) dated December 7, 2016 Principal Number of Registration Entry 11603080484 was approved as the auditor of the Company.

Deloitte and Touche CIS CJSC is one of the leading audit and consulting firms providing services in the field of audit, consulting, corporate finance, risk management and tax and legal advice. It is a member of the international association Deloitte Touche Tohmatsu Limited, one of the world’s leading providers of professional services, with more than 264,000 employees in more than 150 countries.

In the reporting year the Auditor performed:

• the audit of annual financial statements of MTS PJSC for 2017 prepared in accordance with the Russian Accounting Standards as per the International Audit Standards (IAS);
• audit of consolidated financial statements of MTS PJSC and its subsidiaries prepared in accordance with IFRS for 2017, as per the International Audit Standards;
• integrated audit of consolidated financial statements of MTS PJSC and its subsidiaries prepared in accordance with IFRS for 2017 and efficiency of the internal control system over its preparation as of December 31, 2017, conducted in accordance with the standards of the US Public Company Accounting Oversight Board.

In March 2018 the Audit Committee approved the results of the conducted audits.

Based on the results of the audits performed the Auditor of MTS PJSC expressed its opinions on authenticity of financial statements of MTS PJSC prepared in accordance with the Russian Accounting Standards and consolidated financial statements of MTS PJSC and its subsidiaries prepared in accordance with IFRS.

Procedure for the selection of issuer's auditor

A tender for selection of the external auditor of MTS PJSC is conducted at least once in five years. To conduct the tender, MTS PJSC establishes a tender commission. Based on tender results the tender commission generates recommendations for selection of the external auditor which are submitted for approval to members of the Audit Committee at the Board of Directors of MTS PJSC.

In the event that the auditor candidacy is approved by the Audit Committee, Board of Directors and General Shareholder Meeting of the Company, a contract for financial statements audit services shall be signed with an auditing company.

The auditor’s remuneration for audit of statements of MTS PJSC and its subsidiaries for 2017 is approved by the Board of Directors of MTS PJSC, and based on 2017 results it amounted to 125,070 K RUB, VAT excluded (including works to audit efficiency of the internal control system over preparation of consolidated financial statements as of December 31, 2017 to ensure issuer’s compliance with requirements of the Sarbanes-Oxley Act).
Capital and securities

Joint stock capital structure

Authorized capital of MTS PJSC as of December 31, 2017 amounted to 199,838,157.50 RUB.

Placed and declared shares of MTS PJSC as of December 31, 2017

<table>
<thead>
<tr>
<th>Shares’ categories (types)</th>
<th>Quantity (pcs.)</th>
<th>Nominal value of one share (RUB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Placed shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares</td>
<td>1,998,381,575</td>
<td>0.1</td>
</tr>
<tr>
<td>Voting shares</td>
<td>1,998,381,575</td>
<td>0.1</td>
</tr>
<tr>
<td>Preferred shares</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Declared shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares</td>
<td>100,000,000</td>
<td>0.1</td>
</tr>
<tr>
<td>Preferred shares</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Shareholder capital structure of MTS PJSC as of December 31, 2017¹

Information about persons owning shares disposing of votes by shares being beneficiaries by shares of MTS PJSC

<table>
<thead>
<tr>
<th></th>
<th>Number of ordinary shares</th>
<th>Interest of authorized capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sistema PJSFC ¹ ²</td>
<td>960,737,937</td>
<td>48.08%⁴</td>
</tr>
<tr>
<td>MGTS PJSC ₄</td>
<td>7,569,230</td>
<td>0.38%</td>
</tr>
<tr>
<td>Stream Digital LLC</td>
<td>78,768,793</td>
<td>3.94%</td>
</tr>
<tr>
<td>Bastion LLC</td>
<td>1,133</td>
<td>0.00%</td>
</tr>
<tr>
<td>MTS PJSC</td>
<td>497</td>
<td>0.00%</td>
</tr>
<tr>
<td>Shares in free circulation ⁵</td>
<td>951,303,985</td>
<td>47.6%</td>
</tr>
<tr>
<td>Total</td>
<td>1,998,381,575</td>
<td>100%</td>
</tr>
</tbody>
</table>

¹ The ownership interest of JSFC Sistema PJSC includes ownership interests of its following subsidiaries: LLC Sistema Telecom Assets (11.03% of shares of MTS PJSC) and Sistema Finance S.A. (4.8% of shares of PJSC MTS).
² Vladimir Petrovitch Evtushenkov is a controlling person of JSFC Sistema PJSC.
³ The stake of Sistema PJSFC, including indirect ownership through controlled entities (MTS PJSC, MGTS PJSC, Stream Digital LLC and Bastion LLC) is 52.42% of shares, while an effective interest is 50.00884%.
⁴ MGTS PJSC, Stream Digital LLC and Bastion LLC are subsidiaries of MTS PJSC.
⁵ Includes 9.1% of shares of MTS PJSC and ADR for 38.47% of shares of MTS PJSC.

Information on the number of shareholders

Total number of persons registered in the shareholder register of the issuer as of the end of Q4 2017: 879.

Total number of persons included in the list of persons compiled by the latter (as of September 5, 2017) 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: 19,527

The management of MTS PJSC has no information² about existing share ownership interests exceeding 5% of authorized capital of MTS PJSC apart from the above-mentioned.

For updated information about the shareholder capital structure visit the Company’s web-site — http://www.company.mts.ru/comp/ir/shareholders/.

The management of MTS PJSC has no information about existing share ownership interests exceeding 5% of authorized capital of MTS PJSC apart from the above-mentioned.

¹ All ordinary registered voting shares at the disposal of MTS PJSC, in accordance with requirements of current legislation do not grant a voting right, are not counted during voting, dividends are not accrued for them.
² Information is understood as documented data received by (handed over to) the management.
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. From October 3, 2003 shares of MTS PJSC were included in the list of non-listed securities of the Moscow Interbank Currency Exchange. In December 2003 shares of MTS PJSC were included in "B" quotation list at MICEX. Since October 2010 shares have been traded in "A1" quotation list. Since June 2014 shares of MTS PJSC have been traded at the first level of MICEX securities list.

At the New-York stock exchange MTS shares are listed in the form of American Depositary Receipts – ADR (ratio: 1 ADR to 2 shares).

The ordinary shares of MTS PJSC fixes for its owner (shareholder) a certain volume of property rights, including the right to participate in 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 property remained after Company’s liquidation.

The Company’s issued and placed shares are ordinary registered shares of the same par value.

Information about circulation of shares of MTS PJSC at stock exchanges

<table>
<thead>
<tr>
<th>Trading Platform Name</th>
<th>Issuer Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>NYSE, New York</td>
<td>MBT</td>
</tr>
<tr>
<td>MOEX, Moscow</td>
<td>MTSS</td>
</tr>
</tbody>
</table>

Information about current lists and transaction prices:

http://www.moex.com;

Price and volume of shares of MTS PJSC (RUB), 2017

<table>
<thead>
<tr>
<th></th>
<th>Price (RUB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum share price</td>
<td>224.05</td>
</tr>
<tr>
<td>Maximum share price</td>
<td>295.95</td>
</tr>
<tr>
<td>Average daily trade volume (pcs.)</td>
<td>1,861,335</td>
</tr>
<tr>
<td>Price as of December 31, 2017</td>
<td>276.00</td>
</tr>
</tbody>
</table>

Price and volume of american depositary receipts of MTS PJSC (USD), 2017

<table>
<thead>
<tr>
<th></th>
<th>Price (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum ADR price</td>
<td>7.78</td>
</tr>
<tr>
<td>Maximum ADR price</td>
<td>11.51</td>
</tr>
<tr>
<td>Average daily trade volume (pcs.)</td>
<td>3,027,920</td>
</tr>
<tr>
<td>Price as of December 31, 2017</td>
<td>10.19</td>
</tr>
</tbody>
</table>
American Depositary Receipts

On June 30, 2000 MTS was successfully allowed to issue American depositary receipts (ADR) of the third level at the New-York stock exchange (http://www.nyse.com/about/listed/mbt.html). MTS PJSC became the second company in Russia which implemented the ADR program of the highest level.

At present Company's ADRs are also traded at the London stock exchange, Frankfurt stock exchange, Berlin stock exchange and Munich stock exchange. The New York stock exchange accounts for main trade volumes.

On April 20, 2010 MTS PJSC informed about a change in the ratio between ADRs and company's shares starting from May 3, 2010. As a result of such a 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, 2017 the total number of ADRs for ordinary registered shares amounted to 391,398,362 ADR, which makes up 782,796,724 ordinary registered shares or 39.17% of Company's authorized capital.

A depositary under ADR program and shareholder of MTS PJSC is JP Morgan Chase Bank, N.A., to which a depositary account of depositary programs was opened.

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 the investment program.

The first issue of the bonded loan of MTS PJSC in rubles for 10 billion RUB took place in June 2008. In October 2008 MTS PJSC placed two more issues of bonds for 10 billion RUB. In May 2009 the issue of the bonded loan for 15 billion RUB took place, in July 2009 – another issue for 15 billion RUR. On November 16, 2009, MTS PJSC placed two issues of bonds for 10 and 15 billion RUB. Funds received from bonds' placement were used for corporate goals, for optimization of company's debt portfolio and investment program implementation.

In April 2011 three issues of A,B,C series bonds were placed for the total amount of 35,990,400 RUB by means of conversion of registered interest-bearing book-entry inconvertible bonds of OJSC COMSTAR – United TeleSystems into registered interest-bearing book-entry inconvertible bonds of MTS PJSC.

On January 28, 2012 Eurobonds of Mobile TeleSystems Finance SA were repaid for 400 million USD.

On April 3, 2013, the first issue of exchange-traded bonds in rubles of MTS PJSC was performed for 10 billion RUB with the circulation period of 10 years and offer within five years.

On May 30, 2013 dollar Eurobonds for 500 million USD with repayment within 10 years were placed.

On October 17, 2013 bonds of 01 series for 10 billion RUB were repaid in full.

On May 13, 2014 bonds of 04 series for 15 billion RUB were repaid in full.

On October 20, 2015 bonds of 02 series for 10 billion RUB were repaid in full.

On November 30, 2015 bonds of A series for 11,991,600 RUB were repaid in full.

On July 19, 2016 bonds of 05 series for 15 billion RUB were repaid in full.

On September 2, 2016, the second issue of exchange-traded bonds in rubles of MTS PJSC was performed for 10 billion RUB with the circulation period of 15 years and offer within two years.

On August 21, 2016 bonds of B series for 11,998,800 RUB were repaid in full.

On February 10, 2017 within the Program of Exchange-Traded Bonds of MTS PJSC of 001R series, the first issue of exchange-traded bonds 001R-01 was provided for the amount of 10 billion RUB with circulation period of five years.
On March 30, 2017 the second issue of exchange-traded bonds 001R-02 for the amount of 10 billion RUB with circulation period of four years was provided.

On November 9, 2017 the third issue of exchange-traded bonds 001R-03 for the amount of 15 billion RUB with circulation period of five years was provided.

On December 5, 2017 the fourth issue of exchange-traded bonds 001R-04 for the amount of 10 billion RUB with circulation period of one year was provided.

On November 7, 2017 bonds of 07 series for 10 billion RUB were repaid.

### Bonds’ issues

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Mobile TeleSystems Public Joint Stock Company</th>
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<tbody>
<tr>
<td>Security type</td>
<td>Non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of 03 series</td>
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<tr>
<td>Coupon</td>
<td>1–4th coupons — 8.7% per annum, 5–10th coupons — 8% per annum, 11th coupon — 7% per annum, 12–13th coupons — 7.5% per annum, 14–15th coupons — 12% per annum, 16–20th coupons — 10% per annum</td>
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<tr>
<td>Placement price</td>
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<tr>
<td>Coupon</td>
<td>1–10th coupons — 8.15% per annum, 11-12th coupons — 10.75% per annum, 13–14th coupons — 9.25% per annum, 15–16th coupons — 7.5% per annum</td>
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<td>Security type</td>
<td>Exchange-traded Non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of BO-01 series</td>
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<tr>
<td>Coupon</td>
<td>1–10 coupons — 8.25% per annum, 11–20 coupons — 8.25% per annum</td>
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<td>Placement price</td>
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<td>Security type</td>
<td>Exchange-traded Non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of BO-02 series</td>
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<td>Coupon</td>
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<tr>
<td>Security type</td>
<td>Registered interest-bearing book-entry non-convertible bonds of &quot;C&quot; series</td>
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<td>Coupon</td>
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<td>Security type</td>
<td>Eurobonds (144A/Reg S), guaranteed by the Company</td>
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<tr>
<td>Coupon</td>
<td>8.625% fixed, payment once in six months</td>
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<td>1–10th coupons – 7.7% per annum</td>
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<td>Security type</td>
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Corporate Governance Development

Key MTS corporate governance principles are:

• comprehensive protection of shareholder rights and interests;
• information openness and transparency;
• single corporate policy in respect of subsidiaries;
• independence of the Board of Directors in definition of the Company’s strategy, approval of business plans, other important decisions;
• control over management activities;
• observance of business ethics when doing business;
• doing socially responsible business aimed at assuring sustainable development of the Company, its welfare growth.

Procedures of preparation and conduction of the General Shareholder Meeting enable MTS to assure equal attitude to all shareholders from the company when they exercise their rights to participation in company’s management and profits’ receipt.

The remuneration system applied in MTS is aimed at the growth of Company’s shareholder value, and the level of remuneration paid is fair and sufficient for motivation of employees and members of management bodies.

The risk management and internal control system was developed taking into account generally accepted conceptual foundations COSO (The Committee of Sponsoring Organizations of the Treadway Commission), is efficient and is aimed at assuring reasonable confidence in achievement of objectives faced by the company.

The Company has an efficient system of control over transactions executed amidst the conflict of interests.

The information disclosure system is built taking into account requirements of listing rules of the Moscow
Exchange and NYSE, is efficient and assures compliance with the transparency principle.

The Company’s system approach also covers areas where compliance with legislation is essential. Thus, systems of assurance of compliance with anticorruption, antimonopoly and insider legislation were built in the Company based on best international compliance standards.

Settlement of possible conflicts of interests of management bodies of 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 Commission at the Board of Directors of MTS PJSC.

Members of the Management Board and employees are not entitled to participate in approval, agreement, 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 the conflict of interests management 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 the actual or potential conflict of interests or likelihood of such a conflict.

During 2017 no conflict of interests of members of the Management Board of MTS PJSC was found.

Procedures preventing a possible conflict of interests of directors are also established in 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 2017 no conflict of interests of members of the Board of Directors of MTS PJSC was detected.

Development of Corporate Governance System at Plans for 2018

In 2017 we continued work on development of the company corporate governance system. For the last years our attention was focused first of all on introduction of the provisions of the Corporate Governance Code.

In 2015, after completion of audit of the corporate governance system for compliance with principles and recommendations of the Code, the Road Map of the Code implementation was approved. Last year we completed its implementation and achieved tangible progress in performance of Code recommendations. For instance, if in 2015 we complied fully with more than 65% of the Code recommendations, and in 2017 this indicator exceeded 85%.

You may review the key Road Map actions implemented by us in the Annual Report of the Company for 2016.

The main principle that we adhered to was reasonable introduction of the Code, and not striving to its formal implementation.

The Board of Directors decided to comply with those Code recommendations that the Company was able to follow without using additional resources. In respect to other recommendations, the decision was made to do
analysis and to make a management decision on the need for fulfilment. Each of such recommendations was elaborated in detail with participation of all interested units. In respect to some of them we made a decision on introduction, in respect to others we perform annual monitoring in order to update data on market practices.

For example, now we do not use the “controlling shareholder’s memorandum” tool, and we do not have a senior independent director appointed. We are consciously going toward such step, but at the same time we continue regular monitoring of market trends on such recommendations.

We believe that we have achieved quite a good level of compliance with the national Code provisions and now may shift the focus of attention to best foreign practices and other market trends.

Besides, in 2018 we will pay special attention to the following issues:

- succession of the Board of Directors (in particular, its new composition);
- remuneration systems of the Board of Directors;
- competences of the “director of the future”.

Corporate governance index

There are not so many tools in the market, which may enable the issuer to objectively assess its position in the corporate governance market. For many years such a tool was Evaluation of Russian corporate governance conducted in accordance with GAMMA methodology, but it is no longer available.

Between 2016 and 2017, two new studies in the field of corporate governance were provided to the market. The first of them (National Corporate Governance Index, assigned by the National Association of Corporate Directors jointly with Corporate Development Center TopCompetence with technical support of the Moscow Stock Exchange and Center of System Transformations of Lomonosov Moscow State University) evaluates the companies according to formal metrics, based mainly on the provisions of the Corporate Governance Code, and the second one (Corporate Governance Index) is assigned by the Association of Independent Directors jointly with the National Research University “Higher School of Economics”.

Following the 2017 results, we entered TOP-10 companies according to the National Corporate Governance Index.

In the study “Corporate Governance Index – 2017” for the second year in a row we are on the second position (after the Moscow Stock Exchange) according to perception of stakeholders (members of the Board of Directors, Corporate Secretaries, Shareholders and Investors, experts in the field of corporate governance), however, according to formal research metrics, we could not make it to TOP-10.

The above research results, in our opinion, speak about quality of work completed by us in the field of corporate governance.

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1 You may review justification of non-compliance in the section “Report on Compliance with Corporate Governance Code”, page xx