

***MTS corporate social
responsibility strategy
for 2017-2020***

Welcome to the first MTS corporate social responsibility strategy. While developing this document, we explored both the company's experience and the best international practices in the area of corporate social responsibility. Assuming our responsibility to our stakeholders, but also taking account of the pressing global social and environmental issues, the following are considered in the present strategy: the Forecast for long-term social and economic development of the Russian Federation for the period up to 2030, developed by the Russian Ministry of Economic Development, the Strategy for the IT sector development in the Russian Federation for 2014-2020 and up to 2025 and the National security strategy of the Russian Federation. We also evaluated the UN Sustainable Development Goals up to 2030 and strategic documents on sustainable development of countries where we operate.

Our goal is to improve the quality of life and the safety of individuals and communities by implementing innovative programmes and providing a wide range of services to our clients.

Quality of life is a basic condition for sustainable social and individual development and includes a set of social, economic and other criteria reflecting the level of community welfare.

Our current approach to **safety** is a sustainable framework for us to satisfy society's current and future needs.

We place a strong emphasis on a flexible corporate culture that boosts the **innovation** and enables the constant improvement of our services and technologies, hence improving the quality of life.

Our strategy for corporate social responsibility and sustainable development (hereinafter - CSR) [supplements the company's business strategy](#).

We upbuild our CSR framework based on the requirements of [society, consumers, shareholders, our employees, governments, non-commercial and public organisations, partners, suppliers and local communities](#).

Our CSR activities cover [nine major areas](#) across society, the economy and the environment.

Our highest-priority projects in these areas are those that provide for the use of MTS services and products, as well as those that create equal conditions and opportunities for citizens of remote regions and large population centres in terms of access to information and communication technologies.

As for CSR geography, we focus on projects that can be implemented as widely as possible within an individual country as well as across all countries where we operate.

We are responsible for our actions, and this helps to guarantee **the company's sustainable development**.

We comply with the **ISO 26000:2010 "Social Responsibility Guidance"**.

The Board of Directors and all levels of MTS management are engaged in the company's CSR role and are monitoring the strategy's implementation.

CSR principles

Our CSR activities are based on the following principles:

- [Respect for stakeholder interests](#)

We are in constant dialogue with our stakeholders. We identify and assess stakeholder expectations and interests on a regular basis and try to predict how they might evolve. We are open to discussing any issues of joint interest with our stakeholders. We have established the conditions for such a dialogue and have sought to arrive at mutually acceptable solutions.

- **Compliance with the rule of law principle**

We follow the rule of law principle, complying with all applicable laws and regulations, taking measures to identify and learn applicable laws and regulations, informing our employees about responsibility for failure to comply with corresponding requirements and ensuring relevant and timely actions to comply with laws in all jurisdictions where we operate.

- **Compliance with international norms of behaviour**

We comply with international norms of behaviour by following the rule of law principle.

- **Development and implementation of innovative technologies**

We place a strong emphasis on having a flexible corporate culture that promotes **innovation** and enables the constant improvement of our services and technologies, hence improving the quality of life.

- **Ethical conduct**

We are committed to ethical conduct and promote the development of ethical conduct both within the company and when interacting with stakeholders. By the ethical conduct of our employees, we mean conduct in line with the company's mission, rules and values as declared in [the Code of Business Conduct and Ethics](#).

- **Respect for human rights**

We respect human rights and recognise their importance and the necessity for their blanket distribution. We respect and, where possible, promote the rights provided for by the International Bill of Human Rights, respect the global nature of such rights and take measures to comply with human rights. In situations where the legislation or its application does not ensure adequate protection of human rights, we follow the principle of compliance with international norms of behaviour.

- **Transparency**

We aim to disclose reliable and complete information about the company's policies, decisions and activities. We seek to ensure the accessibility of such information to stakeholders on a timely basis, to make it possible for them to assess the impact of MTS's decisions and operations on their interests. The transparency principle does not imply disclosure of restricted or confidential information, or of information that could violate legal, commercial, safety or privacy obligations.

- **Corporate governance system improvement**

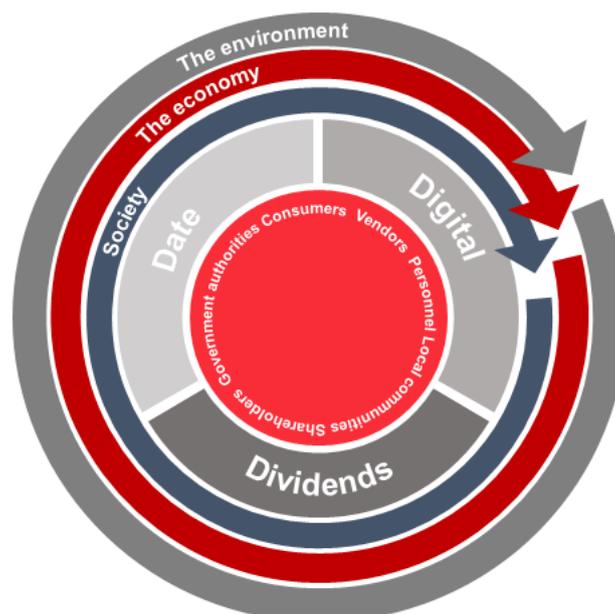
High quality corporate governance enhances transparency and shareholder trust. Therefore, we aim to improve the system of corporate governance and to bring it in line with international best practices.

- **Reporting**

We realise the necessity for regular reporting on the impact of the company's operations on society, the economy and the environment. We use constructive stakeholder feedback as a means of improving our CSR activities. We are also committed to addressing such feedback, in particular, to take actions to prevent unintended or unexpected consequences.

CSR strategy: supplement to business strategy

Our CSR activities supplement the company's business strategy. Each area of the CSR strategy in the social, economic and environmental domains takes into account our strategic goals and major components of our business strategy.



Stakeholder engagement

• Our stakeholders

Our CSR activities are aimed at ensuring the sustainable development of MTS and society, and at achieving the company's business objectives with proper consideration of stakeholder interests and responsible behaviour in relation to all stakeholders.

We are aware that stakeholder engagement is a key and indispensable condition for sustainable development and CSR implementation. Such an approach allows us to strengthen the legitimacy of our decisions and to meet the interests of various parties. This approach also ensures mutual understanding, accumulation of experience and improvement of interaction skills.

The purpose of regular cooperation with stakeholders is to ensure the enjoyment of rights by any party that is dependent on MTS operations or on which MTS is dependent. The basic principle of stakeholder engagement is the [fulfilment of obligations to respond to declared expectations and interests](#).

We determine stakeholder groups based on the criteria recommended by the AA1000 (SES) international standard.¹

Our primary stakeholders are the following:

- current and potential consumers of MTS products and services;
- MTS employees;
- shareholders and investors;
- government authorities;
- business partners and suppliers;
- local communities.

The list of stakeholders is exhaustive and is subject to revision if necessary.

• Engagement principles

We base our cooperation with stakeholders on the AA1000 (SES) standard, taking into account the following principles:

- **materiality**

We have determined a list of key stakeholders and their most significant interests.

- **completeness**

We understand the opinions, views, needs and expectations of key stakeholders for all issues that are relevant to them and that relate to the company's operations.

- **responsiveness**

We undertake not only to be aware of our stakeholders' declared interests and expectations, but also to respond to them in a proper manner.

Stakeholder engagement is described in more detail in our [Sustainability Reports](#).

• Main CSR obligations of MTS to stakeholders

Consumers of MTS products and services

Guided by our customers' growing needs, and offering high quality products, services and technologies, we undertake the following:

- to provide products and services that improve the quality of life, are safe for consumers and comply with mandatory requirements set by legislation and regulations;

¹ Stakeholder engagement standard

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- to pay special attention to the security and confidentiality of personal data, protection from SMS fraud, legality of content and responsible marketing activity;
 - to ensure the accessibility of the company's products and services, improve the quality of services and ensure simplified interaction;
 - to ensure ethical business practices;
 - to improve the Internet literacy of consumers to the best of our ability and in popular forms;
 - to ensure the necessary diversity of products for various client groups.

MTS employees

Our talent pool is our most important asset. Attention to employees is one of our priorities and ensures successful operations on the contemporary market. We are constantly improving social and labour relations in the following areas:

- ensuring labour safety and securing life and health of employees;
- improving employee incentive and compensation programmes;
- maintaining the social security system and improving the quality of life of employees, in particular through corporate social programmes;
- developing a system of continuous training for employees, in particular for their career growth;
- corporate volunteering;
- considering the opinions and expectations of employees when disclosing information in our [Sustainability Reports](#).

Shareholders and investors

As a joint-stock company, we are a commercial organisation that generates profit for the benefit of our shareholders. By merging commercial purposes with responsibility, we are able to consider the interests of all shareholders with a sense of balance. Our obligations to our shareholders are aimed at:

- meeting their expectations of financial performance;
- improving the long-term capitalisation and sustainability of business activity;
- improving transparency and accessibility of information on all business aspects;
- maintaining a high level of corporate governance and an effective system of communication among all involved in the process;
- considering the opinions and expectations of shareholders when disclosing information in [Sustainability Reports](#).

Government authorities

As a large telecommunications operator that provides services in five countries, we recognise the company's obligations to government authorities. Our focus in this area is the following:

- paying any taxes or levies in a timely and fair manner;
- ensuring employment of citizens to create a favourable social and economic climate in the regions where we operate;
- considering government policies on corporate social responsibility when formulating CSR strategy and preparing [Sustainability Reports](#);
- creating and developing telecommunication infrastructure required for successful implementation of key strategic nationwide projects.

When implementing CSR activities, we are guided by the following principles:

- MTS does not participate in projects aimed at directly or indirectly impacting decision making (or at awarding decisions taken) by national governments, local governments, or other officials;
- MTS does not participate in projects that favour certain political parties, organisations, movements or associations;
- MTS does not participate in charity projects with the participation of state companies or state officials, when such projects are of a closed nature and disclosure of information about such projects could harm the company or its employees;
- MTS may participate in CSR projects organised by non-state commercial organisations, if such projects are in line with MTS's main CSR goals, as specified in this document.

Partners and suppliers

We aim to build long-term relations with business partners.

A key aspect of CSR for MTS is the transparency of relations with suppliers and partners, in particular in the area of procurement.

Our requirements for suppliers and partners, in particular in the area of sustainable development, are presented in the [Supplier Code of Conduct on our website](#).

We are open for cooperation with partners and suppliers on implementing joint social programmes that comply with applicable legislative and other restrictions.

Local communities

MTS operates in all Russian regions and a number of CIS and non-CIS countries. We aim for long-term and sustainable development that combines successful business practices with human values and priorities in the area of national development.

Wherever MTS operates, we actively cooperate with local communities, including citizens, public organisations and associations, health care agencies, professional unions and mass media.

The company voluntarily engages in socially responsible programmes that provide for the following:

- job creation;
- environmental protection;
- promotion of a healthy lifestyle;
- charity;
- educational and cultural programmes;
- science and innovation programmes;
- investments in regions and local communities;
- volunteering.

We are open for cooperation with federal and regional authorities and non-commercial organisations on implementing joint social programmes that comply with applicable legislation and other limitations. To improve the efficiency of our social policy, the company is adopting Russian and international best practices and standards in the area of social responsibility and is open for cooperation with the expert community.

Key areas of CSR strategy

Our CSR activities cover society, the economy, and the environment across nine major areas.



We undertake obligations to implement projects supporting [thirteen UN sustainable development goals up to 2030](#), which are in line with the company's lines of service.



• Society

We serve the interests of our clients, employees and partners.

Our objective in relation to clients is to provide accessible and innovative services so that our clients in any region and of any background can use telecommunications services as much as they need and without unexpected expenses. Even now, we are helping to handle the myriad challenges our clients face. Using a mobile phone, our subscribers can quickly find information, buy things, pay for trips on public transport, buy concert or cinema tickets, manage their finances and do many other useful and interesting things.

We care about our employees. Our CSR strategy is aligned with our HR strategy, which is aimed at creating a comfortable working environment and improving performance.

The main objective of [our volunteerism](#) is to improve the quality of life, solve burning social issues in areas where we operate and rally employees to help create a favourable climate in the company.

We treat **charity** as an integral part of the company's social responsibility. Our charitable activities are based on the same principles as our social policies.

• Improving subscriber quality of life



Areas	Selected projects
Accessibility and expansion of digital services	<ul style="list-style-type: none"> • Online education • My MTS (self-service digital system) • Automatic Household Meters Reading “Teleuchet” http://www.corp.mts.ru/resheniya_dlya_biznesa/otraslevye_resheniya/teleuchet/ • Telemedicine • Active pensioner data plan: http://statico4.mts.ru/uploadmsk/contents/1686/aktivnyi_pensioner_131016.pdf • MTS/Media content project http://www.media.mts.ru/
Internet training for people of any age	<ul style="list-style-type: none"> • Web for All Ages: www.svvp.ru, http://www.company.mts.ru/comp/press-centre/press_release/2014-11-05-4126678 • Mobile Academy: http://www.company.mts.ru/comp/social_responsibility/social_scheme/2016/5437265/ • Children Online: http://www.safety.mts.ru/ru/deti_v_inete/for_children/rules/
Protection of subscribers	<ul style="list-style-type: none"> • Information about safety for subscribers: http://www.safety.mts.ru/ru/ • Identification of virus-infected smartphones • Online monitoring centre • Shared centre of comprehensive security: hotline_privacy@mts.ru • Review of all projects for compliance with security requirements before implementation • Casket: safe smartphone application http://www.media.mts.ru/technologies/124725/
Promotion of a healthy lifestyle	<ul style="list-style-type: none"> • Mobile health: selection of mobile applications on fitness http://www.media.mts.ru/technologies/124533/

• **Attention to employees and their development**



Areas	Selected projects
Social programmes to support employees	<ul style="list-style-type: none"> • Voluntary medical insurance, accident and health insurance • Additional payment of temporary disability and pregnancy/maternity leave benefits • Material aid, in particular in times of hardship • Cafeteria of Benefits Programme: possibility to replace guaranteed benefits from the company (sports programme and/or voluntary medical insurance) with other benefits or services • Provision of three additional paid days off to participate in social programmes
New approaches to employee training and development, development of communication channels	<ul style="list-style-type: none"> • Online training • Virtual academy, webinar system • MTS Library

Areas	Selected projects
	<ul style="list-style-type: none"> • MTS Corporate University • New information training channels • Possibility of career movements within the business transformation programme • Gamification for employees
Better working conditions	<ul style="list-style-type: none"> • Remote workstations • Culture of innovation • Creating working conditions for all employee categories, including vulnerable employees
Promotion of a healthy lifestyle	<ul style="list-style-type: none"> • Events for employees to support a healthy lifestyle • Sports programme: discounts/compensation for fitness clubs • Mobile health: selection of mobile applications to be fit http://www.media.mts.ru/technologies/124533/

• Corporate volunteering



Areas	Selected projects
A space for the social realisation of each employee	<ul style="list-style-type: none"> • “Just Give Good!” MTS volunteer programme • Mobile puppet theatre http://puppet-mts.ru/msc/
Intellectual volunteering to support children, the elderly and the environment	<ul style="list-style-type: none"> • Volunteer Centre of AFK Sistema Charity Fund ² • Donor Day • Spring clean-ups: http://www.company.mts.ru/comp/social_responsibility/social_scheme/2014/4025457/ 

• Charity



Areas	Selected projects
Aid to children with serious illnesses	<ul style="list-style-type: none"> • Generation M http://pokolenie.mts.ru • Gift of Life http://podari-zhizn.ru/main/node/21205?gclid=CKYrzNTrwNACFSIGowod_KYCag
Support for education, health and social infrastructure	<ul style="list-style-type: none"> • Generation M: http://pokolenie.mts.ru/ • Mobile puppet theatre: http://puppet-mts.ru/msc/

²  - joint projects with AFK Sistema.

Areas	Selected projects
	<ul style="list-style-type: none"> • Children Online: http://www.safety.mts.ru/ru/deti_v_inete/for_children/rules/ • Internet all ages yield surrender: www.svvp.ru, http://www.company.mts.ru/comp/press-centre/press_release/2014-11-05-4126678 • Mobile Academy: http://www.company.mts.ru/comp/social_responsibility/social_scheme/2016/5437265/

• The economy

We adhere to the principle of responsible business. We plan and perform our actions so that they ensure positive change, improve the social climate, reduce social unrest and stimulate the development of society.

In each of our markets, we have aligned our activities with the legislation and regulations of corresponding government authorities.

As a large and stable employer, we ensure equal opportunities for citizens of remote regions and large centres, and provide services to more than 100,000,000 subscribers.

We support the CSR initiatives of governments in the countries where we operate, and we are always open for cooperation with federal and regional authorities and non-commercial organisations on implementing joint social programmes that comply with applicable legislation and other limitations.

We adhere to CSR principles in our operations and impose the same requirements on our suppliers and partners.

• Development of regions and local communities



Areas	Selected projects
Elimination of digital gap, in particular through development of infrastructure and services	<ul style="list-style-type: none"> • Operation of cell communication https://www.youtube.com/watch?v=7llGY1vggI • MTS/Media content project http://www.media.mts.ru/
Projects to develop and support schoolchildren, students and young entrepreneurs	<ul style="list-style-type: none"> • Lift to the Future http://lifttothefuture.ru/ • TelecomIdea: www.telecomideas.com • Opening of MTS laboratories in universities • Econeshka: ecology lessons for schoolchildren http://ecamir.ru/econeshka • Generation M http://pokolenie.mts.ru/ • Children Online: http://www.safety.mts.ru/ru/deti_v_inete/for_children/rules/
Cooperation with federal and regional authorities, non-commercial organisations, and business communities on	<ul style="list-style-type: none"> • Mobile guide: MTS and the administration of Kurgan city have launched the Red Line of Kurgan, a historical and cultural project • Mobile guide: Tree Nursery in Sochi

Areas	Selected projects
joint social programmes (subject to compliance with applicable legislation and other limitations)	<ul style="list-style-type: none"> • Computer championship of Russia among pensioners organised by the Union of Russian Pensioners together with MTS

• Synergy of CSR practices and creation of shared values



Areas	Selected projects
Synergy of business and CSR practices with AFK Sistema and the company's partners based on economic efficiency and social impact	<ul style="list-style-type: none"> • Lift to the Future http://lifttothefuture.ru/  • Joint eco-Saturdays: http://www.company.mts.ru/comp/social_responsibility/social_scheme/2014/4025457/  • Membership in professional communities • Presentations at conferences • Requirements on suppliers and partners https://tenders.mts.ru/TenderDescription.aspx?tender_id=2696826

• Responsible business



Areas	Selected projects
Doing business in accordance with the principles of reporting, transparency, ethical conduct, respect for interests of stakeholders, respect for human rights, compliance with the rule of law and international norms of behaviour	<ul style="list-style-type: none"> • Since 2011, the company has been annually developing compliance strategy, subject to approval by the Management Board • Code of Business Conduct and Ethics: http://static.mts.ru/uploadmsk/contents/1655/Code_of_Business_Conduct_and_Ethicsrus.pdf • Development of an information security strategy • Sustainability reporting: http://www.company.mts.ru/comp/social_responsibility/soc_report/ • Financial statements and annual reports: http://www.company.mts.ru/comp/ir/report/

• The environment

We believe it is our obligation to improve environmental sustainability and form a culture of environmental stewardship among the company's employees, clients and partners. We seek to minimise the environmental impact of our actions and to reduce this impact whenever possible. For this purpose, we follow the requirements of regional environmental legislation and the norms of sustainable business. We aim not only to improve the

energy efficiency of our facilities but also to use alternative energy sources. We also use our own example to draw the attention of business and the wider public to environmental issues.

• **Development of services that improve environmental sustainability**



Areas	Selected projects
Development of services that improve environmental sustainability	<ul style="list-style-type: none"> • MTS Books (e-books in smartphones instead of printed books) • Forester Beat Service: forest fires monitoring • Automatic Household Meters Reading “Teleuchet”: http://www.corp.mts.ru/resheniya_dlya_biznesa/otraslevye_resheniya/teleuchet/

• **Environmental protection measures**



Areas	Selected projects
Environmental protection and sustainable resource consumption	<ul style="list-style-type: none"> • Eco-packing for SIM cards • Collecting batteries • Eco-Saturdays (Spring clean-ups) • Eco-education: videos, applications in smartphones
Environmental sustainability of MTS facilities	<ul style="list-style-type: none"> • Energy saving and efficiency programme • Energy-efficient equipment for construction of particular towers • Alternative energy sources • CO2 emissions reduction programme

Way forward

We are planning the following actions for implementing the CSR strategy:

- develop and implement a system of cluster ratings for CSR projects by 2020;
- revise and (if necessary) set new CSR key performance indicators on an annual basis;
- publish sustainability reports in accessible forms for a wide range of stakeholders;
- permanently improve our CSR performance by taking into account stakeholder engagement results and applying best practices and standards in this area;
- revise the CSR strategy at least every five years.