

APPROVED
by the resolution of the Board of
Directors of Mobile TeleSystems
Public Joint Stock Company
December 20, 2016, Minutes No.255

**MOBILE TELESYSTEMS
PUBLIC JOINT STOCK COMPANY**

**ANTI-CORRUPTION LAWS
COMPLIANCE POLICY**

Moscow, 2016

1. POLICY PURPOSE

The Policy establishes the basic principles and requirements to Mobile TeleSystems PJSC (hereinafter – “MTS PJSC”), all its subsidiaries and affiliates, members of their management bodies and employees, as well as all third parties acting on behalf of and/or in the interests of MTS PJSC for compliance with the provisions of anti-corruption laws applicable to MTS PJSC.

Anti-corruption Laws Compliance Policy is a corporate-wide document.

The Company, its Management and Board of Directors sets the following goals through this Policy:

- Establish measures aimed at improvement of the corporate culture of the Company, introduction and development of the best practices of corporate governance and standards of responsible business conduct within the Company;
- Demonstrate the commitment of the Company to the principles of rule of law, transparency and social responsibility in order to maintain its high business standing before the state, shareholders, customers, partners, competitors and community in general;
- Set out the principles aimed at prevention of all forms of corruption, both on behalf of and in respect to the Company and/or its Employees, as well as at compliance, regardless of the circumstances, with the requirements of applicable anti-corruption laws in business activities of the Company anywhere in the world.

2. DEFINITIONS OF TERMS AND ABBREVIATIONS

| Term | Abbreviation | Term definition (key to abbreviations) |
|--|--------------|--|
| Introduced definitions: | | |
| Employees (for the purpose of this Policy) | | Individuals who have employment relationship with the Company or those who entered into a civil law agreement with the Company. |
| Agents | | Agents, distributors, advisers, and all categories of intermediaries and other third parties acting in the interests of and/or on behalf of the Company. |
| Applicable anti-corruption laws | | Russian anti-corruption laws, FCPA, UK Bribery Act and similar legislation of countries where the Company operates. |
| Russian anti-corruption laws | | Federal Law No. 273-FZ “On Combating Corruption” of 25.12.2008, the Criminal Code of the Russian Federation, the Civil Code of the Russian Federation, the Code of Administrative Offences of the Russian Federation, and other federal laws and regulations of the Russian Federation containing norms aimed at combating corruption, as subsequently revised and/or amended. |
| Foreign Corrupt Practices Act | FCPA | U.S. Foreign Corrupt Practices Act 1977 enacted by the U.S. Congress in 1977 |
| The Bribery Act | | The Bribery Act 2010 enacted by the Parliament of the United Kingdom in 2010 |
| State bodies, agencies and entities | | National and local authorities. of the Russian Federation and foreign countries, their constituent entities and local self-government bodies (including government ministries, services, agencies, government departments and divisions), political parties, as well as all entities directly or indirectly controlled by the government. |
| Anti-corruption compliance (anti-corruption compliance system) | | A system including activities and procedures developed by the Management of the Company in order to ensure compliance with requirements of the anti-corruption laws applicable to the Company. |
| Effective definitions: | | |
| Company | | MTS PJSC, Mobile TeleSystems Public Joint Stock Company, including all its structural subdivisions, branches and representative offices. MTS |

| Term | Abbreviation | Term definition (key to abbreviations) |
|-----------------|--------------|---|
| | | Group means MTS PJSC, all MTS PJSC subsidiaries and affiliates, as well all companies directly or indirectly controlled by MTS PJSC. |
| Public official | PO | Any Russian or foreign official, whether appointed or elected, holding an office in a legislative, executive, administrative or judicial body or international organization; any person exercising a public function for the state, including for the Public body, agency or entity; major political figures, political party officials, including candidates for political office, ambassadors, influential functionaries in nationalized industries or natural monopolies, managers and employees of Public bodies, agencies and entities, including doctors, military personnel, municipal employees etc.; persons who are known to be tied with a government official with family, friendship or business relationship; |

3. POLICY OBJECTIVES

This Policy addresses the following practical tasks to achieve the Policy Goals:

- To inform the members of the Board of Directors, Employees and Agents of the Company about their obligation to know and observe the key principles of compliance with the Applicable anti-corruption laws set out in this Policy, and measures and procedures used by the Company in order to prevent corruption;
- To establish the responsibility of the Management and the Board of Directors of the Company to ensure and oversee the development and implementation of an effective system of compliance with Applicable anti-corruption laws;
- To prevent involvement of the Company, members of the Board of Directors, Employees, Agents of the Company in corrupt activities;
- To minimize the risk of bringing the Company, members of the Board of Directors and Employees of the Company to criminal, administrative or civil liability;
- To establish a common understanding of the Company's policy on the prevention of corruption in all its forms and types among the members of the Board of Directors, Employees, Agents, subsidiaries and affiliates of the Company;
- To strengthen measures to ensure the reliability and transparency of financial statements of the Company, as well as legal and effective use of its assets.

4. APPLICABLE ANTI-CORRUPTION LAWS

This Policy has been developed in accordance with the requirements of anti-corruption laws of the Russian Federation, U.S. Foreign Corrupt Practices Act 1977 (enacted by U.S. Congress in 1977), The Bribery Act 2010 (enacted by the Parliament of the United Kingdom in 2010), the recommendations of regulatory bodies and similar legislation of the countries in which the Company does business, as well as the Company's Charter, the Code of Business Conduct and Ethics and other internal documents of the Company.

5. KEY PRINCIPLES

The Company adheres to the principles of compliance with anti-corruption laws and ethical business conduct in all types of business relationships, in any country where it's doing business. The principles

and requirements of this Policy are binding for all MTS Group companies, including their employees, members of management bodies and Agents.

The Company establishes the principle of zero tolerance of corruption in any forms and types, both in daily activities, and in implementation of strategic projects.

Therefore, all Employees and members of the management bodies of the Company, as well as any third party acting on behalf of and/or in the interests of the Company, are prohibited to:

- Offer, promise, authorize or make payments in the form of cash or anything of value, including, but not limited to, business gifts, reimbursement of expenses, discounts, entertainment, etc., as well as any financial or other benefit or advantage to any Public official or agent of a commercial organization or any other person to influence its actions (ensure his/her failure to act) and motivate him/her to perform his/her job duties in an improper manner and/or obtain an improper commercial advantage;
- Demand, agree to receive or receive any payment in the form of cash or anything of value, as well as any financial or other benefit or advantage, if the receipt of such payments, benefits or advantages in itself represents inadequate performance of job duties or other statutory duties or is the reward for the improper performance of such duties;
- Provide mediation in bribery or corrupt business practices, that is directly pass a bribe on behalf of the briber or the recipient of the bribe, or otherwise cooperate with the briber and/or bribe recipient in achieving or executing the agreement between them regarding the receipt and giving a bribe or conducting corrupt business practices.

5.1. Management Mission statement

Management and members of the Board of Directors of the Company shall set the standards of ethical behavior by their personal behavior, and form by their own example an uncompromising attitude to all forms and types of corruption, which attitude should be an integral part of the corporate culture and the daily business practice of Company's Employees.

Management and members of the Board of Directors of the Company are knowledgeable about the content and operation of the compliance system, allocate resources required for its implementation and exercise reasonable oversight with respect to the implementation, performance discipline and effectiveness of the compliance system.

5.2. Management reputation

The Company will use reasonable efforts to prevent the persons who are known to be involved or have been involved in illegal activities from taking executive positions in the Company or being members of management bodies of the Company.

5.3. Consistency of the Policy

The Company consistently ensures compliance with the Applicable anti-corruption laws, namely, promotes the principles of ethical business conduct and, in particular, motivates Employees and Agents of the Company to adhere to the principles of compliance with this Policy, as well as consistently applies sanctions in all cases of violation of the provisions of this Policy.

5.4. Periodic assessment and risk mitigation

The Company annually performs activities for identification, assessment and reassessment of corruption risks, paying particular attention to the risks specific to its operations, regions of presence, and potentially sensitive business processes.

Based on risk assessment and reassessment results, the Company develops and implements procedures to combat corruption, which are reasonable and adequate to the level and nature of the risks identified.

5.5. Training and awareness

The Company openly declares its zero tolerance for corruption and demands of its Employees, members of the Board of Directors, Agents, subsidiaries and affiliates, members of their management bodies and employees unconditional compliance with the principles and requirements of this Policy.

The Company continuously monitors all changes in regulatory requirements and practices of enforcement of Applicable anti-corruption law and shall inform all interested parties about relevant developments and trends.

The Company implements and supports awareness program for members of the Board of Directors, Employees and Agents on the principles and standards of compliance with Applicable anti-corruption laws through a specially developed training system. Trainings are delivered to employees when being hired at the Company; electronically on an annual basis; by personal attendance on a regular basis but at least once every two years; as well as may be necessary, including in case of major changes in Applicable anti-corruption law or anti-corruption procedures of the Company.

Through awareness and training the Company contributes to improving the level of corporate culture, knowledge of corruption combating issues and ethical business practices.

5.6. Monitoring and control

The company performs monitoring of the effectiveness of implemented procedures to prevent corruption, controls adherence to, and if necessary, improves such procedures.

5.7. Responsible officer and staff of designated experts

In order to ensure compliance with the Applicable anti-corruption legislation, the Company has appointed an official with direct report to the President of the Company, who is responsible for implementation and improvement of anti-corruption compliance system (Director of Compliance Department). Director of Compliance Department possesses the required experience and competence, and is vested with independence, authority and resources sufficient for the effective implementation and improvement of the corporate system of compliance with the Applicable anti-corruption laws.

The Company has formed professional staff (Compliance Department), which monitors compliance with the requirements of this Policy and the Applicable anti-corruption laws, and performs operational management of compliance system and its continuous improvement.

5.8. Reporting and relevant collective bodies

Director of Compliance Department, on a regular basis and when required, reports to the Audit Committee of the Board of Directors and the President of the Company on the process of implementation and/or improvement of the Anti-corruption compliance system, violations of compliance procedures identified during the reporting period, internal investigations, weaknesses of internal compliance controls and measures taken in connection therewith, as well as the general status of operation and effectiveness of the system.

Director of Compliance Department is member of collective bodies of the Company and is directly engaged in making decisions of both strategic and operating nature and is entitled at any time and at his/her discretion (without mandatory pre-approval of his/her actions with the Management of the Company) to submit certain issues for consideration of the Audit Committee of the Board of Directors.

Director of Compliance Department heads the Compliance Committee, a collective body under the President of the Company that was created for the purposes of coordinating the execution of the single corporate compliance program and improving its efficiency.

6. CONTRACTUAL POLICY

6.1. Prohibition of non-contractual agreements

The Company prohibits entering, on its behalf or in its interests, into any non-contractual agreements with any categories of counterparties, namely any written or oral agreements, which are not included in the main text of the agreement with the counterparty or annexes or addenda thereto, or in any other form, that have not passed the standard approval procedures adopted in the Company.

Any contract or agreement entered into by the Company with a third party in writing, including all annexes and addenda thereto being an integral part thereof, should contain the terms and arrangements being the basis for entering into such a contract or agreement in their entirety.

6.2. Anti-corruption clause

In order to comply with Applicable anti-corruption laws, as well as for mitigation of the risk of bringing the Company to liability due to its involvement in corrupt practices, as a general rule, the Company initiates the incorporation of an anti-corruption clause into any contracts/agreements to be concluded.

7. COUNTERPARTY DUE DILIGENCE

The Company will use reasonable efforts to minimize the risk of establishing business, labor, and other relationships with individuals or entities that might be involved in corrupt practices and thus might expose the Company to the risks being involved in such activities.

In order to mitigate the risk of involving the Company into corrupt practices, the Company has developed and implemented the due diligence procedures complying with the requirements of the applicable legislation, used both with respect of counterparties - legal entities (including members of joint ventures, companies or associations), and with respect to individuals with whom the Company plans to enter into an employment contract or a civil contract.

This procedure is also applied in cases of acquisition by the Company of any shares in legal entities. The due diligence procedure associated with the planned acquisition includes both examination of the relevant target company, its owners and management and checking whether the purpose and the procedure of executing such a deal is compliant with the requirements of this Policy and Applicable anti-corruption laws.

8. SUBSIDIARIES, JOINT VENTURES AND COUNTERPARTIES

The Company pays special attention to the assessment of counterparties tolerance to corruption, including checking the availability of their own anti-corruption laws compliance systems, their willingness to comply with the requirements of this Policy and to include anti-corruption clauses in contracts.

The Company is taking active measures to prevent all forms of corruption, both on behalf and in respect of the Company, in its relationships with its suppliers, agents, and other counterparties. In this regard, the Company requires its Suppliers, Agents and other counterparties to unconditionally adhere to the principles of compliance with Applicable anti-corruption laws, and mutually support a culture that does not permit any unethical business behavior both in participation in procurement procedures of the Company and in the subsequent conduct of business with the Company.

The Company initiates in controlled subsidiaries implementation of their own anti-corruption policies similar to the Policy, and will use reasonable efforts to ensure that fundamental principles and requirements of this Policy are abided by the joint ventures, companies and associations in which the Company participates.

9. GIFTS AND ENTERTAINMENT EXPENSES

Gifts and entertainment expenses, including business hospitality expenses, which the Employees may bear for other individuals or legal persons on behalf of the Company, or which the Employees may receive from other individuals and organizations in connection with their employment, in certain circumstances could be construed unlawful in accordance with Applicable anti-corruption laws. In this regard, any gifts and entertainment expenses must meet all of the following criteria:

- (1) be directly related to the legitimate purposes of the Company's activities, for example, with presentation or completion of business projects, promotion of goods or services, successful implementation of contracts, or with official holidays such as Christmas and New Year, International Women's Day, memorable dates, anniversaries, etc.;
- (2) be reasonably justified, proportionate, and not include any luxury items;
- (3) not compromise the ability of the recipient to make unbiased and impartial decisions in connection with his/her job and office duties (responsibilities), namely including, but not limited to, be provided in exchange for information, preferential treatment or opportunities that otherwise would not have been provided;
- (4) not constitute a disguised remuneration for the service, act, omission, conniving, protection, grant of rights, making a certain decision in regard to the transaction, agreement, license, permit, etc. or an attempt to influence the recipient with any other illegal or unethical purpose;
- (5) not create a reputational risk for the Company in the event of disclosure of information about such gifts or entertainment;
- (6) be not prohibited by law and other policies and procedures applicable to the recipient;
- (7) not impose any moral obligation to the recipient;
- (8) be consistent with the principles and requirements of this Policy, the Code of Business Conduct and Ethics and other internal documents of the Company and the rules of Applicable anti-corruption laws;
- (9) pass the approval procedure established in the Company, be authorized by a senior manager and be properly documented.

These criteria apply to expenses on behalf of and/or at the expense of the Company for the organization of measures aimed at promoting consumer activity, attraction, retention and development of customer base, as well as measures related to the Company's activity in the field of public relations, media, investment and professional community.

Gifts on behalf of the Company, members of the Board of Directors, Employees and Agents to any third party in the form of money (cash or non-cash) and cash equivalent in any currency are prohibited.

10. CHARITY, SPONSORSHIP AND CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to participation in social responsibility projects, supporting the initiatives of governments and charitable organizations aimed at improvement of welfare and development of the community, and making a reasonable contribution to the creation of equal opportunities in countries where the Company operates.

To achieve these goals, as well as to comply with Applicable anti-corruption laws, the Company has developed and implemented internal regulations and procedures governing participation of the Company in sponsorship and charitable activities. All financial transactions related to sponsorship or charitable activities are thoroughly and accurately reflected in financial statements; projects scheduled for implementation undergo preliminary approval, procedures for monitoring of charitable contributions allow to reasonably ensure that these contributions are not a disguised form of bribery or corrupt business practices.

In accordance with this Policy and implemented procedures, the Company does not finance and is not involved in any way in charitable and/or sponsorship activities with the purpose to obtain any unfair advantage or preference in connection with business activities.

11. FUNDING OF POLITICAL ACTIVITIES

In accordance with this Policy the Company does not fund and does not support or promote in any other way the political parties or their members, including candidates for political office, their campaigns or political activities, as well as any political organization or movements.

12. PAYMENTS THROUGH INTERMEDIARIES OR TO THE BENEFIT OF THIRD PARTIES

The Company, its members of the Board of Directors and Employees are prohibited from using or involving Agent of the Company, joint ventures or other third parties in any activities that are contrary to the principles and requirements of this Policy or the rules of Applicable anti-corruption laws.

The Company, its members of the Board of Directors and Employees are prohibited to make payments to the benefit of the Agent of the Company, joint ventures or other third parties, if it is known (or should have been known) that the whole or part of this payment will be applied for corruption purposes.

The company ensures performance of verification procedures in respect of Agents, joint ventures and other third parties to prevent and/or reveal the above violations in order to minimize the risks of involvement of the Company in corrupt practices.

13. BOOKS AND RECORDS

All financial transactions, accounting entries and records shall be reflected reliably and in sufficient detail in the financial statements of the Company, be documented and available for inspection.

The Company has developed and implemented procedures for internal financial controls to ensure that:

- (1) All financial transactions are conducted in accordance with the general or special sanction of the Management;
- (2) Accounting records are made with such a degree of accuracy and detail that allows to prepare the statements complying with the applicable accounting (financial) statements standards;

(3) Access to disposition of assets is granted only in accordance with the general or special sanction of the Management;

(4) Accounting records on the cost and structure of assets are regularly compared with the actual cost and structure, and, if necessary, appropriate actions are taken.

The Company has appointed Employees who are responsible for the preparation and provision of complete and accurate accounting statements within the period established by the applicable law.

Any non-compliance or attempted non-compliance with the internal financial control procedures, misstatements or falsification of accounts of the Company is strictly prohibited and is a violation of the corresponding law.

14. AUDIT & CONTROL

The Company regularly conducts internal and external audits of its financial and business activities, as well as performs continuous monitoring of completeness and accuracy of recording all business transactions in the financial statements and compliance with applicable laws and internal regulations of the Company, including the principles and requirements established by this Policy.

Within the framework of the internal control procedures, the Company performs inspections of discipline of compliance with the established business procedures, including checking lawfulness of transactions with Company assets, their economic feasibility, justification of expenses, including availability of supporting primary accounting documents and their compliance with the requirements of this Policy.

15. WHISTLE-BLOWER PROCEDURE

Every Employee of the Company, irrespective of the position he/she holds, member of the Board of Directors or Agent of the Company who become aware of the fact (or evidence) of violation or inducement of violation of the provisions of this Policy and/or Applicable anti-corruption laws both by Employees, members of the Board of Directors or Agents of the Company and by third parties, must report about this in any of the following ways:

- (1) via Single Hotline of the Company or by sending a message directly to the address: control&audit@mts.ru (hotline of the Internal Control and Audit Block) including anonymous messages (from an external e-mail address);
- (2) to his/her direct supervisor of any level or, if the report relates to the actions of his/her direct supervisor to a senior manager;
- (3) to the Director of Compliance Department or Compliance Department employees

The Company undertakes, within its mandate, to protect Employees who in good faith report a violation or suspected violation of provisions of this Policy and/or Applicable anti-corruption laws, from any form of prosecution or discrimination on the part of the person in respect of which the report was made.

In addition, the Company guarantees that no Employee will be subject to sanctions (including dismissal, demoting, denial of bonus, etc.) by the Company if the Employee in good faith reported the suspected fact of corruption, or if the Employee refused to give or receive a bribe, to participate in corrupt business practices or provide mediation in bribery, including if such refusal resulted in profits loss for the Company or loss of commercial or competitive advantage.

The Company's non-retaliation guarantees do not apply to guilty Employees, as well as if the internal investigation will prove that a message was intentionally false, perjury or defamation.

16. RESPONSIBILITY

As the Company may be subject to sanctions for involvement of its members of the Board of Directors, Employees, Agents, subsidiaries and affiliates and other related parties in corrupt practices, in regard to any reasonably suspected or proven fact of corruption an internal investigation will be initiated in accordance with local regulations of the Company establishing the procedure of initiation and conducting such investigation to the extent allowed by applicable law.

Persons found guilty of violation of this Policy and Applicable anti-corruption laws may be subject to disciplinary, administrative, civil or criminal liability under the initiative of the Company, law enforcement agencies or other persons in the manner and on the grounds contemplated by the Company's Charter, local regulations and employment contracts, and, where appropriate and reasonable, in accordance with Applicable anti-corruption laws and other similar foreign regulations.

17. ENFORCEMENT

The Director of Compliance Department is the owner of this Policy and the person responsible for the development, implementation, monitoring and improvement of anti-corruption compliance system of the Company.

Management of the Company is responsible for the content and effectiveness of the corporate anti-corruption compliance system in general, as well as for ensuring introduction and implementation of anti-corruption compliance controls and procedures in their areas of functional competence.

Management, members of the Board of Directors and Employees of the Company, regardless of their position, are personally responsible for compliance with the principles and requirements of this Policy and the Applicable anti-corruption laws, and the actions (failure to act) of their subordinates who violate these principles and requirements.

18. SOURCES OF INFORMATION

In case any Employee has a question regarding the contents of this Policy, including the interpretation of any of its provisions and implementation of principles and compliance procedures set forth in this Policy, including the applicability of these principles and procedures in certain situations or business processes of the Company, as well as has doubts about the legality or ethics of his/her actions, the Employee may seek advice from the Compliance Department, including by sending his/her message to compliance@mts.rt.

More information about anti-corruption compliance procedures of the Company, answers to frequently asked questions, as well as the text of anti-corruption clause can be found at the Company's internal web-site at: Information on the Company/Compliance and Business Ethics.

19. EXTERNAL DOCUMENTS

This policy was developed based on the requirements and principles of the Russian and international regulatory documents as well as guidelines and instructions of regulatory bodies. The main sources are:

- Federal Law No. 273-FZ "On Combating Corruption" of 25.12.2008;
- The Criminal Code of the Russian Federation No. 63-FZ of 13.06.1996;

- The Code of Administrative Violations of the Russian Federation No. 195-FZ of 30.12.2001;
- Foreign Corrupt Practices Act 1977 (enacted by U.S. Congress in 1977);
- The Bribery Act 2010 (enacted by the Parliament of the United Kingdom in 2010, entered into force on 01.07.2011);
- US Federal Sentencing Guidelines Manual, § 8B2.1., 2010
- The Bribery Act 2010 Guidance; 2011
- A Resource Guide to the U.S. Foreign Corrupt Practices Act, 2012
- OECD (Organization for Economic Cooperation and Development) Convention on Combating Bribery of Foreign Government Officials in International Business Transactions, 1997;
- The United Nations Convention against Corruption, 2003;
- Criminal Law Convention on Corruption, 1999;
- Methodological guidance on the development and approval by organizations of measures to prevent and counter the corruption, 2013 (Ministry of Labor and Social Protection of the RF).

Recommendations and methodological guidance contained in the guidelines of the relevant international organizations, as well as the best practices of compliance function development were used in preparation of this Policy.