APPROVED
by the decision of the Board of Directors
of Mobile TeleSystems
Public Joint Stock Company
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ENTERPRISE RISK MANAGEMENT POLICY OF MOBILE TELESYSTEMS PUBLIC JOINT-STOCK COMPANY

2017

1.1. General Provisions

This Enterprise Risk Management Policy of MTS PJSC (hereinafter "MTS", the "Company") has been developed subject to common risk management concepts (documents: "Enterprise Risk Management – Integrated Framework", "Enterprise Risk Management – Integrating with Strategy and Performance" of the Committee of Sponsoring Organizations of the Treadway Commission (COSO); International Standard ISO 31000 "Risk Management – Policies and Guidelines"). The enterprise risk management is an integral part of operation management and strategic, business, budget, commercial and investment planning, as well as constitutes a set of measures taken at all levels of governance.

1.2. Enterprise Risk Management Objectives

The enterprise risk management is focused on ensuring strategic goals to be achieved by the Company and MTS Group risks to be maintained within the limits acceptable to the Company's management.

Key risk management principles.

- *Integrity*. It stipulates a streamlined approach to management of all types of risks inherent to MTS business throughout the whole organizational structure and footprint of MTS Group. It maintains a cross-functional collaboration and ensures coordination of structural units dealing with risk management beyond their profiles, as well as reflects a mutual influence of risks of various units. It provides for a unified information channel for the Company's management on a whole variety of risks to ensure completeness, quality and comparability of the provided information for each decision level.
- *Continuity*. It means a regular implementation of a complex of risk management procedures.
- *Feasibility*. It analyses the ratio of costs on risk assessment reduction against a potential damage from their occurrence.

1.3. Enterprise Risk Management Tasks

The enterprise risk management tasks include development and maintenance of effective mechanisms to identify and conduct a systematic analysis of the Company's risks, to consider on a mandatory basis significant risks when taking managerial decisions, to distribute the responsibility for risk management, to elaborate risk management procedures, to monitor risks and effectiveness of management and to accumulate knowledge in the field of enterprise risk management.

1.4. Enterprise Risk Management Concept

Within the enterprise risk management, MTS Group applies a streamlined approach to management of all types of risks inherent to MTS Group business throughout the whole organizational structure and footprint of MTS Group. It maintains a cross-functional collaboration and ensures coordination of structural units dealing with risk management beyond their profiles, as well as reflects a mutual influence of risks of various units. It provides for a unified information channel for the Company's management on a whole variety of risks to ensure completeness, quality and comparability of the provided information for each decision level.

1.5. Distribution of Responsibility within Enterprise Risk Management

Any employee of the Company, in reliance on the available professional information, experience and specific character of work should notify in advance the Risk Management Department of the Corporate Center of identified risks through his/her line manager or directly via the Hotline so that the Company may react to the risk in time. Concealing of risk information is prohibited.

The **Risk Management Department** of MTS Group Corporate Center is responsible for development of risk assessment methods, regular collection of the information and preparation of reports including the risk assessment results for the Risk Committee under MTS CEO (hereinafter the “Risk Committee”) and the Company’s management. The Risk Management Department of the Corporate Center exercises operational control over the process and ensures cross-functional interaction of units within the framework of the enterprise risk management in the Company. Cross-functional collaboration with risk owners in Subsidiaries is ensured by risk coordinators therein.

Risk Owners are managers of functional units the goals of which are subject to risk influence. The risk owners are responsible for analysis, assessment, implementation of risk management procedures and preparation of reports on the actions within the framework of the enterprise risk management.

The **Risk Committee** takes collegial decisions with regard to the enterprise risk management.

The risk management effectiveness is assessed by the **Internal Control and Audit Function;** this information is also submitted to the Audit Committee under MTS Board of Directors (hereinafter the “Audit Committee”).

The **Audit Committee** controls the risk management effectiveness and assessment of the procedures used by MTS Group to identify key risks and evaluate relevant control procedures for determining their adequacy and effectiveness.

The **Company’s Board of Directors** acts directly or through its committees within its competence and settles tasks related to assessment of political, financial and other risks affecting the Company’s activities. MTS Board of Directors delegates the authority to exercise control over the risk management efficiency to MTS Audit Committee and considers the reports of the Audit Committee.

MTS PJSC CEO, MTS PJSC Vice-Presidents and Directors of Business Units and Subsidiaries shall take into account significant risks of MTS Group when taking operating decisions and carrying out strategic, business, budget, commercial and investment planning.

1.6. Classification of Risks

The classification of risks adopted in the Company is used to organize an effective risk identification procedure. The following categories for identification of risks are specified by the Company:

- *Strategic* – risks including potential changes on the market in the long term that may affect the common corporate strategy, IT and business strategy, as well as the organizational structure.
- *Operations* – risks of direct or indirect damage to the Company arising from the core operating activities thereof (product and service development and promotion, CRM, marketing management, network operation development and maintenance), as well as risks in supporting operational processes (financial function, HR, internal IT system development and support, security management).
- *Risks of Business Environment* are risks of the environment influence on the Company’s business (political, legal and social systems).
- *Compliance* – risks related to compliance with external (regulators, licensing) and internal requirements.
- *Reporting* – risks connected with accuracy and completeness of the indicators system, aggregation, analysis and disclosure of financial reporting data.

1.7. Ranking of Risks

Risks are ranked on the basis of a financial assessment; a reputation aspect may be also considered, if necessary.

1.8. Risk Management Methods

The following methods are used in the Company to manage risks:

- *Risk Avoidance* means a refusal to take actions, refusal of high-risk assets. Risk Avoidance is an exclusive method to cover risks and applies when the cost of risk treatment is too high or such a treatment will not reduce the risk to an acceptable level, as well as when it is impossible or ineffective to transfer the risk to third parties.
- *Risk Reduction* means control and prevention of risks as a method of risk management. It stipulates a net retention of risk given an active treatment thereof by the Company. All actions are designed to reduce preventively the probability of risk events and/or potential damage from the risk event to the acceptable level corresponding to the Company's risk appetite.

  The reduction of risks is a priority activity of the Company in the field of risk management.
- *Risk Acceptance* means a risk-taking without treatment as a method to cover the risk. It applies when the risk is acceptable to the Company or it is impossible or costly to treat it.
- *Risk Transfer* is carried out when it is impossible or costly for the Company to treat it and the risk exceeds the level admissible for the Company. Risks may be transferred through insurance, hedging, outsourcing of functions, etc.

1.9. Integration of Risk Management into Decision-Making Processes

Risk management is an integral part of all the processes of the Company. For instance, it is integrated into development of policies, strategic, business, budget, commercial and investment planning, management of changes and procurement procedures.

A risk-oriented approach in strategic planning is targeted at:

- *Identification of risks related to different environment conditions;*
- *Analysis and reflection of key risks within the scope of the selected macro-scenario;*
- *Identification of material risks connected with the strategy implementation but not entailing its review, and development of Additional measures to manage these risks.*

The risk-oriented approach in business planning and budgeting is directed at analysis and reflection of risks related to failure to achieve the main financial KPIs.

The risk-oriented approach in investment planning is designed to analyze and reflect project risks connected with failure to achieve main project effectiveness indicators.

The risk-oriented approach in commercial planning is intended to analyze and reflect risks of new product and service inefficiency in terms of failure to achieve the relevant product and service targets.

The risk-oriented approach in procurement is directed at analysis and reflection of risks during selection of suppliers.

1.10. External Communications

The Company's key risks are disclosed in risk sections for external reporting, in particular, in quarterly reports for the Central Bank of Russia, as well as in 3-D Section of Form 20-F for the New York Stock Exchange.