

MTS Group Sustainable Development Report

2015



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Full trade name of the Company in Russian: Публичное акционерное общество “Мобильные ТелеСистемы”

Short trade name of the Company in Russian: ПАО “МТС”

Full trade name of the Company in English: Mobile TeleSystems Public Joint Stock Company

Short trade name of the Company in English: MTS PJSC

In this report, the terms “MTS”, “the Company”, and the “MTS Group” shall refer to the group of companies consisting of MTS PJSC and its subsidiaries; MTS PJSC and “the Company” shall mean Mobile TeleSystems Public Joint Stock Company.

The indicators contained in this Annual Report are as of December 31, 2015, unless other periods or dates are expressly indicated.

The Annual Report of MTS PJSC for 2015 is available for downloading from report2015.mts.ru.

The interactive version of Sustainable Development Report of MTS Group for 2015 is available for downloading from our2015.mts.ru.

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Message from the President



Dear friends,

We would like to present our 2015 Sustainable Development Report, in which we have tried to describe very thoroughly and openly the most important social aspects of the Company's business, the successes and achievements in this area and our plans for the future development of corporate social responsibility. MTS regards the Sustainable Development Report as one of the most important elements of its interaction with society, helping the Company to build harmonious relationships with all of its stakeholders and to improve its transparency. It also helps us to look at our social activities from the outside and to see how we can improve its efficiency.

About the company

Our financial and economic performance in 2015 proves our ability to move forward in the most adverse macroeconomic conditions. Even in the period of the general economy slow-down, our business continued to grow in the host countries. Our success is based on systematic work and close adherence to the chosen strategy.

By the end of 2015, the number of our subscribers in Russia grew by 3.6% reaching 77.3 million. Our subsidiary MGTS grew from a fixed-line telephony service provider to a universal multi-service operator. The expiring year was the first year of MTS operation in Uzbekistan after its comeback to that country. The company entered the market as a premium operator by offering high-quality services to its clients. Today, more than a million subscribers use the services of MTS-Uzbekistan. In Armenia, our goal was

to retain the crown of top service provider. When your market share exceeds 60%, keeping this position becomes very difficult; nevertheless, the team of MTS Armenia do their best for that. Throughout the year, MTS Belarus was actively implementing its data strategy, and now more than 40% of its subscribers are active users of mobile internet. The team of MTS Turkmenistan has yet to go the way of the rapid growth of data transmission services, but they are ready to do this.

In 2016, we will face quite a number of challenges offered by the highly competitive market. We will have to demonstrate our professionalism and experience that will enable us to remain in the eyes of our subscribers the best operator in the market of each country.

For our clients

We lived a very interesting and eventful year, during which we managed to successfully implement a number of important projects in the field of network development. We have accomplished the development of a global super-fast 100 Gb/s backbone

network and began to massively deploy LTE networks in the 1800 MHz band. In the first half of the year, we have accomplished 70% of the targeted scope of our network construction activities.

We have also deployed the latest self-optimizing networks technology all over Moscow, launched a Fixed Networks Management Centre and started deploying 3G in Ukraine. Equally important are our achievements in developing our IT infrastructure - it would suffice to mention such large-scale and important projects as the acquisition of NVision Group and implementing Big Data projects.

MGTS grew from a fixed-line telephony service provider to a multi-service universal operator. We demonstrated strong reve-

nue growth and achieved good market results by having met all targets faced by our Company.

And we will not lose momentum in the year to follow! Our plans include launching the advanced Voice over LTE technology and expanding the self-optimizing networks far beyond the boundaries of Moscow. Our main goal will be to increase the return on investment. We will strive for the maximum network capacity while keeping the costs as low as possible.

For the society

Well-developed telecommunication networks and a high rate of Internet penetration provide additional opportunities for developing the Russia's economy and boosting the welfare of its people. Our priorities have always been – and will remain – socially oriented. We focus not only on the construction of networks, launching new services and tariffs, but also on the training of users, promoting innovation, new technologies and services able to de-facto improve quality of life.

We are actively developing our own social programs and charity projects focused on supporting vulnerable social groups, providing medical aid to sick children, boosting children's creativity. Last year, we rendered help and support to more than one million people and, overall, our corporate social responsibility projects cover above 10 million people. Our efforts were recognized by reputable communities: we became the winner of the Runet Prize, the Leader in Corporate Charity, and were included in the shortlist of SABRE Awards for implementing our Generation M charity project.

For our employees

The degree of MTS staff involvement in the company affairs in Russia is continually growing; this year, it reached 80 per cent. This means that four out of five our employees are confident in our future, and are willing to grow with the company.

This year we have reaffirmed our commitment to offering maximum career opportunities to each of our employees. Eighty per cent of all manager vacancies have been filled from the company's talent pool.

As a result, by the end of 2015 we were recognized the best employer in Russia as per AoN Hewitt. We also are in the TOP-5 of the Russian Employers Rating and became the leader among telecommunication companies; we won the People Investor Prize and became a three-time winner of the Russian HR-Brand Award.

For our stakeholders

In 2015, thanks to our efficient and prudent business strategy and skillful cash flow management, MTS paid to shareholders record-setting dividends amounting to RUB 52 billion. We are confident that the implementation of the 3D strategy will ensure

our long-term sustainable development based on the harmonious combination of business interests, human values and national development priorities.

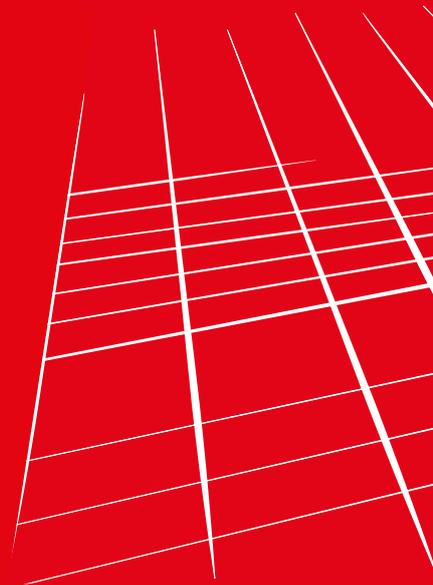
Yours faithfully,
Andrey Dubovskov
President of MTS PJSC

Main results for 2015

For customers see p. 34	The average per minute price of a call in Russia	0.85 RUB	MTS's financial services using	15% of subscribers
	Launch of LTE networks in all operation areas	83 regions of Russia	Satisfied with the service received in 2015	90% of customers
For society see p. 60	Profit tax paid by MTS PJSC in 2015	13 bln RUB	Corporate volunteer movement JUST Give Good! totals	6,500 employees
	MTS Group investment in CSR and charity projects	760.4 mln RUB	Generation M project by MTS won the Corporate Charity Leader Award 2015.	
For employees see p. 94	In 2015, MTS Group's total payroll costs grew by 14.5% making	56.2 bln RUB	The level of MTS staff involvement in the company affairs reached	80%
	The average monthly salary in MTS PJSC	64,000 RUB	In 2015, MTS was acknowledged as one of 11 best employers of Russia (according to the Aon Hewitt BEST EMPLOYERS STUDY)	
For shareholders see p. 120	MTS Group's consolidated revenue increased by 5% to	431.2 bln RUB	Dividend paid out by MTS PJSC in 2015 were record-high	52 bln RUB
	MTS Group net profit amounted to	49.5 bln RUB	Our financial statements for 2015 meet the IFRS standards.	

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1.1. About the Company

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Today, MTS is the leading telecommunications operator in Russia and the CIS. The company offers integrated mobile and fixed telephony, long-distance and international communications services, cable television, data transmission based on wireless and wireline solutions, including fiber-optic access technology and 3rd and 4th generation mobile networks, as well as financial services.

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In 2015, MTS Group operated in 83 regions of Russia and in five CIS countries.

MTS PJSC holds license to operate in the entire territory of the Russian Federation. In the reporting year, subsidiaries of MTS PJSC continued to carry out their activity in the territory of

Ukraine (MTS UKRAINE PrJSC), the Republic of Armenia (K-Telecom CJSC), the Republic of Turkmenistan (MTS-Turkmenistan ES), the Republic of Uzbekistan (Universal Mobile Systems LLC), as well as the Republic of Belarus (Mobile TeleSystems JLLC). The total population of the area covered by MTS PJSC services exceeds 230 million people.

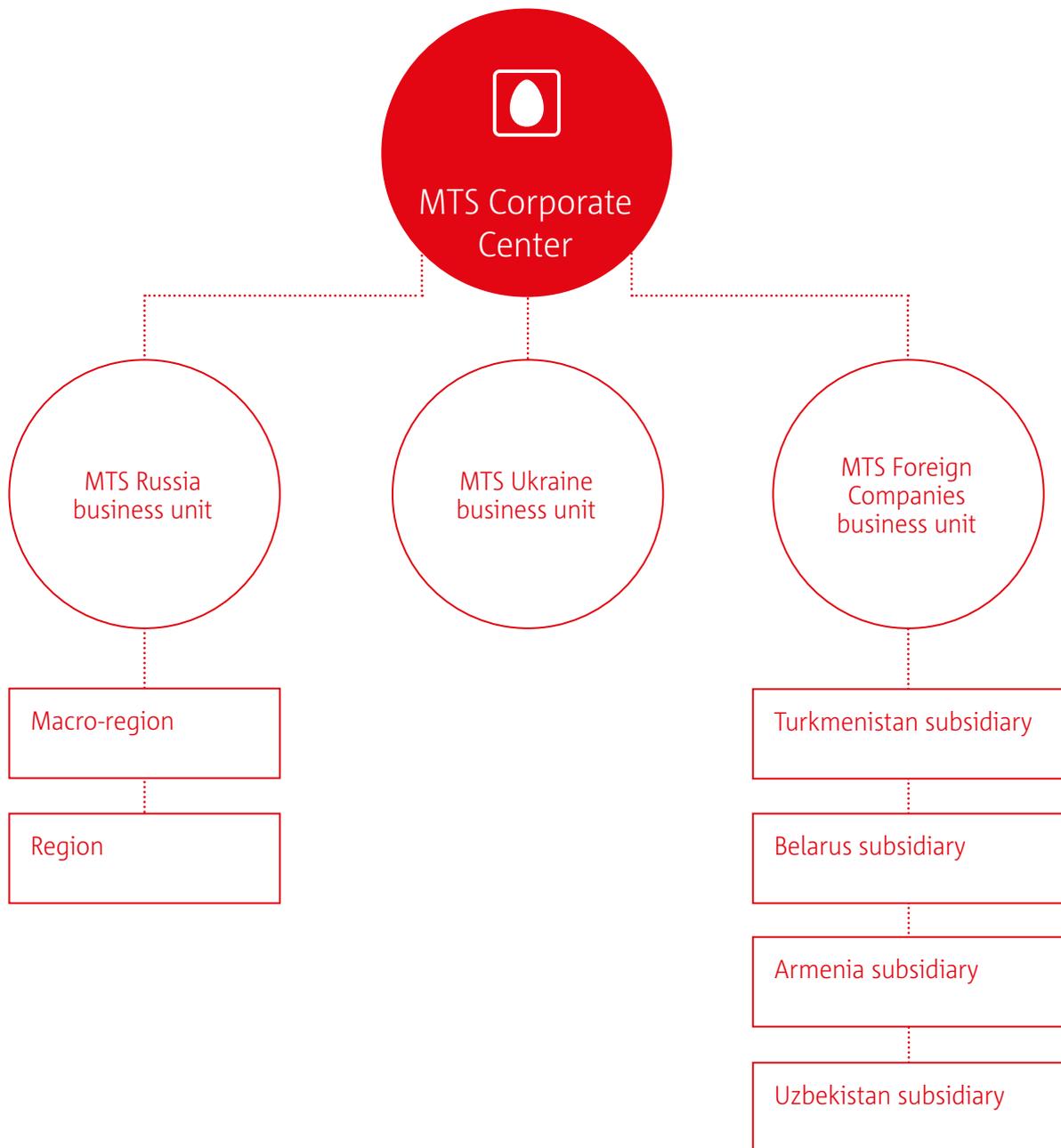


“Our work is aimed not only at rendering high-quality, beneficial and convenient services to the clients, as well as ensuring high service level, but we are also looking ahead: MTS opens up the doors to innovative future for the clients by improving services and launching advanced versions of these on the market. Today, our subscribers can quickly find the right information in the Internet, go shopping, pay for travels, buy tickets for concerts and movies, manage their finances and make many other useful and interesting things with the help of a mobile phone. However, we consider this only the beginning and are striving for further progress!

Our goal is to make sure that MTS clients are able to use the entire potential offered by modern mobile communication technologies. Every day, the highly skilled MTS team implements new ideas and projects to ensure that our clients of any income level in any region are able to use communication services as much as they want with no unforeseen costs.”

Andrey Dubovskov, MTS PJSC President

The structure of MTS

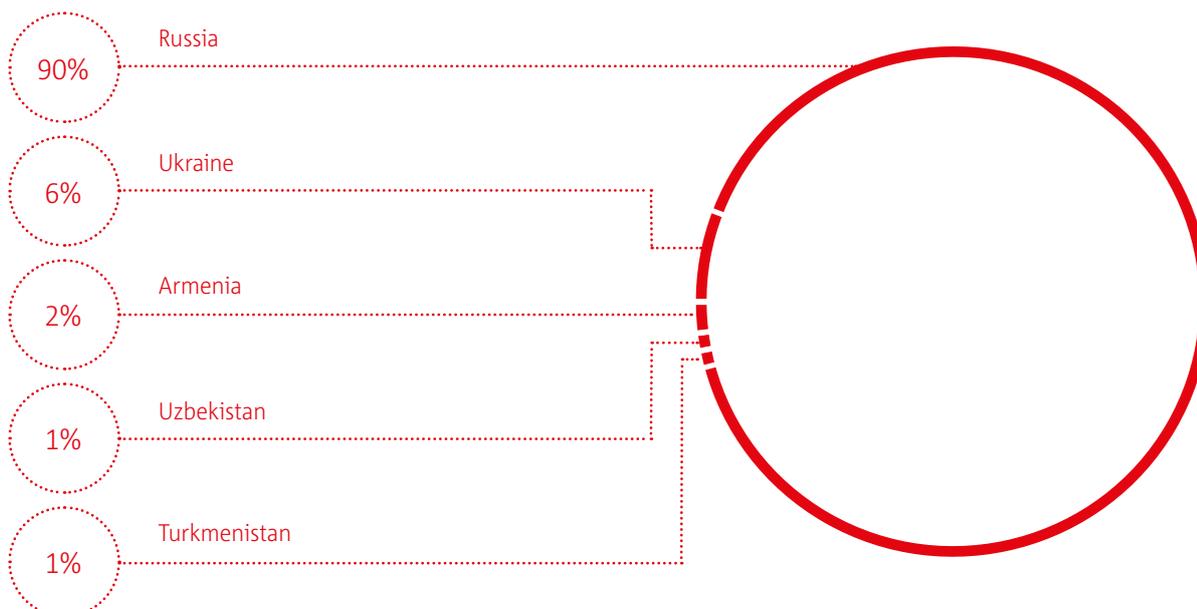


In 2015, MTS retained its leadership position in terms of the number of subscribers - as of December 31, 2015 the total number of subscribers in the host countries was 107.8, of which 77.3 million live in Russia. Revenue of MTS Group in 2015 was RUB 431.2 billion.

Structure of MTS revenue in 2015, RUB bln



MTS revenue in 2015, %



Our brand

In 2015, MTS was ranked by Brand Finance research agency among the Global 500 most valuable and influential companies along with Sberbank, Gazprom and Lukoil.¹ The value of the company reached \$3.6 billion. MTS dropped to 437th line from 390th which it held in 2014; its value changed by -9.45% mainly due to a change in the USD exchange rate. The company was the only Russian telecommunications brand included in the rating.

A re-branding of MTS in 2015 and a new emotional brand positioning “You know that you can!” received a special nomination “For bringing a new social and humanitarian touch to a technological brand” granted by Kotler Awards for accomplishments in the field of advertising and marketing.

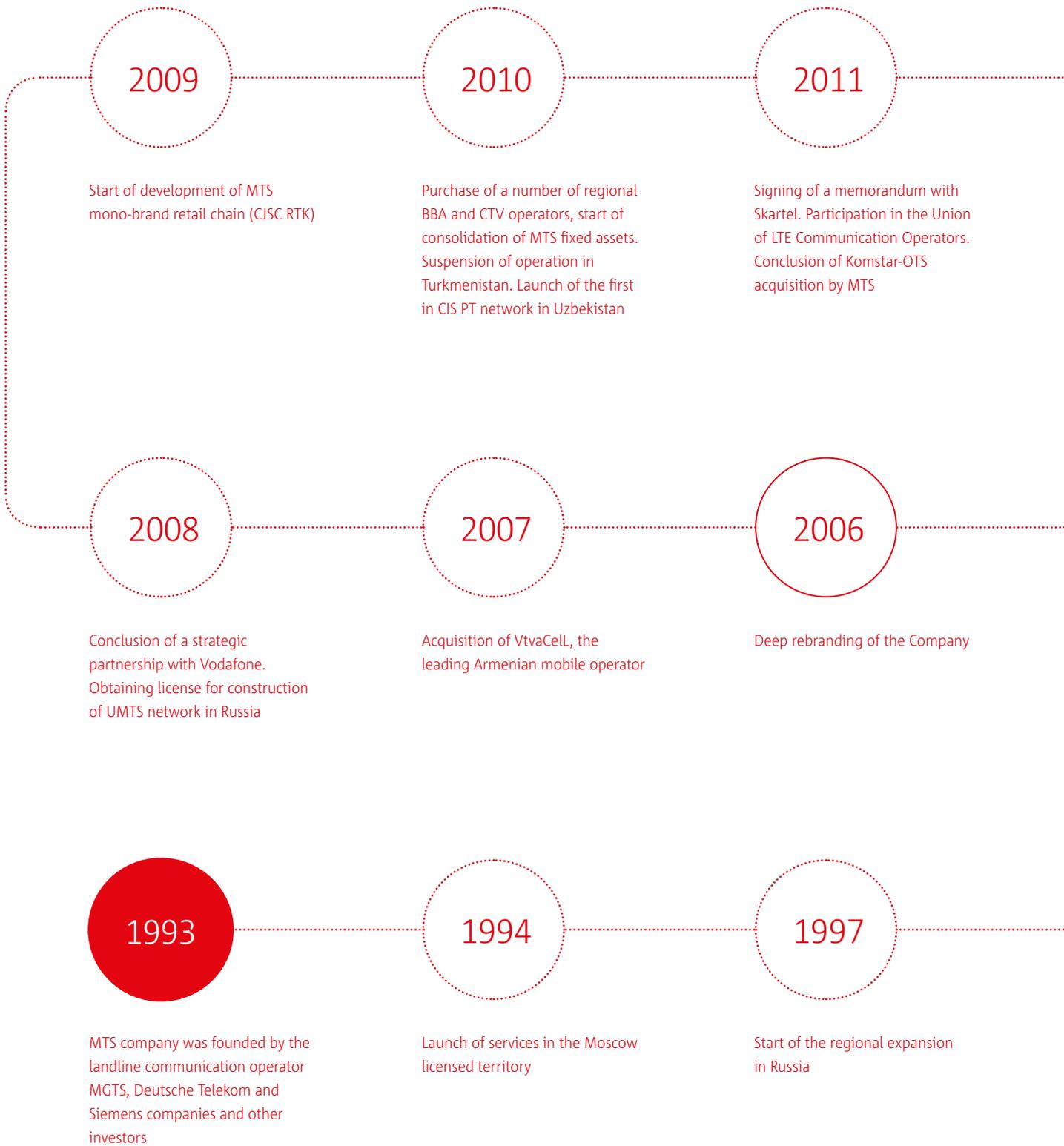


You know that
you can!



¹ brandirectory.com/jl/54772a240ed8695a61de50520a370d38.

History of the Company



2015

Strategic partnership with Vodafone in Ukraine, MTS Ukraine re-branding

2012

Obtaining frequencies and the federal license for provision of communication services of LTE standard in Russia, launch of home network in Moscow. Acquisition of Tascom CISC. Resumption of activities in Turkmenistan, connecting approximately 1 million subscribers by the end of the year. Signing of indicative offer with MTS Bank and JSFC Sistema on acquisition of 25.095% of the authorized capital in MTS-Bank OJSC. Suspension of operation in Uzbekistan

2013

Conclusion of an agreement between Alnmo, MTS, Nomihold Security Inc. and other related parties on settlement of disputes as to investments in Bitel LLC, former largest mobile communication operator in Kyrgyzstan. Approval of new revision of MTS dividend policy

2014

Presentation of new 3D strategy with the main focuses on Data, Differentiation and Dividends

2005

Expansion in CIS and launch of operation in Belarus

2004

Expansion in CIS and launch of operation in Belarus

2003

Expansion in CIS and launch of operation in Belarus

2000

IPO at NYSE exceeded USD 350 million for funding the expansion in Russia and CIS countries

2001

In August the Company's subscriber base exceeded 2 million users

2002

Expansion in CIS and launch of operation in Belarus

1.2. Our Markets

Republic of Belarus

Company	Mobile TeleSystems msPJSC
Share of ownership, %	49
Brand	MTS
Population, mln	9.5
Subscriber base by the end of 2015, mln	5.3
Mobile penetration, %	>100
Market share, %	46.7

Ukraine

Company	MTS Ukraine PJSC
Share of ownership, %	100
Brand	Vodafone
Population, mln	42.5
Subscriber base by the end of 2015, mln	20.4
Mobile penetration, %	132
Market share, %	36.2

Republic of Armenia

Company	K-Telecom CJSC
Share of ownership, %	100
Brand	VivaCell-MTS
Population, mln	3.0
Subscriber base by the end of 2015, mln	2.1
Mobile penetration, %	>100
Market share, %	59





Russia

Company	MTS Russia
Share of ownership, %	100
Brand	MTS
Population, mln	146.5
Subscriber base by the end of 2015, mln	77.3
Mobile penetration, %	175
Market share, %	30

Turkmenistan

Company	MTS Turkmenistan ES
Share of ownership, %	50.01
Brand	MTS
Population, mln	5.0
Subscriber base by the end of 2015, mln	1.6
Mobile penetration, %	>100
Market share, %	33.9

Republic of Uzbekistan

Company	Universal Mobile Systems
Share of ownership, %	50.01
Brand	UMS
Population, mln	31.6
Subscriber base by the end of 2015, mln	1.1
Mobile penetration, %	65
Market share, %	5.4

Overview of the economic situation and market development

In Russia mobile communication services are rendered by four federal operators: MTS PJSC, MegaFon PJSC, VimpelCom PJSC and RT-Mobile CJSC (T2RTK Holding, a joint venture of Rostelecom PJSC and Tele2), as well as regional telecommunication companies operating in different standards for cellular communication: GSM, NMT 450 and CDMA –1x, UMTS (3G).

The average MOU (Minutes of Usage) of voice communication in the MTS network continued to grow in 2015 and reached 381 minutes per month.

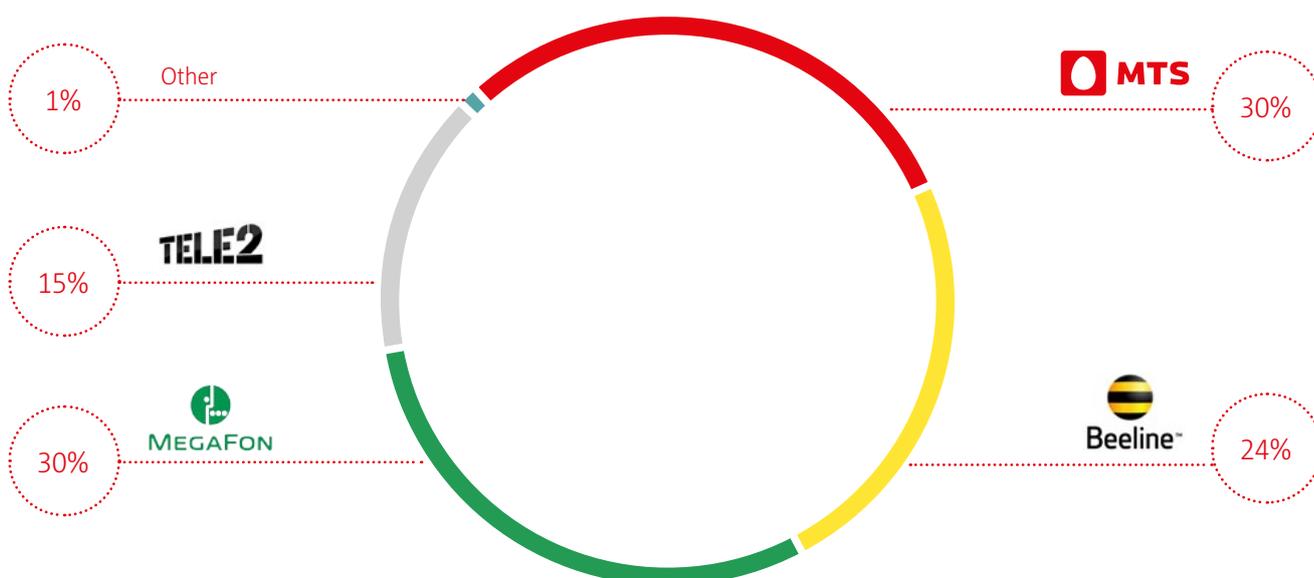
At year-end 2015, the level of mobile penetration exceeded 175% securing the position of Russia among the most advanced telecommunication markets in the world. Being one of the leading players in the telecommunication markets of Russia and the CIS, MTS aspires to use the existing growth potential for all most dynamic industry segments.

Mobile Internet is gaining momentum in the mobile markets of Russia and the CIS countries. The basis for the qualitative growth in consumption of mobile Internet services is the development of 3G and 4G (LTE) networks.

The MTS's 3G network covers all federal districts of Russia, Armenia, Belarus, Turkmenistan and Ukraine. In Russia, our revenue from mobile Internet grew by 20% in 2015; the number of regular users of our data transfer services was also increasing and accounted for more than 47% by the end of 2015. The level of data transfer traffic consumption by mobile Internet users increased by 1.4 as compared to 2014.

In 2015, commercial LTE networks were launched in all host regions. MTS was the first Russian telecom operator to provide international roaming access to LTE networks. LTE penetration among mobile Internet users in 2015 doubled in comparison with 2014.

The shares of the Russian market mobile operators by the number of subscribers in 2015¹



¹ According to AC&M agency.

Global trends in the telecommunications sector

A fundamental challenge faced by telecom operators now and in the future is the ongoing explosive growth of data transfer volumes in mobile networks. Even by the most pessimistic forecasts, the pace of such growth in both well-developed and still developing markets will not fall below dozens per cent per annum over the next five years. High penetration of smartphones, as well as

growing consumption of services by the existing subscribers, not only ensure additional revenue to operators (to some extent compensating for the fall in the segment of voice calls and short message service), but, above all, make them face the problem of cost-efficient mobile network capacity build-up.

Technology trends

Growth of LTE-networks coverage, redistribution of frequency resources for LTE (“refarming”), consistent implementation of Carrier Aggregation and VoLTE functions both by operators and manufacturers of smartphones – all these areas intelligible to subscribers have already gained momentum and are routine

for the operators. The industry is interested in the development and implementation of new technologies, which both help to cope with the traffic growth and are able to provide a reasonable return on investment to support such growth.

Trends in related areas

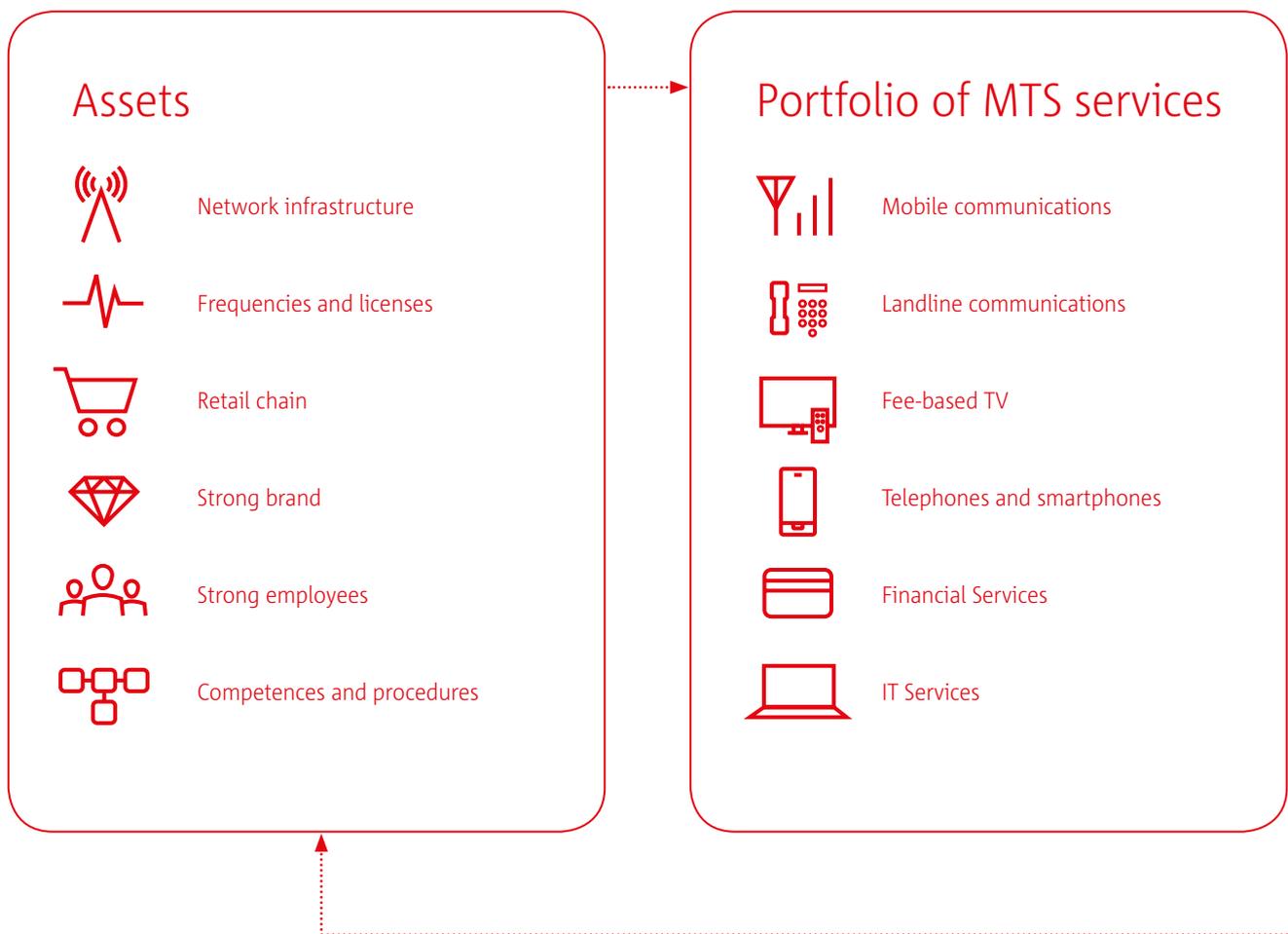
Most of the growth accounts for the markets where the telecom is a source of Internet connection; however, the telecom operators not necessarily are the primary beneficiary of the innovations that take place.

Hence, the number of new services based on existing mobile communication networks continues to grow. Also, the emergence of fundamentally new 5G-based products and business ecosystems is expected.

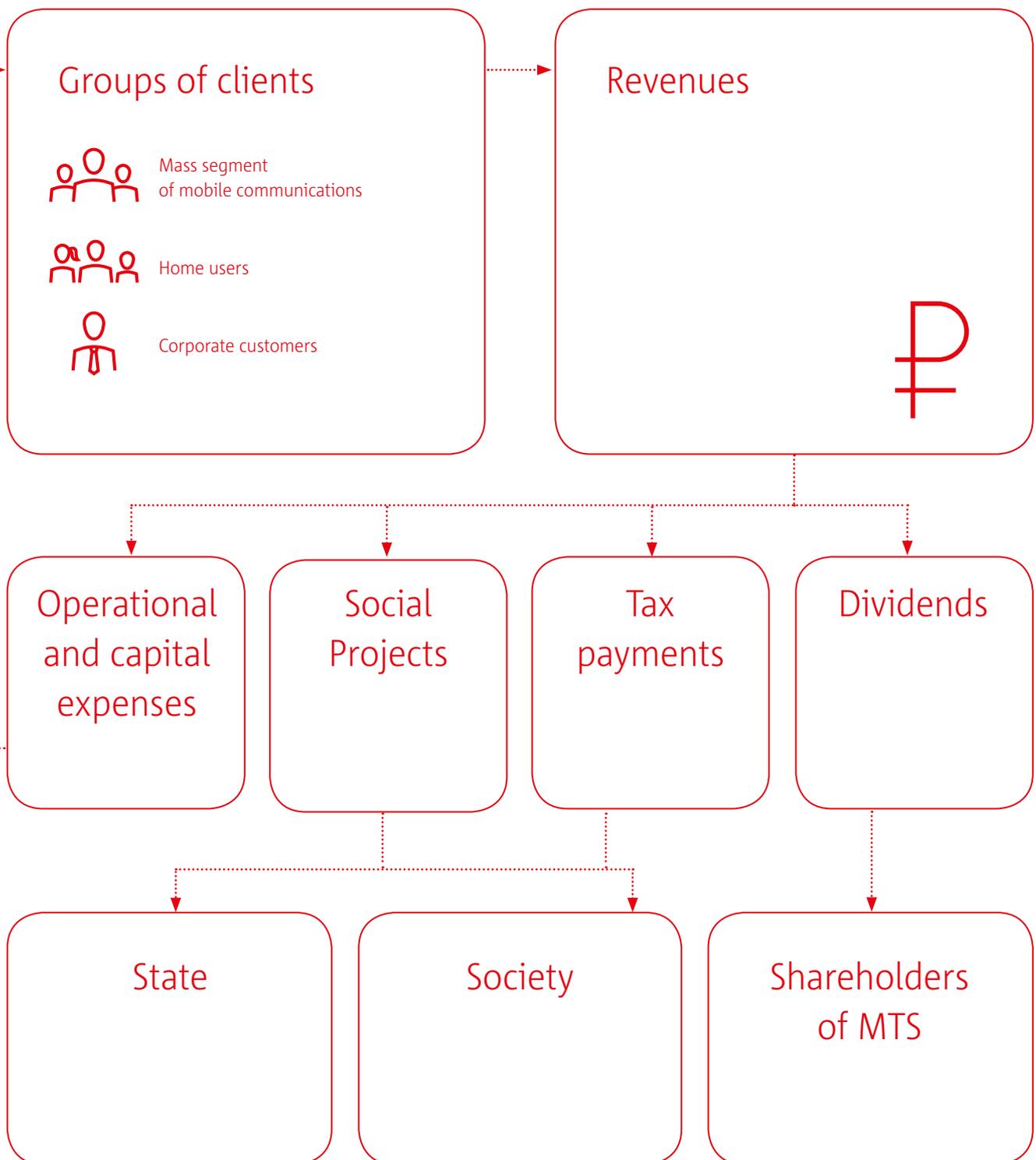


For more information about the MTS Group, its position in the industry, as well as market forecasts for 2016 and medium-term period please refer to the [section “Our markets”](#) of our 2015 Annual Report.

1.3. Business Model



MTS as a totality of interrelated assets creates and promotes portfolio of MTS services provided to various groups of clients for a fee that combines into MTS revenues used for operational and capital expenses, social projects, tax payments and dividends for shareholders.



1.4. CSR Strategy

MTS provides telecommunications services to more than 100 million subscribers in Russia and the CIS, Eastern and Central Europe. We are working in the telecommunications industry which is strategic for the country development and indispensable for resolving a wide range of everyday and business tasks of any person.

Our current policy in the area of corporate social responsibility is closely integrated with a business strategy which is based on three “D”: Data, Differentiation, Dividends.

Our technologies, pricing policy and communication quality affect the quality of life of many people. We are fully aware of our huge responsibility for assuring a better future for next generations on the basis of sustainable development. This is the top challenge of our time, which requires intense everyday work to solve.

One of MTS main principles is the integration of corporate social responsibility (CSR) with all aspects of the Group’s activities. In order to comply with the CSR principles, the Company’s business has to:

- meet today’s needs;
- not compromise the ability of future generations to satisfy their needs;

- contribute to sustainable development, better health, and growth of social well-being;
- cope with expectations of stakeholders;
- comply with applicable laws and the international codes of conduct;
- contribute to the transparency of the Group and the improvement of its governance system.

We strictly adhere to our CSR policy. MTS’s strategy in the area of social responsibility is based on ongoing analysis of our current business processes, their compliance with the principles of socially responsible business, our ability to conceive and carry out projects that go beyond the boundaries of the legally defined minimum and focus on increasing the positive impact of our business on society.

We are consistently working towards more efficient social policy. For that purpose, we carefully study and implement the best Rus-



“We believe that there is no sense in strategy changing during challenging times, because it will evidence that we did our business wrong in less challenging times, in the times of a healthier economy, and were not ready for changes. Experience has proven that we have always been ready for hard times and actually show that we are able to outperform the market even in a period challenging for the economy.”

Andrey Dubovskov, MTS PJSC President

sian and international CSR and charity practices and closely work with various expert and investment communities.

For us, sustainable development means a system of consistent economic, environmental, and social activities carried out in the context of continuous cooperation with stakeholders, and aimed at more effective risk management and long-term improvement of the image and reputation of the MTS Group, as well as at an increase in capitalization and competitiveness.

Strategically, MTS primarily positions itself as a telecommunication company, the all-purpose communication service provider, offering a full range of high-quality services, absolute and undisputed leader in the mobile segment. Telecommunications is our key competence and core business. At the same time we have gained intellectual, organizational and management capacity to be used as a basis to seek points of growth in adjacent markets that will allow us to create more value for our clients and share-

holders, and more broadly – to enrich the lives of people, to provide new opportunities for living, business and self-fulfillment. We are sure that implementation of our 3D Strategy will allow us to maintain and strengthen the market position, ensure financial stability and operating efficiency, guarantee the development and growth in the most dynamic segments, as well as will enable us to offer our subscribers the best experience and to fulfil our obligations to the shareholders.



For more information on MTS business strategy, results of its implementation in 2015, forecasts and their actual implementation see [section “Our Strategy”](#) of our 2015 Annual Report.

Please refer to section “Social Responsibility” at our official website www.company.mts.ru/comp/social_responsibility to obtain MTS’s sustainable development reports dated back as far as 2008, as well as our major CSR projects.

3D strategy	Business strategy	CSR strategy
<p>Data</p> <p>The main source of growth for the telecommunication services market.</p>	<p>Completion of MTS transformation into a data company</p> <p>Competitive development of 3G and LTE networks</p> <p>Consolidation of frequency resources suitable for development of LTE networks</p>	<p>Working with talented young people, designers and young scientists</p> <p>Search for and support of innovative projects in the area of ICT and telecommunications focused on advanced development of the telecommunication industry of the country</p> <p>Popularization of state-of-the-art Internet technologies for raising the comfort level of social life</p>
<p>Differentiation</p> <p>Diversifying our service portfolio, thus mitigating the industry risks and strengthening the competitive position.</p>	<p>Fixed business</p> <p>Financial services</p> <p>Internet of Things (IoT)</p> <p>Satellite TV</p> <p>Big Data</p> <p>System integration</p> <p>Cloud services</p> <p>Mobile devices</p>	<p>Provision of high-quality, innovative and available products and communication services and financial services to all consumers</p> <p>Promotion of equal opportunities by providing equal access to advanced technologies, innovative products and services, implementing projects that stimulate self-fulfillment</p>
<p>Dividends</p> <p>Ongoing and consistent rise of business efficiency, based on the use of best technological and organizational solutions, costs monitoring, carefully considered investment policy and improvement of business processes</p>	<p>Assurance of high profitability for the shareholders</p> <p>Continuous improvement of investment and operational efficiency</p> <p>Maintenance of the best possible level of debt and its value</p>	<p>Introduction of the best practices in the field of CSR, Standardization of CSR processes for conformance with international requirements,</p> <p>Creation of a transparent environment for shareholders and potential investors,</p> <p>Bolstering the corporate spirit and reputation of MTS.</p>

CSR Principles

Responsible business practices

MTS follows the principle of responsible business conduct. The company plans and arranges its operations in a way that contributes to positive changes in society, improves social climate, relieves social tension and stimulates the development of society. MTS understands the social responsibility as pro-active attitude and doable assistance to society, the state and particular individuals in the areas where the Company can help.

Our key principle of responsible business is a total ban of commercial bribery of public officials, as well as the financing of political parties, organizations, movements and associations. MTS does not participate in CSR projects that involve direct or indirect influencing of the decision-making process or compensating state officials, members of local self-government or other officials for decisions they make. We are not involved in any projects that benefit political parties, organizations, movements and associations. We also do not participate in charitable projects that involve state-owned companies or public officials if such projects are of confidential nature and, if disclosed, may be harmful to the Company or its employees.

Responsibility of a mobile operator

The main objective of MTS is to provide high-quality, innovative and available products and communication services and financial services to all its consumers. As a communication service provider, we are responsible for providing high-quality and fairly priced services, expanding the coverage and capacity of our network and developing new affordable and socially significant telecommunication technologies. In addition, MTS continuously improves its communication services and the quality of client service, implements loyalty programs and launches new, more attractive tariff rates for mobile and fixed communication services, access to Internet and commercial TV channels.



For more information about our innovations refer to Section 2 “For the Benefit of Clients”.

Equal opportunities

One of the major challenges of the today’s Russian society is its digital inequality. Insufficient coverage by the Internet and state-of-the-art communication services, especially in remote regions, impedes innovation and hampers dynamic development of the country. MTS makes its doable contribution to creating equal opportunities by providing equal access to advanced technolo-

gies, innovative products and services that foster self-fulfillment of an individual.

In 2015, the Company continued implementing Internet access and TV services in all regions of Russia and increasing the rate of Internet access.

Innovation

We believe that quality of life can be improved by widespread implementing of advanced technologies, products and services. Diffusion of innovations and their penetration of our everyday life foster innovative thinking, which in turn stimulates the development of society, promotes economic growth and facilitates the integration of our country into the world community.



For more information about our innovations refer to [Section 2.2 “Innovative products and services”](#).

Encouraging economic growth and a prosperous society

MTS endeavors to contribute as much as possible to the economic development of the host countries, in particular, their remote regions. That is why our growth strategy is based on substantial investments in the creation and development of telecommunications infrastructure. We work to strengthen the high-tech segment of economy and to make the country more attractive to investors. MTS supports initiatives of the government focused on improving the quality of life and the well-being of society and individuals and assists the state in implementing these initiatives.



For more information about our innovations refer to [Section 3 “MTS and society”](#).

Responsibility to the state

The state is getting additional funds through our higher tax deductions to various-level budgets; our contractors benefit from the growing number of our orders for goods and services; capital providers derive profit from the growth of financing of our investment programs. MTS activities yield considerable financial effect with a very wide range of beneficiaries.

The activities of MTS in all operation markets strictly comply with existing laws, in particular in the area of taxation and financial control, sanitary and epidemiological norms, labor laws and the applicable anti-corruption laws.



For more information about our innovations refer to [Section 3.2 “Cooperation with the state”, 5.4 “Compliance and business ethics”](#).

Social investments

We believe our social investments to be a long-term contribution that not only encourages the development of society, but also serves as a basis for sustainable development of our Company. MTS is committed to ensuring that our business contributes to the socio-economic prosperity of the regions of Russia and the host countries. We create for our clients new avenues for communication, development, labor and creativity, enrich their lives and make them truly multifaceted.



For more information about our innovations refer to [Section 3.1 “Social programs”](#).

Drive for results

A key principle of MTS's social policy is the focus on doable and measurable results. This means that we pursue the policy of well-reasoned social investments with foreseeable results in order to resolve the most pressing social problems for the benefit of society as a whole.

Transparency

We believe the ongoing dialogue with the stakeholders to be a necessary condition for efficient social performance. We inform the public about our activities in accordance with the laws of Russia and international norms applicable to public companies.

The main channel for the dissemination of information on social performance of MTS is the publication of our annual social reports. Our non-financial reporting complies with international norms and is subject to the procedure of public endorsement.



For more information about our innovations refer to [Section 1.6 “Stakeholder engagement” and 5.6 “Disclosure of information”](#).

Charity

No truly successful business can disregard those who need help, so MTS allocates a part of income for financing of CSR and charity projects.

Charitable activities of MTS are an offshoot of our business strategy. A priority strategic line of our charitable activities is helping severely-ill children disregarded by the state as well as rendering support to families who cannot afford paying for costly medical treatment. In order to maximally promote the charity process, MTS have developed a simple and convenient service. Our subscribers transfer funds to help a sick child by sending a respective SMS to *700#.

MTS also supports projects focused on the education as well as cultural and creative development of children. The key MTS Generation M project combines the ideas of creativity and charity and is held under the motto Creativity for Life. All actions on the site and in social media communities assist raising funds to help sick children.



For more information about our charity activities, refer to [Section 3 “MTS and society”](#).

CSR and Charity Management

The Board of Directors and the Management Board of MTS are the main authority to control our CSR activities. These competencies include approval of the CSR strategy and social programs, supervising the implementation of these, and evaluating performance of social projects. The planning, implementation and consolidation of CSR activities are the responsibility of the Vice-President for Human Resources and the Department of Corporate Social Responsibility which is a part of our HR unit. The planning, implementation and consolidation of our charitable activities are the responsibility of the Public Relations Department. Our social and charitable initiatives in the regions are planned and implemented by employees of the Department of Human Resources, Marketing and PR who are appointed by directors of macro-regions.

CSR Committee

A special CSR committee was established within the office of MTS President. It is an advisory body participated by representatives of the departments of CSR, marketing, sales and service, security, procurements, public relations and compliance, as well as partners and recognized CSR experts.

- independent audit of the Sustainable Development Report
- approval of annual work plans of the Corporate Center and the macro-regions

The tasks of CSR Committee:

- attraction of partner's programs
- broadcasting our CSR policy within and outside of MTS
- creating CSR environment inside and around of MTS
- consolidation and efficient use of Company's resources in integrated CSR projects



Uzbekistan

In 2015, Universal Mobile Systems LLC adopted the regulatory framework for implementing charitable projects as follows:

- UMS Activities in the Field of Corporate Social Responsibility (CSR) Policy
- UMS Activities in the Field of Charity Policy
- Charitable Projects Management Regulations.

The priority lines of CSR activities of UMS LLC are:

- Innovations
- Internet
- Integration into society
- Eco telecommunications



“Based on the results of self-assessment MTS states its intention to fully and consistently implement this standard.

The self-assessment which was held in accordance with respective methods issued by the Russian Union of Industrialists and Entrepreneurs (RUIE) also showed that the company has potential for further development across a number of subjects of the standard. Therefore, the Company will launch a dedicated program of social responsibility development based on ISO 26000, and will conduct self-assessments based on this standard at least once every three years.

MTS is responsible for its actions - this is where we see the key to sustainable development of our company.

We believe that this self-assessment will strengthen the business of MTS, in particular in the area of corporate social responsibility.”

Andrey Dubovskov, MTS PJSC President

Assessment of our CSR system

In 2015, MTS conducted a self-assessment of its operations in accordance with the principles of social responsibility as set out in ISO 26000:2010 Guidance on Social Responsibility¹. The official website of MTS PJSC published a statement by the Company President Andrey Dubovskov concerning the use of ISO 26000:2010 Guidance on Social Responsibility www.company.mts.ru/comp/social_responsibility/strategy.

International Standard ISO 26000 provides guidance on the underlying principles of social responsibility, the core subjects and issues pertaining to social responsibility and on ways to integrate socially responsible behavior into existing organizational strategies, systems, practices and processes

Principles of social responsibility in accordance with ISO 26000:

- Accountability
- Transparency
- Ethical behaviour
- Respect for stakeholder interests
- Respect for the rule of law
- Respect for international norms of behaviour
- Respect for human rights

¹ In March 2013, the corresponding Russian standard GOST R ISO 26000 was approved.

Outcomes of implementing our CSR strategy

2015 Target	Actual
Upgrade to the state-of-the-art high-quality non-financial reporting. The use of GRI G4 standard will allow focusing our SDR report on material aspects of MTS sustainable development.	+
Intensify the use of the social and educational mechanisms to promote and advance the use of mobile Internet in the society.	+
Continue replicating our key CSR projects "Telecom Idea", "Network for All Ages", and "Kids on the Internet" in the host regions and countries.	+
Intensify the implementation of the Just Give Good! charity program and the Generation M all-Russian charity project of developing children's creativity and helping critically ill children.	+
Continue developing the Social HR aspect: expand the opportunities of internship, work practice and hiring for persons with disabilities; increase the involvement of our employees in socially significant activities aimed to foster the integration of young persons with disabilities in society.	+
Continue working on the "Eco-telecom" project: promote environmentally responsible lifestyle and attitudes towards the environment, provide support to federal and international eco-activities.	+
Continue implementing ISO 26000:2010 Guidance on Social Responsibility.	+
Improve the quality of CSR projects management by engaging the CSR Committee established in 2014.	+

2016 Plans

1. Revise the existing CSR policy to incorporate the seven core subjects of ISO 26000:

- Organizational governance
- Human rights
- Labor practices
- Environment
- Fair operating practices
- Client and consumer issues
- Community involvement and development

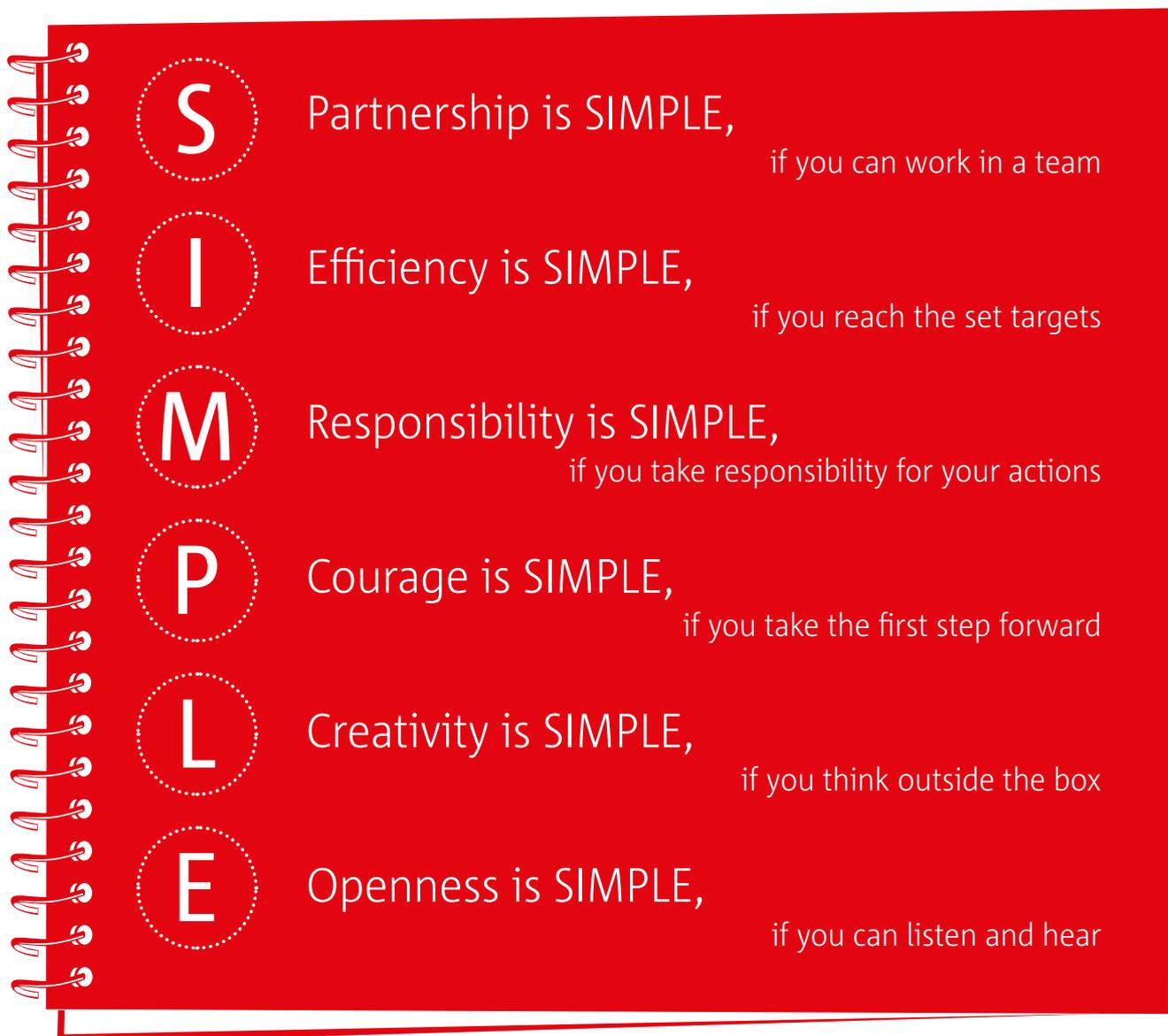
2. Based on the results of self-assessment it was decided to continue improving the MTS activities in the field of CSR and sustainable development following the ISO 26000 guidelines and to implement an appropriate set of measures. Assess the extent of use of the standard at least once every three years.¹

¹ www.company.mts.ru/comp/social_responsibility/strategy

1.5. Corporate Values

MTS has adopted the **SIMPLE** corporate values. **SIMPLE** are six core values shared by every MTS employee. We believe these values to be critical for our everyday business.

G4-56



S Partnership is SIMPLE,
if you can work in a team

I Efficiency is SIMPLE,
if you reach the set targets

M Responsibility is SIMPLE,
if you take responsibility for your actions

P Courage is SIMPLE,
if you take the first step forward

L Creativity is SIMPLE,
if you think outside the box

E Openness is SIMPLE,
if you can listen and hear



Online media

Our MTS/Media portal www.media.mts.ru encompasses a variety of technologies for life. It covers consumer-oriented subjects in the area of high tech mixed with elements of fun and learning. MTS/Media presents news, events and scientific developments as well as the latest gadgets and mobile Internet products. The target audience of reviews, tests, and articles are newcomers to the world of smartphones,

mobile internet and internet-based services, as well as those who seek a deeper understanding of the high-tech and gadgets. MTS/Media takes on the function of education, as well as creation and systematization of content, which helps our clients to face everyday issues — from making the public transport more easy to use to creating a safe internet-environment for your kids at home.



The RegiON company-wide contest

The RegiON company-wide contest, which is in its 4th year, brings together all MTS employees and encourages building a corporate culture appropriate to an integrated operator.

The first contest was held in 2012 and became one of the highlights of MTS corporate life; every year it attracts more and more our employees. During the past years we held 4,000+ events and chose 1500 finalists. The total number of participants reached 90,000.

The contest encompasses several phases, which can be differently focused depending on the contest subject of a particular year. The contests of 2014 and 2015 had three phases; however, the teams were strictly limited by the number of events. It should have been no more than three in each phase - one event for “Employee value”, “Business objectives in macro-regions/regions”, and “Client” subjects, respectively.

The winners in the team & individual competition participate in a final outdoor event that involves adventure, exciting new tasks, as well as an informal meeting with the top managers of the MTS Group.

One hundred teams from various regions of Russia, as well as twelve teams from Ukraine, three from Belarus, thirteen of Armenian and five from Turkmenistan took part in the RegiON-2015 contest. There were over 22,000 participants; nearly 1,000 events were held within the contest.

Zaprosto magazine

Our corporate monthly magazine Zaprosto (No Problem!) highlights the most interesting and important events in the life of MTS: new developments and projects, important changes and appointments, regional news, services, products, prices, and promotional campaigns. It offers interviews with top managers of MTS, interesting client stories, tips to improve



work performance, and lots of other useful and fascinating information.

In 2015 appeared eleven issues of Zaprosto and a special Success Stories issue that focuses on the most interesting career rotations within the Company.

The magazine is available in several formats: first, a legacy printed one, second, an electronic issue accessible to employees through our internal portal, and, third, a special mobile app for tablets and smartphones.

Internet portal

MTS maintains a universal information portal, which is the key information source to our employees. It hosts all Company news, regulatory and reference documents, and search tools. By using it, you can translate documents, call a company car, book conference-calls and meeting rooms, plan your vacation, order office stationery, participate in internet forums, and read the Easily corporate magazine. The portal provides links to any additional resources: e-learning and e-testing system, performance management, personal accounts of our employees, internet library, and more.

Radio broadcasting

The Company broadcasts its own Just MTS Radio accessible to all MTS employees in Russia. It offers key corporate news of the MTS Group; separate subjects cover statements by top managers and opinions of MTS experts. Competitions are held at regular intervals; the winners are awarded prizes at our radio studio. MTS radio is available 24/7 with 30% of air time being information and the other 70% left to the music. In 2015, our corporate radio held the first international vocal competition "The Voices of MTS"; also, the Company's anthem has been recorded.

MTS Life social network

Social networking allows our employees to share any idea with colleagues or ask them questions, get their feedback, participate in discussions, create own group, or run a vote.

Recognition program

The Company runs a single program of recognition of the achievements and encouraging the skills development of its employees. At the federal level, this program has the function of identifying and highlighting the achievements of both individuals and employee teams and choosing the best ones.

Outcomes of the federal recognition programs in 2015

Recognition program	Number of applications	Number of winners and participants
Professional of the Year	358	26
Manager of the Year	84	15
Well done!	68	4 teams
Our team	74	3
LSC (Local Switching Center)	9	1

The winners have received commemorative badges and valuable prizes in Moscow at an awards ceremony. They have been congratulated by the MTS President. The recognition programs are supported by a wide media campaign; information on achievements of employees is posted in all MTS offices.

In 2015, 257 MTS employees were recognized with departmental awards by the Ministry of Communications and Mass Media of the Russian Federation.

Awards by the Ministry of Communications and Mass Media of the Russian Federation

Award	Employees awarded
Commendation	48
Master of Communications title	85
Certificate of Merit	55
Honorary Radio Operator title	67
Total	257

Events

MTS cares about making interaction of its employees not only efficient and useful for business development, but also interesting. We regularly run events focused on team building, sports, training and creative development of our employees and their families.

Every year, MTS Group holds regional and federal sports tournaments, in order to find the best athletes eligible for the JSFC Sistema's Summer Games. For 13 years, MTS have taken part in the Games and usually win prizes.

In April 2015, we opened the **Creative Heart Corporate Theatre** staffed exclusively by our employees who have attended a drama school and attended classes in acting, singing and choreography. On October 28, a premiere of the Venetian comedy Truffaldino was performed by actors of the MTS corporate theatre in honour of the Company's anniversary.

1.6. Stakeholder Engagement

MTS recognizes its responsibility towards all stakeholders: shareholders and investors, employees, clients, partners and contractors, government authorities and local communities. The company aims to understand the needs and expectations of each one of them. When engaging with these groups, we strive to comply with the balance of interests, and build dialogue and cooperation based on mutual respect, partnership and fairness. We seek to build on our stakeholder engagement and keep it at a high level. We have ongoing dialogue with stakeholders and provide all the information about our social activities.

Stakeholders group	Significance for us	Stakeholder interests	Methods of engagement	Further details
Clients	<p>We respect and value our clients and believe the progress of our business in today's highly competitive environment to be possible only if the highest quality of our goods and services is secured.</p> <p>We seek to improve the quality of service and make the interactions with clients more easy, in particular, by deploying new methods of connecting services and paying for them, as well as by launching new services.</p> <p>We also give great attention to ensuring security and privacy of personal data, fighting fraudulent SMS messages, respecting content copyrights, as well as running responsible marketing campaigns.</p>	<ul style="list-style-type: none"> • Cost of service • Quality of service • Easier engagement with the Company • Privacy of personal data 	<p>Most of our communications are via contact centers and the Internet. By calling the contact center, any of our subscribers is able to obtain detailed information about MTS services, new tariffs, and provide feedback on the quality of connection, client service, etc. We also conduct special surveys to assess client satisfaction. Any MTS client can easily provide feedback on the quality of our services by sending an e-mail to our website en.mts.ru.</p>	<p>Section 2. For the Benefit of Clients</p>
Shareholders and investors	<p>MTS is a joint-stock company, therefore our main goal is to ensure the growth of business value and optimize the return on investment to our shareholders. We also strive to ensure the highest level of information disclosure to give our shareholders a true and fair view of the state of affairs of the company.</p> <p>We adhere to the highest standards of corporate governance and build up efficient communication between all parties involved in this process.</p>	<ul style="list-style-type: none"> • Financial results • Dividend policy • Risks and opportunities • Efficient governance • Transparency • Long-term sustainability 	<p>Our Department for Corporate Finance and Investor Relations is the main link to connect the Company and its investors. We use various formats for direct communication with our investors and shareholders in all major financial centers around the world, regularly publish information on our financial results and key corporate events, as well as analyze the opinion of investors and shareholders on the Company business. Any shareholder or investor can ask a question or express a wish by contacting the Department for Investor Relations. All relevant information about MTS activities is publicly available on our website in the Investor Relations section www.mtsgsm.com/information/stock.</p>	<p>Section 5. Responsible Business</p>
Employees	<p>Human resources are our main value. Caring for employees is one of our key priorities on which the success of our business in today's market depends. We are constantly improving the following aspects of social and labor relations: occupational safety and health, social support, carrier opportunities, and personal self-fulfillment.</p>	<ul style="list-style-type: none"> • Career opportunities • Remuneration and social guarantees • Skills development opportunities • Volunteering 	<p>We have provided to our employees a number of ways to efficiently communicate with the Company by addressing its management, expressing opinions on MTS development prospects and plans, submitting proposals on how to optimize existing business processes and services, or implement new ones. We regularly carry out sociological studies to evaluate the Company's moral climate. These studies allow us to verify our HR strategy and tactics against actual expectations of employees.</p>	<p>Section 4. For the Benefit of Employees</p>

Stakeholders group	Significance for us	Stakeholder interests	Methods of engagement	Further details
Local communities	<p>MTS operates in all regions of Russia, CIS and foreign countries.</p> <p>We are committed to long-term and sustainable development, which combines successful business with human values and national development priorities.</p>	<ul style="list-style-type: none"> • Creating new jobs • Investments in communities • Charity • Educational and cultural programs, • Volunteering 	<p>MTS is actively engaged with local communities (population, public organizations and associations, health authorities, trade unions and the media) of the host regions.</p>	<p>Section 3. For the Benefit of Society</p>
Authorities	<p>We are confident that the development of the Russian economy and the implementation of nation-wide projects need concerted efforts of the government and the business community.</p> <p>We are caring for the social and economic development of the host regions, knowing that high performance in this area is a key factor contributing to our successful business in the long run.</p>	<ul style="list-style-type: none"> • Socio-economic growth • Consumer protection • Creating new jobs • Tax deductions 	<p>We actively participate in the work of regional consultative bodies and working groups. This helps us better understand the expectations of the state and be its reliable partner.</p>	<p>Section 3. For the Benefit of Society</p>
Business partners and contractors	<p>We strive to build long-term relationships with our business partners. Effective engagement with them helps MTS to use new market opportunities, provide better quality of client service and improve our technologies. The transparency of relations with suppliers and partners, especially in the field of procurements, is a most critical aspect of our corporate social responsibility.</p>	<ul style="list-style-type: none"> • Transparent procurements • Long-term sustainability 	<p>Our procurements processes adhere to a special policy developed by the Company to comply with regulatory requirements. This policy ensures the efficient use of funds, increases the competition and makes us more transparent. The equal access to the procurement procedure is ensured by preemptively using equal competitive opportunities and unified rules for all participants of the procedure.</p> <p>Every year, we conduct a Voice of Supplier opinion poll.</p> <p>As a part of our anti-corruption policy, we conduct trainings and certification of MTS contractors on topics relating to the applicable anti-corruption laws.</p>	<p>Section 5. Responsible Business</p>

Engagement with Stakeholders while Preparing this Report

While preparing this 2015 Sustainable Development Report we conducted a questionnaire survey of internal and external stakeholders with the purpose of identifying material aspects of MTS sustainable development in order to clarify and update the map of material aspects.



For more details of this survey, see the [section About this report](#).

On April 21, 2016, an extended session of the CSR Committee was held to discuss the concept of our 2015 Sustainable Devel-

opment Draft Report. Representatives of internal and external stakeholders were invited to discuss the report concept. Prior to the session, the participants of the discussion received printed copies of MTS Group 2014 Sustainable Development Report and a presentation illustrating the concept of the 2015 Sustainable Development Report. The concept was presented to the attendees, then they were invited to comment and ask questions in respect of the report. The stakeholders had made a number of comments and proposals on presentation of information in the report, which were incorporated in the report (see the [table Comments by stakeholders in About this report](#)).

2

MTS

• for the Benefit of Clients

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MTS was awarded Travellers' Choice 2015 in the Trip Communication Operator category, according to the Russian users of TripAdvisor, the world's biggest travel site

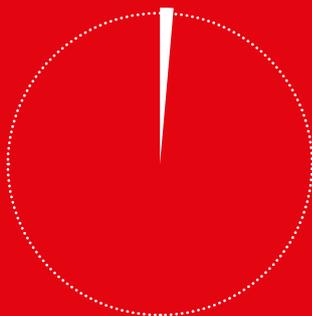
G4-EC8

G4-DMA

Today MTS continues to maintain the lead in development and implementation of innovative, socially significant technologies in Russia. Information technologies and telecommunications make the information and knowledge commonly available, thus acting as the major drivers of information society development. Along with development of technologies and implementation of innovations, expansion of the telecommunication infrastructure promotes technological development of society, improves the quality of life, enhances capabilities of people, and contribute to the country's economic growth.

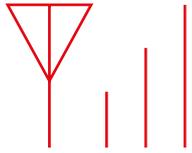
+3.6%

In 2015, the number of MTS Russian mobile subscribers increased by 3.6%

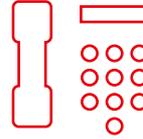


77.3
mln
subscribers

MTS Group's Key Services



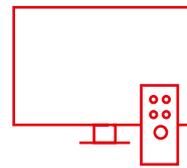
Mobile communications



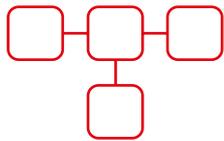
Fixed-line communication



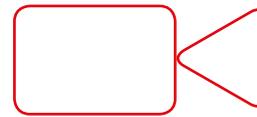
Retail chain



Home Internet and TV



System integration



Security, video surveillance



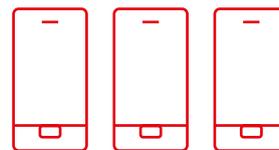
M2M



Financial services



E-commerce



Internet shop

2.1. Telecommunication Infrastructure

Telecommunication infrastructure development continues to be the primary component of MTS' strategy. It is an essential condition of development of the Company's business and of fulfillment of its social responsibilities.

The coverage of the major Russian mobile operators generally remains to be similar. The subscriber's choice of a telecommunication company is more and more often influenced by the quality of the services provided, data speed, extent of coverage, and service prices, so development of high-speed wireless data networks and the associated backbone infrastructure will be out key task for the years immediately ahead.

Main lines of infrastructure development strategy in 2015:

- accelerate 3G base station construction to extend the coverage and increase the capacity of the network
- enhance the quality of the existing GSM and UMTS networks

- deploy the LTE network
- develop the transport network to deliver the transmission speeds necessary for mobile broadband access and fixed-line business

2016 targets:

- launch Voice over LTE
- expand SON
- enhance investment performance

Expansion and Upgrade of Mobile Communication Infrastructure

As in the previous years, MTS keeps expanding the mobile communication infrastructure and continues building base stations in accordance with the target plan. We strive to maximize the mobile communication coverage in the countries and regions of MTS presence to cover the needs of our clients and take an integrated approach to data network development: while actively developing 4G networks, we continue investing into 3G network infrastructure development.

The networks of the second and third generations cover 98% of the populated area of Russia. Belushiya Guba, Novaya Zemlya, is the northernmost point, Lavrentiya Settlement, Chukotka, is the easternmost point, Baltiysk, Kaliningrad Region, is the westernmost point and Mikrakh Village, Dagestan, is the southernmost point where the MTS network is operating.

We kept upgrading the 2G and 3G networks all over the country in 2015 just as we did it in the previous periods.

Development of LTE (4G) networks

The ongoing mobile Internet expansion becomes increasingly important for the mobile communication markets in Russia and the CIS countries. While it is 3G network development that continues to be the basis for tangible growth of the level of consumption of mobile communication services, it is the LTE technology that is given the primary role in digital service development and that makes it possible to serve even the most demanding clients at the qualitatively new level.

The LTE network makes it possible to comfortably watch high-definition streaming video, remotely handle “bulky” files, and participate in webinars and videoconferences, which require high speeds, impeccable connections and much more. The transition to 4G will enable us to increase the wireless data transmission speed up to 1 Gbit/s for fixed-line communication and up to 100 Mbit/s for data exchange with mobile access gadgets.

In 2015, MTS continued expanding the LTE network; as of the end of the year, it has been launched in all 83 regions of Russia. The LTE network was built in the 800, 1800 and 2600 MHz bands. The priority was given to LTE 1800 (56% of the total number of new LTE base stations). Aggregating several banks makes it possible to increase the mobile Internet speed and optimize network performance by combining broad coverage with high capacity.

To develop the LTE 1800, frequencies are refarmed¹ from 2G to LTE (the refarming band width varies from 5 to 15 MHz from region to region), the voice traffic is transferred from 2G to 3G and the data traffic is transferred from 3G to LTE.

LTE carrier aggregation (LTE 1800+2600) is implemented step by step to achieve high speeds for the users. It has been already done at 2901 base stations in 18 regions.

MTS is aggressively expanding the capacity of the LTE and 3G networks, paying special attention to places of high concentration of people. Furthermore, to improve communication at hot spots (traffic jams, malls, etc.), the Company launched a project focused on deploying an outdoor small-cell network and comprehensive indoor solutions. MTS combines implementation of these solutions with construction of standard base stations to enhance coverage and deliver premium servicing. We doubled the capacity of the LTE network at the principal Moscow railway terminals and considerably improved indoor and outdoor coverage at the airports at the beginning of the year. As a result, the capacity of the network at the key transport sites has nearly doubled and the speed has increased by one third.

¹ Frequency refarming is the procedure of replacement of the radio technology used at the radio frequencies assigned to the telecom operator.



Joint Operation of LTE Networks

In December 2015, MTS PJSC and VimpelCom PJSC signed a supplementary agreement to the existing 2014 contract on provision of comprehensive services in the sphere of planning, joint development and operation of LTE communication networks. The companies started integrating their 10 MHz bandwidths in 20 constituent entities of Russia: the Vologda, Kaliningrad, Kaluga, Murmansk, Nizhny Novgorod, Omsk, Orenburg, Oryol, Pskov, Sakhalin, Tula, Yaroslavl Regions, the Republics of Altai, Kabardino-Balkaria, Karachayevo-Cherkessia, Mordovia, Ingushetia, Chuvashia, the Chechen Republic and the Khabarovsk Territory.

The plans for large-scale partnership in joint deployment and operation of LTE networks in 36 regions of

Russia assume that in 2014–2016 MTS will build jointly operated networks in 19 regions and VimpelCom will build them in 17 regions of the country.

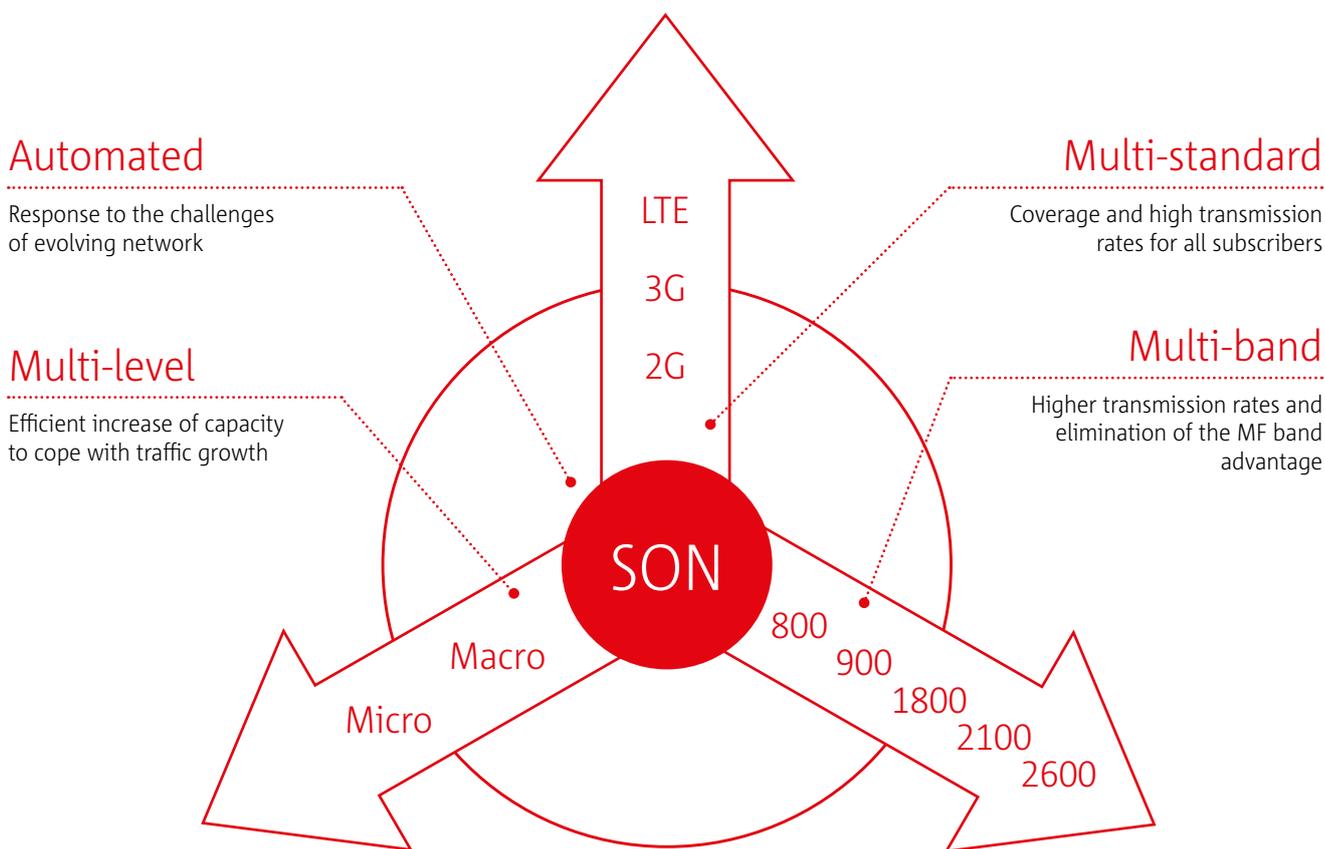
The agreement is for a period of seven years when the operators will provide each other with base stations, sites, their infrastructures and transportation network resources in these regions. At the same time, both operators will be allowed to build networks on their own to expand individual LTE coverage. The operation will be a Russia-unique precedent of joint use of active network infrastructure, which will make it possible to bring high-speed mobile Internet not only to large cities, but also to small populated areas.

SON artificial intelligence

The acronym stands for Self-Organized/Optimized Network. They are smart networks which can themselves assess the quality of functioning of each of their components and optimize their performance. The SON is made up of several modules, one module optimizing the neighboring cells, the second one optimizing the coverage, the third one optimizing the parameters and the fourth one doing dynamic load distribution and the fifth one being responsible for automatic system recovery. These modules make it possible to abandon occasional manual network tuning by engineers and introduce regular automatic network optimization. The SON artificial intelligence is ready to simultaneously handle a number of important tasks – to intelligently change the network parameters, effectively manage the network capacity and coverage, tune the network behavior to suit the varying needs of this

or that segment and, most importantly, to adapt the network to the peak loads, massive events and migrating traffic.

In February 2014, the SON was tested in the process of maintaining proper Sochi network performance during the winter Olympics. Starting from September 2015, the SON technology was implemented in Moscow and the near parts of the Moscow Region. The SON makes it possible to improve not only voice communication, but also high-speed data transmission. Self-optimized networks make mobile Internet faster and more stable even in the places of high concentration of users and in the peak load hours.



Automated 3D Network



Satellite TV

In 2015, MTS presented its new product – interactive satellite TV, which makes it possible not only to watch HD channels, but also access the Internet via a LTE/3G or fixed-line network and use unique services based on convergence of satellite, mobile and fixed-line communication.

MTS offers 130 unique TV channels, of which 30 channels deliver HD quality. It is possible to connect both to “conventional” satellite TV and hybrid interactive TV incorporating an Internet channel.



Fixed broadband access and cable television

MTS is one of the major Russian companies providing broadband access (BBA) and cable television services. MTS continues to systematically pursue the strategy of improving the quality of its fixed-line products by upgrading our networks, launching digital and interactive TV services, increasing the throughput performance of our backbone channels to increase speeds for the subscribers.

As of the end of 2015, the subscriber base of the MTS fixed-line business was about 8.9 mln users. In the reporting year, over 10,000 km of fixed access lines were built and more than 145,000 homesteads were upgraded to improve communication channels.

In 2015, MTS made the Basic Digital TV Package much more attractive by repackaging its channels since July 1. The number of the Basic Package channels increased by more than 40% (from 90 to 130 channels, on the average), the number of the Basic Package HD channels nearly trebled (from 9 to 26). It is the biggest regional-market Basic Package which was also included into all package proposals incorporating BBA and telephony.

Unblocking the BBA networks and enhancing their capacities has made it possible to amend the service by doubling the average speed from 18 to 36 Mbit/s for the existing BBA subscribers and from 52 to 58 Mbit/s for new connections.



The detailed information on development of fixed-line BBA and cable television is set forth in the [Business Overview/Fixed-Line Communication](#) section of the 2015 Annual Report.

GPON technology

In 2015, the GPON network making it possible to provide digital telephony, digital TV and broadband Internet access services at speeds of up to 1 Gbit/s was finished in Moscow. The network capacity reached 4.6 mln ME ports. 802,000 subscribers were connected to use fiber-optic BBA services. In the reporting period, the length of the MGTS optic communication lines came close to 35,000 km and the number of the subscribers connected

to the GPON ultrahigh-speed optic network reached the level of 1,008,100.

In 2015, the GPON technology was implemented as SmallCell transport whenever possible. The advanced OpticalEthernet technology was tested.

Development of backbone networks

We pay special attention to backbone infrastructure expansion since having its own backbone network enables MTS to cut the operating expenses, which, in turn, reduces the service costs for the end users. Having its own backbone networks also enables the Company to deliver the maximum redundancy, which enhances communication reliability, especially as long-distance and international calls and roaming service are concerned.

In 2015, transport networks were built to provide both mobile and fixed-line services, which made it possible to cut the expenses on their development and operation, prevent duplication of communication lines and hubs, enabling us to utilize the equipment thus released and improve the services through resource reallocation.

In the reporting period, standards and user manuals were developed for construction for convergent transport networks. All transport equipment is subject to purchase under a single tender which selects a supplier of transport equipment for mobile and fixed-line communication based on the MBH (mobile backhaul) network.

In 2015, the process of resource exchange between mobile and fixed-line communication networks was established and standard software for cable line structure management and performance monitoring was selected.

Integration of the transport network operation and development services is planned to be finished in July 2016.

On September 8 2015, MTS PJSC finished building its own 100% redundant backbone transport network between Siberia and Far East. The project investments totaled RUB 2.25 billion.

FOCL expansion

In 2015, the length of the Russian fiber-optic communication lines (FOCLs) of MTS Group exceeded 162,000 km; in that year, more than 9,000 km of FOCLs was built. The pilot version of the 400G technology was tested in Yekaterinburg.



Further information on the telecommunication infrastructure is set forth in the [Business Overview section](#) of the 2015 Annual Report.

2.2. Innovative Services

GRI-DMA

Striving to provide our clients with the most convenient services, MTS is systematically developing innovative client products and is in constant search of new applications for cellular services, making the life of each subscriber more comfortable and the business of corporate clients more efficient.

The current MTS activities related to innovation development and implementation are designed to cover all the needs of our clients in terms of products and services and are not focused on a single area. The company launches new and upgrades existing products and services in response to clients' changing needs and the emergence of new technological opportunities. The company pays great attention to improving the quality of existing services and user features, increasing the convenience for its clients. A significant number of projects are being implemented to improve the quality of data services.

MTS continues to run a Committee on launching new products and services — the Company's main governing body for the

launch of new products. Any idea having passed the expert "sieve" and the calculation of its commercial appeal is considered by committee members, including representatives of the Company's various departments and units. Launch of services is carried out only after a general discussion and upon a positive resolution by the Committee Chairman. MTS managers responsible for launching new products and services have extensive expertise in the respective areas, take part in telecommunications exhibitions, forums, analyze the feasibility of launching and carry out the launch of services. In addition, the Company's employees are constantly considering ideas to improve existing services received from both suppliers and clients.

GRI-TA2

New Technologies

In August 2015, MTS PAJSC was the first company in Russia to test the WiFicalling technology in the networks of the Moscow Region. This technology makes it possible to provide voice services to cellular communication subscribers when the smartphone is connected to the MTS network through Internet, via CalloverWi-Fi.

MTS also launched the first 4G LTE network in the Moscow Metro. It enables the MTS subscribers to use mobile Internet at speeds of up to 150 Mbit/s.

New Services

In 2015, the following new services were launched:

MTS Press pressa.mts.ru – a directory of newspapers and magazines (20,000 subscribers),

MTS Books books.mts.ru – an electronic library service and free book catalogue (23,000 subscribers),

MTS Music music.mts.ru – a catalogue which contains over 20 million songs and musical compositions of various genres (70,000 subscribers).

M2M Services

M2M services¹ remain to be one of the most dynamic telecommunication sectors. As estimated by MTS², the Russian M2M service market increased by 20% at the end of 2015, as compared with 2014, reaching the level of 6.6 mln SIM cards. The number of the M2M-savvy SIM cards in the MTS network increased by 500 thousand to 3.6 mln SIM cards at the end of 2015, making up 55% of the total number of M2M SIM cards in Russia. In 2015, the total M2M traffic in the MTS network doubled, as compared with 2014.

The increasing popularity of M2M technologies is promoted by connection of additional services for effective control of remote M2M devices. The services make it possible to control the equipment more effectively and to deliver better work security, help to locate devices and monitor their movements, and avoid unauthorized communication expenses.

MTS's M2M solutions in 2015

Transport vehicle monitoring still remains to be the leading M2M application: in 2015, the percentage of the MTS M2M SIM cards used in the transportation sector increased by one per cent up to 44%. The main uses are fleet management, public transport and alarm system monitoring.

The 2015 percentage of the MTS SIM cards utilized in security systems remained unchanged at 20%. Quantitatively, the number of such SIM cards increased by 100 thousand up to 720 thousand, as compared with the end of 2014.

The number of the SIM cards used in the banking and financial sectors increased by 60 thousand up to 432 thousand, retaining

their percentage (12%) of the total number of the M2M SIM cards.

At the industrial facilities, the number of M2M SIM cards increased by 55 thousand up to 396 thousand (11%). Our M2M services are in the highest demand from the oil/gas and power generation companies which need reliable fail-safe communication with hard-to-reach fields and remote branches.

The number of the M2M SIM cards used in the housing/utilities sector (for metering of housing water, heat, electric power consumption, for installation in lifts and doorphones) increased by 55 thousand up to 396 thousand. Their percentage in the M2M use area structure remained unchanged at 11%.

The Miscellaneous segment accounts for 2% of the connected M2M SIM cards, including consumer M2M services. Lately, the consumer electronic service users demonstrate increasing interest in innovations, which is due to vigorous development of smart home services, including the launch of joint sales of Smart Home appliances by MTS and REDMOND.

¹ M2M (Machine to Machine) is the common name of the technologies enabling various devices to exchange information between each other or to transmit it in one direction. They can be wired and wireless systems to monitor sensors or some device parameters (temperature, inventory level, location).

² www.company.mts.ru/comp/press-centre/press_release/2016-02-20-5064560/.



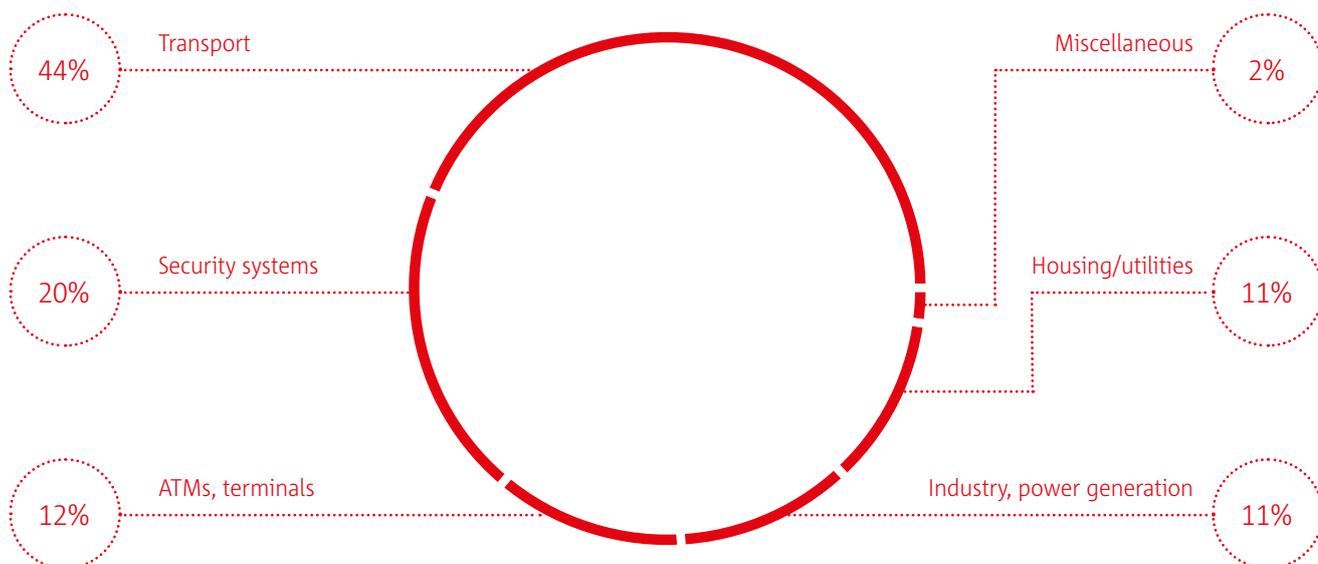
The MTS Network Became a Technological Platform for Development of Carsharing in Moscow

On Sept.10. 2015, MTS and Delimobil service, supported by the Government of Moscow, launched Russia's first large-scale carsharing project.

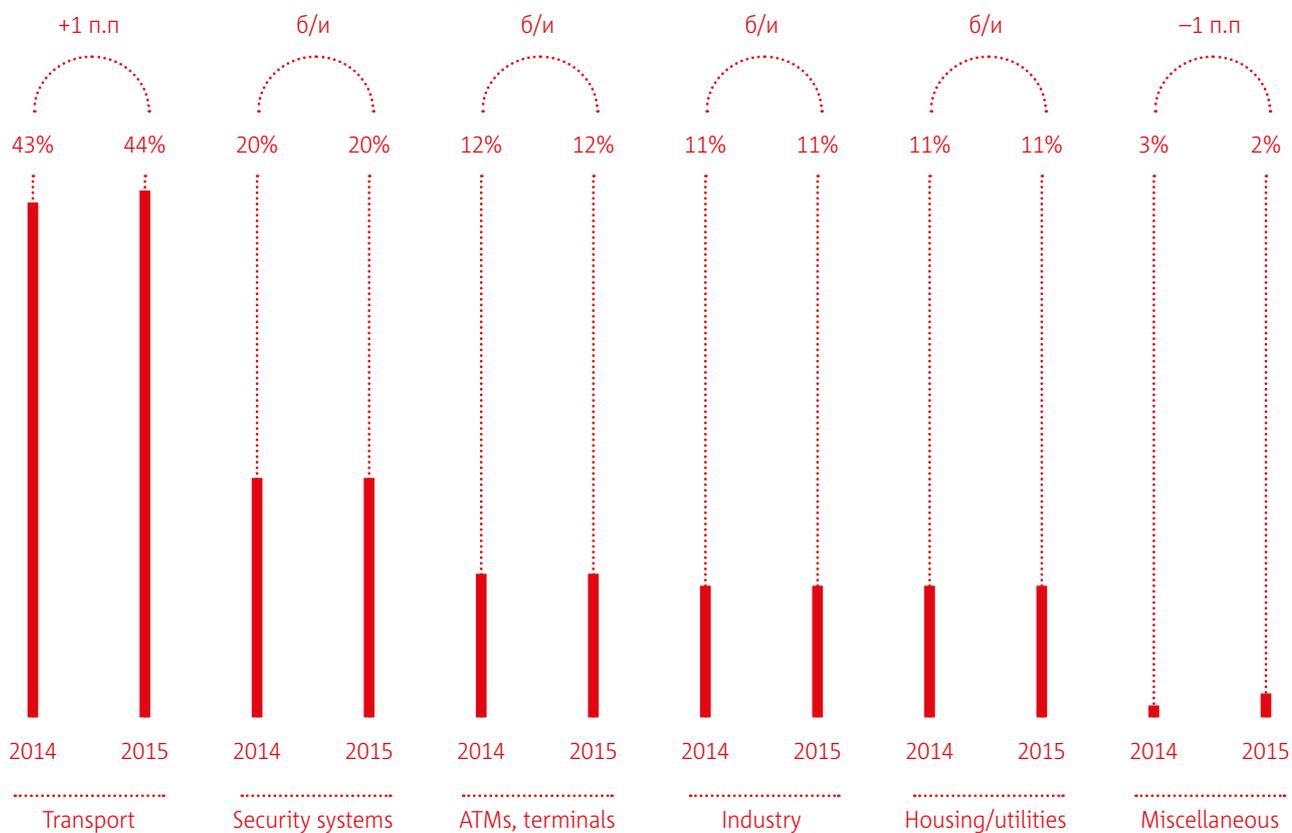
MTS provides the service of monitoring the movement of rented cars and the entire package of telecommu-

nication services under the project. MTS SIM cards are used in GPS trackers which send the car location information to the server to be displayed on the applet map.

Areas of MTS M2M Use in Russia in 2015



Branch-by-branch dynamics of M2M SIM card utilization



M2M Manager

The M2M Manager Service provides the MTS clients with broad capabilities to monitor remote M2M devices in real time. For instance, the service makes it possible to alter the SIM card status and set the limits on their real-time functioning, perform individual and group SIM card operations (locking/unlocking, setting of limits, generation of reports and statistics), notify on the SIM card status: limits exceeded, SMS-locked, etc.

In 2015, the M2M Manager Service was augmented with a number of new capabilities:

- integrated black/white list functionality
- Network monitoring option
- integrated LBS location functionality
- SMS sending function
- function of terminal locking to the SIM card (IMEI-Lock)
- manufacturer and equipment model identification
- customizability to suit the client's needs and various interface optimization options

Smart Vehicle Insurance

In 2015, MTS continued to cooperate with Intouch Insurance on development of smart insurance services for corporate clients. Cooperation agreements have been concluded with some other insurance companies, and the respective projects will be launched in 2016.

Smart vehicle insurance makes it possible to customize the insurance cost with regard to the client's driving performance. Smart vehicle insurance is based on a special-purpose M2M unit incorporating a GPS/GLONASS navigator, three-axis accelerometer, 3G

modem and SIM card for data transmission, which is installed in the vehicle with its owner's consent.

Smart Home

In 2016, we plan to launch an integrated Smart Home project. It will consist of a suite of tools to convert any apartment or cottage into an intelligent living environment which the user will be able to customize to suit his/her own needs. Simple and intuitive control will be implemented through integration with the Personal Account and MTS Service applet.

Second Memory

Second Memory is a smartphone applet and a MTS Personal Account interface which makes it possible to use the cloud technology to handle the content (photos, music, videos, files) and contacts and have access from several gadgets. The Second Memory service is integrated with most of the Company's services – Black List, SMSPro, Voice Mail, SMS/MMS Sending from Personal Account, which request the cloud data through the Personal Account.

On December 23, 2015, an updated version of the Second Memory cloud service was launched, which is fully compliant with the world's best OTT practices (DropBox, Google Disc). The users of the new service can access the cloud storage from all kinds of platforms – both mobile ones (Android, iOS, Windows Phone) and PCs (Windows, Mac) and Web, they can exchange content and conveniently manage it using smart galleries.

MTS offers a number of favorable options, ranging from a free option for beginners to 1 TB at a good price for experienced users of cloud services.

In December 2015, the new cloud functionality was used by more than 0.2 mln subscribers. The total number of cloud service users was 0.9 mln.

GRI-PA6

The Fire Monitoring Service (Republic of Tatarstan) has been using M2M services in fire protection systems since 2015. Our M2M SIM cards are used in the Strelets-Monitoring hardware/software system, which responds to smoke by automatically sending the Fire signal from the site to the fire protection unit's panel.

Fire monitoring systems are deployed at social facilities – preschools, schools, non-apartment special-ized homes for the elderly and disabled persons, hospitals, hotels, dormitories, etc. all over the Volga Region.

Over 15,000 M2M SIM cards have been installed in the heat and electric power meters of IrkutskEnergо's subsidiaries. The specialists use them to remotely take meter readings and maintain accounts of utility consumption. Such remote monitoring allows online detection of all power failures, making it possible to promptly respond to emergencies and restore power supply in the shortest possible time.

Remote Data Reading

In 2015, the Remote Data Reading solution was evolved, which makes it possible to take readings of housing utility meters, meters and industrial sensors of the housing/utility companies, industrial facilities or other organizations where data is gathered

and registered periodically. The service enables selling companies (providing electric power, gas and water supply services) to automate reception of consumer meters' readings quickly and inexpensively. The solution incorporates interfaces of mobile applets for iOS and Android.

Examples of M2M projects implemented by MTS in 2015

- In Tyumen, a M2M project to monitor emergency situations in Tyumen residential buildings was launched in cooperation with Bezopasniy Gorod (Safe City) Ltd. In accordance with the contract, MTS provided SIM cards to be installed in the city's doorphones to inform residents of abnormal situations. In case of emergency – a fire, gas leak, water failure or another situation – the information is sent in real time from the city dispatcher, over MTS communication channels and to the doorphones where SIM cards are installed, following which a clear-cut instruction on safe conduct in the emergency situation is given to the residents via doorphone receivers.
- SmartHome home appliance sales were launched under a special program of promotion of affordable and useful innovations in cooperation with the REDMOND international company.
- The largest regional M2M project of public transport monitoring in the Rostov Region was implemented in cooperation with the Medved Trade House Ltd. More than 900 public transport vehicles were provided with MTS M2M cards all over the region.
- Sberbank PJSC installed MTS SIM cards and protection communication channels in more than 2000 payment terminals in the Samara Region. Mobile M2M solutions of MTS make the bank's services available everywhere irrespective of existence of fixed-line Internet channels and modern data protection facilities ensure security of banking transactions.
- Several thousand M2M SIM cards were installed to take housing utility meter readings (such projects were implemented in the Saratov and Samara Regions, as well as in the Far East).

MGTS Services

In 2015, MGTS transformed from a fixed-line communication service provider into a multiservice universal operator. Its package proposals include television, Internet, fixed-line telephony and mobile telephony. 2015 was also the year when such services, as video surveillance, intrusion detection and virtual ATX were introduced to the market.

Video Surveillance

Starting from 2015, the subscribers of the MGTS GPON network are offered a service of remote video surveillance of their homes.

The service makes it possible to watch streaming video on their computers or smartphones. Clients can also use a cloud video archive which stores the records for 30 days; the video can be also downloaded into the computer.

Financial Services

MTS Money Card

It is a universal bank card which makes it possible to get interest on the balance and purchase bonuses. The card is available from any MTS shop or MTS Bank office. Clients are also provided with mobile and internet banking functionality.

fer message from a mobile telephone to the recipient, stating the amount in rubles, which will be immediately delivered to the addressee. A one-time transfer can range from RUB 10 to RUB 5,000.

SMS Money Transfer

In summer 2015, MTS launched an unique SMS money transfer service which uses the recipient's telephone number; to remit the money from an MTS subscriber's account to mobile numbers of the Big Three operators, it is just enough to send a #trans-

Furthermore, MTS offers the following services: card-to-card transfer, transfer from a telephone account to a bank card, transfer from a card or MTS account to any mobile telephone account, cash transfer from a telephone account in rubles or foreign currency.

For more information on the MTS financial and banking services, please visit www.mts.ru/bankovskiye_uslugi, MTS retail shops or call the operator's contact center by dialing 8 800 250 0890.

E-Commerce

Starting from April 2014, MTS is a co-owner of the Ozon online store (www.ozon.ru). In 2014–2015, special Ozon order collection points were opened in MTS shops. The MTS subscribers can also save and spend MTS bonus points when purchasing from Ozon.

In 2015, MTS started a new business line – sale of air and railway tickets – in partnership with OZON.travel. Now you can not only make a booking and pay for tickets, but also print a boarding pass.

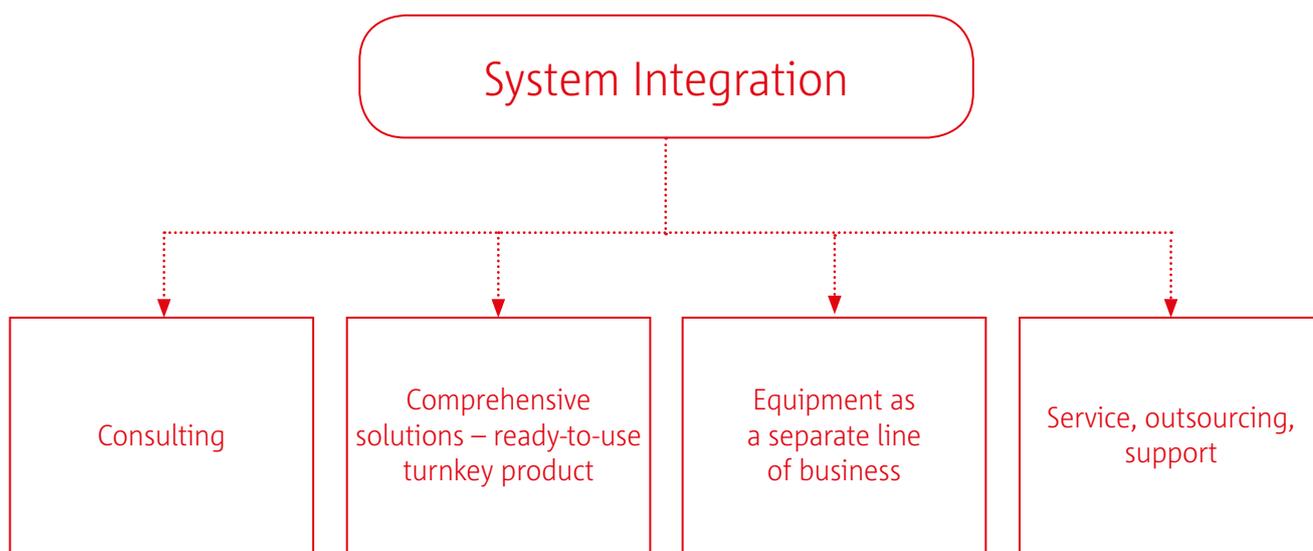
IT Services

In 2015, MTS merged with Envision Group, one of Russia's major system integrators.

System integration is development of comprehensive solutions for automation of enterprise business processes. Its ultimate objective is to manage a process, production facility, the entire organization as effectively as possible. The system integrator's work always results in that a company gets a unique comprehensive IT solution, which will enable the client to promptly cope with the current business tasks and enhance its business performance.

Today MTS offers the complete package of innovative hi-tech "one-stop" services: IT consulting, development and implementation of comprehensive integration solutions (incorporating mobile and fixed-line communication channels, full-cycle M2M solutions, VAS services, Big Data¹ solutions, etc.), software development, supply of IT equipment from leading vendors, outsourcing services, aftersales and warranty servicing.

System Integration Components



¹ Big Data means the data the amount of which exceeds the capabilities of the conventional software products for data gathering and storage, database analysis and management.

2.3. Quality of Service

G4-DMA

MTS' main objective is to provide high-quality communication services to its clients. We are regularly introducing advanced solutions and improving the technical component of client services, opening new offices and striving to improve our services. In many respects, the clients' attitude to the Company depends on their experience of dealing with front-office employees. Therefore MTS pays special attention to the training of its employees and makes every effort to make the lives of our clients better and brighter.

The main techniques to check client service quality are as follows:

- IVR polling of the clients who applied to the sales offices – the aim is to assess the level of satisfaction
- making of calls by the MTS Outgoing Contact Center employees to the clients whose problem has not been solved in the sales office
- service quality assessment by the MSI (MysteryShopper) method
- sale office exit polling of clients to assess the level of satisfaction with the key parameters of service
- auditing of processes of sale and service in the retail offices
- automation of shop queuing time monitoring

Call Centre



Retail shop



Online resources



Special capabilities



Information Support of Clients

MTS pursues the principle of transparency and availability of any data on the tariffs and service conditions, which underlies our client information policy. Any MTS tariff and service information can be found on our site (en.mts.ru). Furthermore, the Company's clients regularly receive both information on new tariffs and services and useful prompts on such subjects, as tariff optimization, adjustment of the connected options, enabling/disabling of services, methods for replenishing the account in roaming, zero balance capabilities, locations of the nearest MTS shops, no-commission account replenishment, etc. We also publish special booklets and leaflets dedicated to individual tariffs and services.

Russian MTS subscribers can obtain the information on the Company's service conditions, new actions and services, unique proposals from the MTS Contact Center by any convenient method: by dialing a common telephone number, writing an e-mail or using the chat. The information on the Company's services and products is available on the MTS channel on the YouTube site. The Video Manual section contains the information on self-service, on how to set up the Internet on the computer and telephone, on how to use the modem and router.

The specialists of seven contact centers pooled into a multisite provide information and technical support to the MTS clients. The Company's operators provide any information services to the MTS clients on the 24/7 basis free of charge. The available information is increased as new products, tariff plans and client actions are added.

Retail Service

Our own retail chain is one of the main channels of MTS interaction with its subscribers. All MTS large and leading shops have comfortable waiting places for our visitors. Understanding the needs of our clients having limited abilities, we equip the entrance zones of our offices with ramps whenever it is structurally possible.

MTS is actively using an ACSI (Automatic Customer Satisfaction Index) system. In 2015, the existing system was further augmented by online client polling functionality. Within 30 minutes upon the client's visit to the shop he/she receives a satisfaction polling call with a proposal to assess the quality of the shop service according to a 5-point scale. If the client gives a low score, MTS employees call back asking for the reasons for such assessment and offering help in solving any issues. Implementing online client polling made it possible to promptly obtain more accurate and complete client data on the level of client satisfaction. The information thus obtained, is used to compile programs of systematic service quality improvement, as well as motivation of the retail employees and management.

In addition to online polling, more than 10 polls were conducted in 2015 to assess satisfaction with such interaction aspects, as

satellite television services, online store services, fixed-line (BBA, DigitalTV, telephony) services.

Based on the investigations and employee action analysis, the mobile/fixed-line business sale/service procedures were improved and the processes were unified.

In the reporting year MTS implemented a Servicing our employees project, which makes it possible to register the applications on the quality of the services provided to the Company's employees.

Training in High-Quality Servicing

We believe that the Company's success much depends on the professionalism, goodwill and client orientation of our front-office employees. Following long-established practice of MTS, all retail employees of any position are regularly trained in high-quality client servicing under one of the existing programs:

- 8,781 employees were trained in the MTS training centers
- during the year, 1,242,945 employees were trained at special distance courses
- 43,173 employees were trained at the master classes on fixation of high-quality client servicing skills, held by experts in the sales offices

In 2015, some changes were made in the programs of employee training in high-quality servicing. For instance, managers were developed by means of new management programs, the On-Site Employee Development training project was started and updated courses of employee training in technical examination were launched. The testing has shown that the employee knowledge level averages 84%.

Receiving Claims from Subscribers

MTS has a practice that any client can lodge a communication quality or service claim by any convenient method: by sending it by e-mail or ordinary mail or by completing a feedback form on our official site or via the contact center and shop. All communication quality claims are transferred for analysis to the Technical Unit, whose conclusion is used by the claim handling department employees to reply to the client on the possible ways and time frame for problem solution.



Detailed information of the contact centers' activities, the Real Time Marketing (RTM) system and the functionality of the Medio SCP intelligent platform is set forth in the MTS 2014 Sustainable Development Report, page 45.

In 2015, in addition to the Company's existing client interaction methods, a VoiceCallback scheme was implemented to enable the client to order a callback on his/her own (if the client is not

going to wait, he/she can make a request and the free operator calls back).

Furthermore, Paid Service scheme was implemented, making it possible to select from various specialist connection options (paid connection/free connection/callback). The scheme is used in the Premium Cluster Segment in all RF regions (except MR Moscow and St. Petersburg). It proves to be effective through absence of claims and stable segmented demand.

The Marketing IVR service was implemented; when a call is made to the Contact Center, a customized proposal is made to the client, which meets his/her voice and data traffic requirements – one of the Voice+Data tariffs is offered automatically.

In 2015, the client service centers continued showing a stable decrease of the line waiting time, fewer recalls, and a considerable sales growth in response to the client's incoming applications.

G4-PR5

Principal client service improvement measures taken by MTS in 2015:

- The retail employee motivation includes FVR (FirstVisitResolution) to orientate the employees toward solution of the client's problem during the first visit.
- A universal software system was implemented to automate entry of audit findings and subsequent processing of them for the Company's sales office audit units.
- Online monitoring was implemented to check client satisfaction with MTS retail chain service.

- 185 sales offices were granted the Expert Office status. The employees of the expert offices were permitted to serve the clients on their own, without the MTS' service requests processing team, providing all subscriber services to the client on their own.
- All over the Russian Federation, the clients can use MTS website (the Sales Offices page) to perform online registration for servicing in any of the convenient sales office and at any convenient time (with due regard to the sales office working hours).
- The e-queue system algorithm was refined to allow priority servicing of the key clients.
- It was made possible to perform online monitoring of the current waiting/servicing situation in the sales office having visitor flow control systems.
- An Integrated Fixed-Line Network Control Center was opened to allow 100% round-the-clock monitoring in the regions.

In 2016–2017, we plan to implement the One-Stop service interface to integrate all interfaces used by the employees to interact with the clients. It will accelerate servicing and improve professional competency of the sales personnel.

Owing to all steps taken, the quality of the completed questionnaires improves and the sample became more representative. The client's general satisfaction with their servicing by the Contact Center shows stable growth; according to the 2015 figures, 90% of the clients were satisfied with their service.

2.4. Availability and Security of Services

The Russian and CIS cellular communication market was developing at a high pace, which was due to ongoing reduction of prices for cellular operators' services and for the subscriber equipment. It resulted in greater penetration of cellular communication into the broader population strata. Today it is not possible to imagine our lives without cellular communication, Internet and hundreds of TV channels. Accordingly, Client requirements in terms of the quality of communication services are growing with each passing year. Subscribers want access to telecommunications, even in the farthest-flung corners of the world.

We believe that providing affordable and quality communication services at a fair price is one of the most important aspects of MTS' social role. The Company regularly works on developing more convenient and profitable tariff plans for subscribers, expanding its range of high-quality branded communication devices at affordable prices and developing its own retail chain and online store.

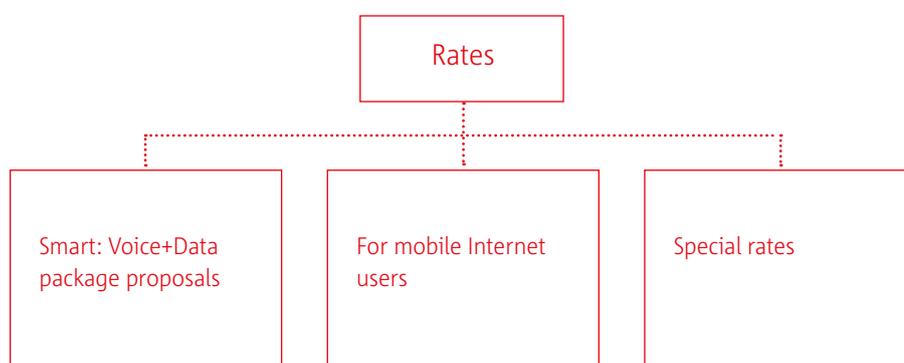
Tariffs

The increase of general use of the communication services, more active consumption of optional services by the clients and enhancement of their loyalty are the prime drivers of growth in the Company's traditional mobile telephony sector.

MTS makes fairly priced tariff proposals to its clients, regularly and timely informs of any changes in the connection conditions and tariff plans. We have always striven to satisfy our clients: MTS systematically issues new tariff proposals, taking into account the demands and wishes of clients, as well as allowing them to save on communication.

In 2015, it is the Voice&Data package proposals – Smart tariff plans – that have become the core of our tariff line. These tariffs

are orientated to a fast-growing segment of smartphone users and focused on stabilizing the ARPU¹, increasing consumption and enhancing loyalty of the clients. The tariff includes packages of minutes, SMS message and Internet traffic covered from the subscription fee. Cancellation of an extra charge for home-network roaming (during trips in Russia) made it possible to form a strong differentiator of this line. Launching the SmartNonstop tariff plan orientated to young audience made a great event.



¹ ARPU (Average revenue per user) is an index used by telecommunication companies and designating average earnings per subscriber.



Children Security

The Fixiphone tariff option is a package of diversified services providing a kid with engrossing mobile leisure. By default, Fixiphone contains filters which prevent access to black-listed online resources. The filters also cut off SMS advertising and prevent calls and messages to paid short numbers.

MTS is paying much attention to children security on the Internet and implementing the Children on the Internet special project; for more information on the project, see Chapter 3, MTS for Benefit of Society.

MTS is consistently developing and introducing attractive tariff plans for mobile and fixed-line telephony in order to enable clients to communicate freely without worrying about the price.

Free calls within the home network make a distinctive feature of any tariff plans intended for easier communication. Developing this line enabled us to increase the average MOU and enhance subscriber loyalty. We continue proposing no-subscriber-fee tariff plans to the feature phone-using subscribers.

The MTS tariff plans also take due account of the regional peculiarities, so the marketed proposals are adapted to each of the regions.

The tariffs which are exclusively orientated to mobile Internet users make a particular tariff plan group. This group contains tariffs for modem and tablet users. The tablet user tariff plan features unlimited access to MTS mobile television, which also makes a significant differentiator for the subscribers. This service is used by more than 40% subscribers for this tariff plan.

Roaming

We believe that a trip to another region of Russia or abroad should not lead to a significant increase in the cost of mobile communications, and therefore MTS regularly and consistently reduces roaming prices. In 2015 we cancelled Russian roaming for our subscribers: the Smart, Smart+, Smart Top and ULTRA tariffs include free calls to MTS numbers, gigabytes of traffic, packages of minutes and SMS messages and apply both in the home region and during trips all over Russia. As far as the users of other tariffs are concerned, we offer a free option "United Country", which makes it possible to receive all incoming calls during trips all over Russia free of charge.

MTS offers attractive tariffs for communication of our clients in international roaming. Today we offer a number of options to the basic tariff plan, which greatly optimizes the cost of voice communication in roaming by making incoming calls free. By the end of 2015, the clients using the Zero without Borders option accounted for a considerable share of the international roaming traffic.

The mobile Internet users which continue to use their customary services during trips are offered an updated option "BIT Abroad" featuring a daily traffic package increased up to 30 MB, which makes it possible to greatly optimize the cost of mobile Internet in roaming.

The MTS clients who use international roaming in any country of the world have free access to the mobile MTS site version for smartphones, which is able to automatically locate the subscriber and provide him/her with roaming proposal information specific to the receiving state. No traffic fee is charged for MTS subscribers' access to the mobile site (www.pda.mts.ru). This site can be used to get detailed information on the options which makes it possible to save on mobile communication in any country of the world and to replenish the mobile phone account from a bank card without having to pay the commission and traffic fee.

MTS Mono-Brand Retail Chain

The main share of connections carried out by MTS subscribers being more than 60% is taken by selling via our own mono-brand retail chain actively constructed in Russia in 2009-2010. Our own sales channel allows increasing the number of connections by monitoring their quality and reducing the level of subscriber churn.

The MTS retail chain got great positive results in the reporting year. Thus, in 2015, it was for the first time in our history that our sales volume surpassed those of both Evroset and Svyaznoy retail chains, and we also launched a new Telephone.ru retail chain.

In 2015, the distribution geography was broadened and the number of outlets increased by 25%. MTS became the largest operator's Russian retail chain with 5,166 shops, of which 1,681 outlets operate under franchise.

In MTS offices our subscribers can always receive a full range of services provided by the operator, including of services of the broadband access to the Internet and television. Thanks to the customized access to the operator's interface, any new service released by the company becomes automatically available for sale in the retail office. Furthermore, our retail clients are offered an extensive range of financial services, such as consumer crediting, money transfers, insurance and MTS money cards. The mono-brand chain also enables us to exclusively offer favorably priced telephones and other gadgets to our subscribers.

Top priorities of the retail chain in 2015:

- increase sales of V&D and other data tariffs
- increase sales of data-generating devices
- increase data-related product sales in the B2B channel
- develop the online channel
- be a service quality leader in the mono-brand retail sector

- improve operating performance
- increase the client flow
- ensure sales of the operator's key products

In 2015, a joint project of MTS and MTS-Bank gained further development. This partnership allowed MTS to become an integrated provider of telecommunications and financial services, as well as using the synergy of the two areas to increase client loyalty and monetisation. Within the project framework, MTS aims at becoming a supplier of financial services to the largest subscriber base in Russia in order to improve loyalty, increase the lifecycle of subscribers and ARPU.

Key achievements of 2015:

- Penetration of the subscriber base by financial services increased by 3 percentage points and reached 15% at the end of the year.
- Alongside with the shrinkage in retail lending market and ceased credit card issuance in the MTS showrooms, the issuance of POS-loans in the MTS retail chain resumed. Changes in the risk strategy led to a sharp increase in the quality of POS-loans issued against 2014 being more default.
- In February 2015, a new debit product "MTS Money Deposit" entered the market.
- The process of integration of MTS financial products and MTS Bank was launched: new product placement principles were formed and financial zones were presented in the MTS retail chain, which are a single point of consumer access to all financial services. A pilot project was launched in 17 MTS showrooms integrated with the MTS Bank's offices, which allowed to reduce the operating costs of MTS Bank in the initial phase and to increase the penetration of financial services in the client flow.



Public Transport Fare Payment

In March 2015, MTS and the CyberPlat electronic payment system started receiving payments to replenish Troika transport card accounts in all of the MTS retail shops in Moscow and the Moscow Region. No commission is charged on the payment.

In September 2015, MTS launched the Troika Mobile Ticket innovative service to pay Moscow public transport fares from the mobile phone. To effect a payment, it is necessary to have an NFC smartphone and a free

NFCSIM card, which shall also contain the Mobile Wallet service and the MTS Money bank card (MTS Bank's MasterCard) in the applet form. Combining two services on one MTS NFC SIM card allows "one touch: payment of not only the Moscow public transport fare, but also for the goods and services worldwide by bringing the phone to the POS terminal having a PayPass noncontact reader (the MobileMasterCardPayPass® technology).

- The process of transferring the MTS financial products to the MTS Bank base (settlement bank) started.
- A number of new services, including innovative (“Mobile Ticket”), were launched.
- A significant turnover increase for mobile payments on the partner data trading platforms and the growing number of

transactions were achieved in an exclusive cooperation with partners.

We plan to expand the range of the services offered by our franchise partners and extend the line of the additional products in the MTS shops.

MTS Branded Devices

MTS continues to aggressively develop its branded device line, striving to increase communication availability and convenience for the clients. The consumer properties of the MTS branded smartphones and tablets are in no way inferior to those of similar gadgets of well-known world-class manufacturers while they are less expensive. In 2015, MTS branded devices were presented in all popular market segments.

Smartphones

In 2015, branded smartphones accounted for 10% of the retail share.

We pay special attention to sales of 4G devices. In 2015, the 4G smartphone share increased by 19 per cent and reached 31% of the sales. Special projects in collaboration with Alcatel, Samsung and Microsoft made a great contribution into the share increase.

In 2015, we abandoned the margin in sales of mobile gadgets, thus reducing their prices by 30%. We chose to decrease our earnings deliberately in order to enable the subscribers to buy more LTE smartphones and start using them actively.

We are closely watching the market trends and timely responding to the growing requirements of our clients. The MTS Smart Sprint 4G smartphone was awarded “2015 Best Gadget according to Russian-speaking Internet” in the Operator’s Smartphone category.

Client satisfaction is assessed in respect to each of the MTS-branded smartphones, the assessment findings are used to make conclusions and correct the specifications for new devices. Up to the present, there were no instances of clients’ dissatisfaction with health and safety effects of the MTS devices.



The MTS Smart Sprint 4G smartphone was awarded “2015 Best Gadget according to Russian-speaking Internet” in the Operator’s Smartphone category

Online Store (shop.mts.ru)

In 2015, MTS continued developing its online store – the orders were delivered by couriers to 30 regions of Russia. In most of the cities where we deliver orders, the clients are offered an option of paying with bank card.

The MTS online store functionality makes the process of choosing a phone very convenient. It incorporates buying tips, which are based on opinions of other buyers who bought similar products. Furthermore, the store uses a product filter with an ample choice of options; by using it you are able to pick up a selection of products that exactly match your needs. The user-friendly interface makes the choice easy thus saving the buyers' time.

In the reporting period, the MTS online store became much more popular, the number of online visitors grew by 49% against 2014 to become greater than 27.1 mln unique users. The number of orders booked via our Web-site increased several fold during the year to become 802,000 (including orders self-collected by buyers). The online store's share in the Company's turnover grew from 4% in 2014 up to 9% in 2015.

The screenshot displays the MTS online store interface. At the top, there is a navigation bar with the MTS logo, contact information (8 (800) 250 05 05), a search bar, and links for 'Подписка' (Subscription) and 'Корзина' (Cart). Below the navigation bar, there are menu items for 'Каталог товаров', 'Тарифы и SIM-карты', 'Специальные предложения', and 'Сайт МТС'. The main banner features a large '10%' discount on a wooden background with a smartphone and earphones. Below the banner, there are two promotional tiles: one for installment purchases ('Не откладывайте покупки') and another for a 3% discount on bank cards ('Скидка 3%'). A row of service icons includes 'Акции', 'Бесплатная доставка', 'Моментальный самовывоз', and 'Адреса магазинов'. The product grid shows three items: Samsung N930 Galaxy Note 7 (64Gb LTE Black) for 64,990 rubles, Huawei Honor 5C Gold with a 50% discount on accessories for 14,990 rubles, and Samsung Galaxy A3 SM-A300F Gold for 12,990 rubles.

2.5. Customer privacy

G4-DMA

We pay great attention to protection of confidential data of our clients. When processing the personal data, the Company protects them in accordance with the international and Russian laws. The personal data disclosed to MTS are treated as classified information and are subject to protection in accordance with the Russian laws.

Regulatory framework of personal data processing with changes which became effective in 2015:

- Federal Law No.152-FZ of July 27, 2006, “On Personal Data”, including amendments relating to localization of processing of the RF citizens’ personal data in Russia;
- RF Ministry of Communications and Mass Media’ Order 315 of May 28, 2015, “On Changes in the Administrative Regulation of the RF Federal Service for Supervision of Communications, Information technologies and Mass Media”, in respect to the Personal Data Processing Notice (registered in the RF Ministry of Justice on Dec.1, 2015);
- Federal Law No.162-FZ of June 29, 2015, “On Standardization in the RF”. It regulates standardization in the area of information security, including personal data protection. Its requirements are mandatory if the regulatory act refers to the information security standard (GOST).
- Russian Federal Security Service’s Guideline No. 149/7/2/6-432 of 31.03.2015, “On development of regulations that identify personal data security threats relevant to personal data processing in personal data information systems while carrying out particular types of activity”. The regulating authority (RF Ministry of Communications and Mass Media) uses this document to identify the personal data security threats which are relevant to the telecom industry.
- Company’s Policy: “Personal Data Processing in MTS PJSC”.

Personal data security is achieved through the use of legal, organizational and technical measures of protection applicable both to paper document flow and to IT systems. To protect the rights of personal data subjects, the Company uses a personal data protection system; a work team for organization of processing of such data has been established and employees entrusted with responsibilities for processing and protecting the personal data have been appointed. We perform regular audits to check the observance of personal data security requirements.

When concluding a Communication Service Contract with MTS, our subscribers are informed on how their personal data will be used. The procedure for processing the subscribers’ personal data is described in the Company’s Rules of Provision of Communication Services, which are an integral part of the Service Contract. These Rules and the Policy of Personal Data Processing in MTS PJSC are available at the Company’s official Web-site. MTS partners that are engaged in processing of personal data sign a special Confidentiality Agreement, which specifies the personal data security and processing requirements as well as data protection means that ensure secure transfer of data.

MTS routinely takes part in assessing the effect of existing regulations and developing new ones. However, no such work was done in 2015 since the telecom operators are engaged only if the regulating authority considers it necessary to use the services of industry experts. In 2016 we expect the regulating authority to continue identifying personal data security threats relevant to the telecom industry and developing a relevant regulation in line with Part 5 Art. 19 of the Federal Law “On Personal Data”.

As far as the regulatory effect assessment is concerned, we actively participate in the process of effect evaluation; a Company's representative is on the Advisory Board attached to the authorized agency for protection of the rights of the personal data subjects where new initiatives are discussed by workgroups. MTS representatives take part in the work of the Interim Commission under the Council of the Federation on the Information Society Development, which develops amendments to the personal data protection laws and analyzes the subordinate regulatory acts.

In 2015, we continued developing our privacy protection system. The Company upgraded its system for cryptographic protec-

tion of information. Visualization environment protection was implemented for the purpose of transition to the technology of virtualization of personal data information systems. Firewall certification is in progress, as required by RF Federal Service for Technical and Export Control's Order No.9 of Feb.9, 2016.

In 2015, no justified complaints of violation of the consumer's privacy and consumer data loss were filed. No cases of consumer data threat or loss were revealed.

G4-PR8

3

MTS

• for the Benefit of Society



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3.1. Social Programs

Charity

Charity is one of the major aspects of the MTS's corporate social responsibility. The Group's charity policy in this field is governed by the following principles:

- our priorities are the projects focused on improving the quality of life of society and helping severely-ill children;
- we are dedicated to implementing long-term charitable projects that are in line with the state's social policy priorities and contribute to solution of acute social problems that impact broad population strata;
- we are interested in projects which can be implemented as broadly as possible in the countries where MTS is active;
- we are implementing projects focused on establishing equal conditions and opportunities for residents of far-away regions and large centers;
- we believe that today's innovative technologies make a considerable contribution to improvement of the quality of life, so our priorities are the charitable projects in which our technologies, products and services help solve this task;
- we believe that health-improving charitable projects and the projects contributing to harmonious development of the younger generation are highly desired by society;
- we are ready to cooperate with the government authorities, non-profit organizations, business community representatives in implementation of joint charity programs compliant with MTS social policy and charity policy, performed on the equal partnership terms and subject to the condition that the legislative and other restrictions applicable to the Company are observed.

“Operation Smile”

It is already for the seventh consecutive year that MTS is supporting the Operation Smile program jointly conducted by a Russian and an international charity organizations.

In 2015, children having congenital lip and palate defects were cured under the program in Ulan Ude, Ufa and Krasnoyarsk.

MTS provided mobile communication to the doctor/volunteer team to enable them to effectively communicate with each other

and with the specialists of the receiving hospital and patients. Furthermore, our company furnished special play rooms in children hospitals to entertain small patients who came for surgery from various parts of the Transbaikalia, Bashkiria and Siberia.



Generation M

Generation M is a creative charity project for children from all over Russia. Kids and youths, schoolchildren and students – everybody can become a part of all-Russian creative movement Generation M.

Generation M is the largest charity project in Russia, uniting the idea of developing creative abilities of children and rising funds for treatment of severely - ill children. The project was invented by MTS, the leading creative organizations of the country and the masters of Russian arts help the Company to implement it.

The website pokolenie.mts.ru is on-line platform with bright content to develop creative capabilities of kids and youths. All activities on the site are being transformed into a real money which are spend for treatment of severely- ill children. While develo-

ping charity through children creativity support we involve them in virtual and real activity, give them an opportunity to become familiar with “safe Internet” and accept universal human values.

The project motto reads “Creativity in the Name of Life”.

The audience of the project is kids and youths, their parents, representatives of art professions, government bodies and wider public.

Awards



Finalist of SABRE Awards 2015, the major international award for excellence in public relations, branding and reputation management.



Winner in the Gamification and User-Generated Contests nomination of In2 SABRE Awards 2015.



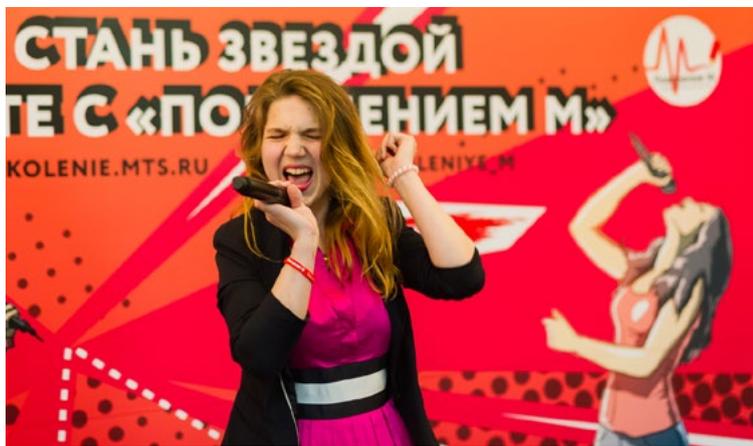
2015 Nominee of the Runet Award in the Culture, Mass Media and Mass Communications.



Winner of the Corporate Charity Leaders 2015 award for creative approach to charity.



Winner in nomination “Big heart” of the 10th jubilee award “HR-brand”



2015 Results

The Internet audience exceeded

> 8.5 mln persons

Number of unique mass media releases on the project

> 11,000

Number of information partners

> 90

Number of online and offline participants of creative abilities

> 400,000

Number of creative laboratories supporting the project all over the country

> 250

Number of original creative works uploaded to the site

about 11,000

13.9 mln RUB

collected to treat

21 kids

with oncological diseases

MTS Corporate Volunteer Movement «Just Give Good!»

MTS has been developing the Corporate Volunteer Movement “JUST Give Good!” for over six years, which is gaining momentum from year to year, attracting responsive persons having an active life position. Today the movement involves about as many as 6.5 thousand MTS employees who regularly participate in the Company’s volunteer actions. In 2015, the volunteers held more than 500 events all over the country.

The corporate volunteer movement is a manifestation of the corporate social responsibility of business, which is becoming more and more popular with the employees, enabling the Company to enhance loyalty of its employees and boldly solve important social tasks, integrating them with the business tasks.

In December 2015, a technological platform was launched to develop the corporate volunteer movement. The service, specially developed by Mail.ru’s Good project for MTS will make it possible to systematize volunteer project management in the Company and provide the necessary tools to coordinate large-scale volunteer movement in various host regions of MTS presence.

Mail.ru’s Dobro (Good) technological program, customized for MTS, allows systematic use of the base of the Company’s

existing and potential volunteers, proposing them to participate in various charitable and social projects of MTS in various parts of the country. The volunteer movement participants can trace their involvement into the Company’s social programs in their convenient personal accounts, where they can also track the MTS project developments.

The Company’s employees are given virtual badges for their participation in all kinds of volunteer initiatives – intellectual volunteer actions, help to children, programs of support of elderly persons, ecological and nature conservation projects – and they can demonstrate the symbols of their achievements in social networks.





Volunteer's Anthem

The Anthem was written by Oleg Chukhnin, expert of the Mobile Communication Switching Network Development Department of the MTS Technical unit.

They look like ordinary people,
They are nearby, they live among us,
We'd never have a chance to know them,
If trouble does not come just for while.

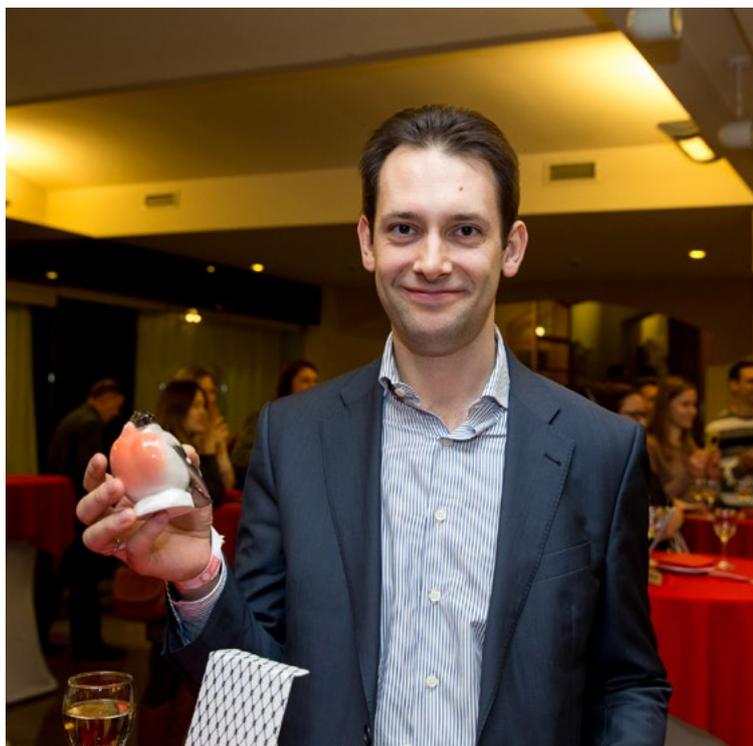
And then they'll silently stand by,
To support in hard time,
They'll gratuitously give
The care that will make pain melt away.



They are volunteers, they are volunteers,
Their hearts are open, their hearts are hot,
They are bringing us a bit of sun
Mixed with a bit of their souls.
(Twice)

Who will help with their word and deed
To those who abandoned hope,
Who will be a skilful guide,
Who will take us to a new goal.

Who will make Internet a friend to
Both the elderly and kids – no matter!
Who will bring a fairy tale with a new useful plot
To everybody, teaching in addition.



They are volunteers, they are volunteers,
Their hearts are open, their hearts are hot,
They are bringing us a bit of sun
Mixed with a bit of their souls.
(Twice)

Who will go to see kids, bring them presents,
Who will become Father Frost that day,
Who will warm them up with their hot hearts,
It will be a fest – a New Year Party for Kids.

Who will not spare his time and himself at times,
Will give his blood, overcome his pain,
Will tell the disabled man that we are equal,
It is their destiny, the salt of life.

Technologies and Innovations



Telecom Idea Competition of Startups

The open industry competition Telecom Idea (telecomideas.com/en/home) is held in Russia and the CIS countries since 2011. The competition is focused on searching, supporting and marketing the youth's innovative projects of use of information and communication technologies in the commercial, social and public spheres and contributing to improvement of the quality of social life.

In 2014, the event became an international one when representatives of 40 Indian higher educational institutions took part in it. In 2015, the most talented young developers of the Republic of Belarus joined them. During the 5 years of Telecom Idea existence, more than 900 startups took part in the competition. The competition TelecomIdea-2015 attracted students, young scientists, research teams and young entrepreneurs.

Out of more than 300 applications, the final phase of the 2015 competition was reached by 35 innovative projects from Moscow, St. Petersburg, Tula, Ryazan, Yaroslavl, Samara, Kaluga, Astra-

khan, Belgorod, Voronezh, Krasnoyarsk and Sverdlovsk. In 2015, the competition was run in the following nominations:

- TECHTech (academic solutions in communication systems)
- MEDTech (virtual medicine)
- ECOTech (ecological projects)
- EDUTech (educational projects)

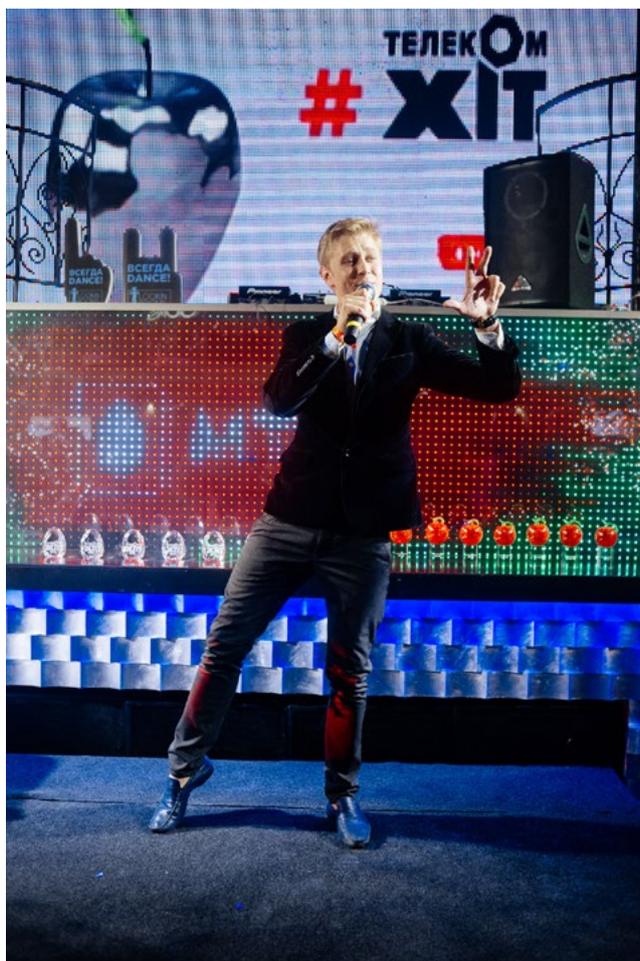


- ADVTech (creative and advertizing projects)
- FINTech (finances, banking services)
- HUSTech (housing and utilities)
- RETAILTech (retail)

The major award was an invitation to go on an innovative educational tour to Israel and to submit their projects for review by the MTS experts and partners. Based on the competition results, the authors of the ideas which are most compliant with MTS business goals can participate in a unique acceleration program in collaboration with the Company's employees to finalize the projects for further implementation.

The projects admitted into the accelerator can have a week of collaboration with the MTS representatives to improve their projects and implement them in the MTS existing processes. The first corporate accelerator was held in 2014. In two years more than 30 projects passed the corporate accelerator, and some of them continued cooperating with MTS.

In 2015, MTS held a corporate accelerator for 18 best IT and telecommunication projects, which resulted in selection of 5 innovative ideas which will be admitted to the super-final of the federal accelerator GenerationS.



Проект «Телеком Идея» победил в номинации «Лучший проект по стимулированию и развитию инновационной деятельности» на конкурсе «Время инноваций–2015»

Educational Programs

Web for All Ages

Federal social & educational project Web for All Ages (www.svvp.ru) has been developed by MTS since 2012, supported by the Foundation for Internet Development, Nation Health League, Link between Generations charitable foundation and other partners. Its primary goals are to improve Internet literacy, popularize modern information technologies and useful online services among people aged over 40, assist them in acquiring practical skills of internet use for solving everyday tasks.

The training is based on the educational program Whatever Your Age, You'll Master Internet, developed by the specialists of MTS, Internet Development Foundation and Psychology Faculty of the Lomonosov Moscow State University, accounting for the needs and sociopsychological peculiarities of senior people and based on skill transfer from experienced Internet users to the beginners.

The training course consists of seven lessons covering such subjects, as navigation and information search on the Global net-

work, e-mail, messenger and social networks, Internet banking and commerce, governmental and social services, leisure and multimedia entertainment, mobile Internet and useful smart-phone and tablet applets, network security rules. Trainings are conducted by volunteers and the seniors who have been trained under the program, wish and are trained well enough to teach what they themselves have mastered to their age mates.

In 2013, the Russian experience was replicated in the CIS countries. Starting from October 2014, the trainings are attended by



pensioners in all regional centers of Belarus. During four years, the training under the program Web for All Ages was received by a total of 15,000 persons.

In 2015, the graduates of the courses Web for All Ages presented the MTS team at the V All-Russian Championship on Computer Decathlon among Retirees (in Moscow and Kazan) organized by the Russian Union of Pensioners (RUP) and supported by the Council of the Federation Committee on Social Policy, RUP, RF Ministry of Communications and Mass Media, RF Pension Fund.

2016 Plans:

- To integrate the Tablet phase into the All-Russian Computer Literacy Championship – to be supported by MTS in collaboration with the RUP, RF Ministry of Communications and Mass Media, Council of the Federation Committee on Social Policy and RF Pension Fund;
- To extend the Mobile Academy project, in collaboration with the RUP, to 10 regions of the RF;
- To update the www.svvp.ru site in accordance with the usability study findings.





“We continue developing the projects focused on teaching Internet literacy fundamentals to the population. The primary task of ours as one of the leading Internet access operators, is to demonstrate advantages of mobile Internet to the maximum possible number of people of all ages. That is why we are launching in Moscow the Mobile Academy project which will show the seniors that mobile internet and modern gadgets are simple and easy to use. We are sure that the training graduates will become sophisticated users of Internet services and they will be able to use their smartphones to make electronic purchases, register for reception by the doctor, buy air and railway tickets, communicate with their relatives and friends”

Yelena Seregina, MTS CSR Department Director

Mobile Academy

In 2015, MTS PJSC developed a free training course Mobile Academy being a continuation of the basic training program for seniors. The training course is focused on people over 50 who are new to smartphones and tablets. The course will teach them to use mobile Android devices, to download and use mobile apps, to connect to mobile Internet, use the mobile browser. The students will be also taught how to make electronic purchases, book a visit to doctor, use the Internet to communicate with their relatives and friends. The course will include not only the information on use of devices and Internet, but also the fundamentals of mobile Internet security.

In autumn 2015, the first permanent classroom of the MTS Mobile Academy was opened in Novogireyevo, (a district of Moscow). Its curriculum includes Internet literacy lessons and practical training in smartphone and tablet use. The graduates

will be awarded Master diplomas and network use skill self-development kits by the MTS experts. In elderly people training, MTS joined hands with the Yedineniye Sports & Culture Youth Center Autonomous Non-profit Organization.

Free classes of the MTS Mobile Academy have been already opened in Kazan and Obninsk.

Later on, we plan to develop the Mobile Academy Projects in all RF Federal Districts, establish an integrated educational portal, open new Internet classes, attract new partners from among the governmental authorities and non-profit organizations, and disseminate educational procedures among all stakeholders. By now, we have established a methodological basis for project development in all regions of Russia.



MTS Laboratory

The specialized MTS Laboratory enables technical students to actually control modern telecom equipment in the high educational institution. The MTS Laboratory is a hardware package of switches and routers which can be used to build data network segments and illustrate data package transmission in cellular communication networks and Internet networks.

In 2015, MTS launched its Laboratories in Bryansk, Smolensk and Oryol under cooperation agreements with the Academician I.F.Petrovsky Bryansk State

University, National Research Institute “MPEI” and the Oryol Branch of the Moscow State University of Railways; under the agreements, the university and operator plan to develop educational, innovative and research activities to improve the quality of training of the students of the relevant specialities. Under the agreement MTS plans to exercise expert and resource support of the students’ telecom projects, organize master classes, business laboratories, as well as training, work and pre-diploma practices for the students.

“Deti Online” (Children Online)

Today kids begin using the Internet at the age of 5-6, but the schoolchildren of our country use the World Wide Web more actively and unfortunately in a riskier way compared with their European coevals. What is more, most of the Russian children surf the Internet on their own – on the average, 80% of the Russian children use the Internet in their rooms and via mobile phones, i.e. in the situations when their parents do not virtually control them.

Being the biggest Russian telecom operator, MTS attaches great importance to protection of children from negative content, fraud services and the sites that are harmful to detrimental to the child’s mind. Our clients have access to the services, which make it possible to arrange effective and safe Internet use by the younger generation. We are convinced, however, that our mission is not limited to creating safe and convenient services for World Wide Web surfing – we shall also cultivate in children the responsibility for what they do on the Internet.

MTS has been implementing the “Deti Online” Program (detionline.com) since 2011, supported by the RF Ministry of Communications and Mass Media RF Ministry of Education and Science, Safe Internet League and other partners. The program is focused on popularizing the rules of useful and safe Internet use among children, parents and educators. Under the “Deti Online” Program, the Company holds interactive thematic exhibitions in

leading Russian museums and libraries, Internet literacy lessons for junior schoolchildren and workshops for teachers.

So far, more than 300,000 persons – children, teachers and parents – have taken part in the project. Exhibitions and lessons of useful and safe Internet have been held in more than 30 regions of Russia. In 2015, the project was successfully implemented in Novosibirsk, Tomsk, Syktyvkar and Penza.

In 2015, a new program for cooperation with the parents and the teachers’ community was developed successfully within the framework of the Children on the Internet project: Talk to Your Child about Internet. This program is mainly focused on improving awareness of adults, parents of under-aged children and schoolteachers, on issues of the Internet information security for children and adolescents.



2015 Main Results:

- A booklet entitled “Talk to Your Child about Internet” was published to inform and educate parents of under-aged children.
- A “How to Talk to Your Child about Internet” parent-teacher meeting scenario was developed.
- 12 events – 3 open lessons, 2 Children on the Internet master classes for volunteers, 3 “How to Talk to Your Child about Internet” master classes for parents and school teachers, 1 parent-teacher meeting, 1 webinar for parents – were held.

All told, more than 1,700 persons, including 75 junior school-children, 30 volunteer guides at the Children on the Internet exhibition, 360 educators, more than 1,230 parents of under-aged children, took part in the project events.

By and large, the project results show that the projects, which inform and educate parents and teachers on the issues related to safe Internet surfing by children and adolescents, are highly desirable and socially important. Thanks to the meetings with parents under the auspices of the project, broad parent audience has learned about other projects of MTS PJSC in the field of helpful and safe Internet (Children on the Internet education/exhibition project, helpful and safe Internet lessons “Adventures



The project “Children Teaching Adults” has become a winner in the category “The best Media Project in Education” at the VII Russian national competition “The Top-10 Public Sector IT Projects. Education and Health Care Institutions”.

of Interneshka and Mityasik”, “Kids Online” All-Russian help line). The “Talk to Your Child about Internet” booklet was given a very favorable reception by parents and teachers. Guidelines issued as a part of the projects, in particular a webinar entitled “How to Talk to Your Child about Internet”, can be used in further work with parents of under-aged subscribers of MTS PJSC.

2016 Plans:

- implement the project in all federal districts of RF
- develop innovative and interactive educational content

Children Teaching Adults

The Children Teaching Adults social and educational project is being implemented by MTS since 2013; it focuses on solving an important social task of building modern information society in Russia, bringing generations closer to each other.

The project is run in schools of more than 50 cities/towns, among the schoolchildren of Grades 7 to 10. The key idea of the project is that adolescents who have excellent Internet skills share their knowledge with adults. After receiving preliminary methodological training, schoolchildren give lessons to adults teaching them to safely and effectively use mobile technology opportunities in everyday life, also via modern gadgets – smartphones, tablets, etc.

Children Teaching Adults Project:

- helps children get occupational guidance and understand whether they would like to devote themselves to IT technologies

- teaches the users of all ages how to use mobile services
- fosters better understanding between children and adults

More than 300 schoolchildren from all over the country gave their video lessons as a part of competition Children Teaching Adults in 2015. The main prize awarded to the winners of the national stage was an excursion tour to St. Petersburg, involving a visit of the Generation M charitable musical performance for children.

Culture and Society

Events to Celebrate the 70th Anniversary of the Victory in the Great Patriotic War

Victory Salute! Jubilee Concert

On May 16, a Victory Salute! large festive jubilee concert to celebrate the 70th Anniversary of the Victory in the 1941-1945 Great Patriotic War was held at the Poklonnaya Gora Concert Hall. The concert was a charitable event by the Moscow City Veteran Council and MTS, jointly with the Russia Begins with You Moscow Festival, and supported by the JSFC Sistema.

The Poklonnaya Gora concert was attended by about 250 war veterans from 12 administrative districts of Moscow. The performers included creative children teams who were nominees of the competition “Russia Begins with You”, professional artists of the Gzhel state academic dance theatre of the Moscow school of choreography, the Syurpriz exemplary municipal children song theatre from Vyazniki, Vladimir Region, Ivushka veteran teacher chorus and Zemlyaki veteran chorus from the Ivanovskoye district, Moscow.

Help a Veteran! Volunteer Action

On the eve of the Victory Day, a volunteer action entitled Help a Veteran! started, during which the employees of MTS, JSFC Sistema and its subsidiaries personally congratulated veterans. Later on, we plan to provide targeted volunteer help to sponsored war veterans and war-time civilian workers who live in Moscow.

On the eve of the Victory Day, the MTS employees made their contribution to congratulating veterans by giving them the joy and pleasure of socializing. During the action the volunteers congratulated about as many as 400 veterans living in Moscow, as well as Khimki, Mytishi, Schelkovo, Noginsk, Krasnoarmeisk, Yegorievsk, Tomilino. The volunteers personally visited the war veterans and made commemorative presents to them.



MTS Memory Book

The MTS employees actively participated in the corporation-wide volunteer action and created the MTS Memory Book “Life during War. 1941–1945”, which incorporated the stories told by their relatives who were war veterans. The book is illustrated with photographs and is a real evidence of those heroic years. The Book contains 327 stories and is available both in electronic (vov.mts.ru) and printed form. The Memory Books have been ceremonially handed over to the Moscow Museums, including the Central Museum of the Great Patriotic War on the Poklonnaya Hill.

By having implemented program “MTS Memory Book”, MTS has become winner of the 4th Best Social Projects of Russia annual national contest in the Corporate Projects nomination.

On October 14, 2015, a ceremony was held in the Exhibition Complex of the State Historical Museum to hand over a copy of the Memory Book “Life during War. 1941–1945” to the museum library.

The publication is to commemorate the 70th anniversary of the Soviet people’s Great Victory over the fascist Germany and its allies. The book encompasses 300+ historical narratives written not by journalists or historians but by MTS employees as told by their



relatives who had evidenced those dreadful days. The “Memory Book” shows us and our offsprings the Great Patriotic War how it was – without embellishment and fiction.

Book handover to the museum library took place as a part of the Victory exhibition which keeps the historical and artistic relics of the Great Patriotic War.

The event arranged by MTS and the State Historical Museum was attended by honorary guests - the veterans who contributed to the Book and represented the Moscow City Veteran Council.

The attendees were greeted by Aleksey Levykin, Director of the State Historical Museum, who thanked MTS for contribution of its employees into the history of the country. “Our memory of war shall not be forgotten or revised. Remembering the past, we shall keep the memory for ever for the sake of the future,” he noted.

A copy of the Memory Book was ceremoniously handed over to the Museum by Mikhail Arkhipov, Member of the MTS Management Board, MTS Vice President: “We present the “Memory Book. Life During War” to the State Historical Museum, making our contribution to the Great Memory of generations”.

«War. What We Know about It?» intellectual and educational quiz

MTS took part in preparation of the “War. What we know about it?” intellectual and educational quiz, an engrossing narrative of important events, facts and heroes of the Great Patriotic War. Many of the events of that ware are little known and treated differently. Thanks to the quiz, the employees got a unique change to learn to share this knowledge and were able to propose to show the quiz in schools, museums and to their relatives.

Victory Tango MTS Action

On May 24, 2015, the Victory Tango annual MTS volunteer action was held in the Yekaterininskiy Park. The action involved festive dancing master classes in the style of the 1940-1950's for all park guests and veterans, accompanied by a brass band.



Preserve Musical Heritage of Russia

MTS provides support to a unique project Preserve Musical Heritage of Russia, which was initiated by the Russian State Musical Radio & TV Broadcasting Center. The purpose of the project is to re-discover music and war songs written by composers who are veterans of the Great Patriotic War. The project involves selecting

of exclusive music manuscripts, preparing and performing the music, recording concerts, uploading the records to the Server of the European Broadcasting Union (EBU), publishing the recordings on Internet portals, and broadcasting first performances from the Orfei Radio and Just MTS Radio portal.

Mobile Fairytale Puppet Theatre

Since 2012, MTS has been running its Mobile Fairy Tale Puppet Theatre (puppet-mts.ru). The theatre repertoire includes Morozko, Magic Mirror, Snegurushka and Fox (New Year musical fairy tales), Children on the Internet (an educational musical fairy tale), Saving the Planet Earth and History of a Prince (ecological musical performances). The MTS volunteers give these performances in the sponsored orphanages and to the children of our employees and partners.

In 2015, the Theatre gave performances in the Central Macro Region to the children of employees of MTS and social institutions of Oryol and Tver. The performances became a part of the annual actions of the Volunteer Movement “Just Give Good!”, “Green Express”, New Year performances for children, and the annual

Gogol Center theatre event. The puppet theatre has become the best format of volunteer work for children – puppet companies perform in the cities of Krasnodar, St. Petersburg, and Irkutsk.

Volunteers took part in the All-Russian Ecological Festival in Kremlin; for a full year they made performances to kids in medical institutions.

In the course of four years, their performances were seen by over 10,000 children from large families, families of the employees of the Company and its partners, kids from sponsored child welfare organizations, and young patients of hospitals and rehabilitation centers.



In 2015, the Volunteer Puppet Theatre was nominated the For Social Initiative award at the Belgorod Fun-2015 International Theatrical Festival.



Social Employer (Social HR)

In 2015, we continued to implement our Social HR project that covers hiring and adaptation of employees of mature age and young professionals with disabilities, as well as creation of an affordable and comfortable environment for all staff categories.

In the reporting period, MTS supported a series of major socially significant events:

- Competition for young job seekers with disabilities “Road to a Career” that allows business to discover untapped resources of young, ambitious and talented professionals;
- Annual “Best Friends” dance marathon where MTS traditionally involves its employees to once again attract public attention to the fact that we all have equal opportunities. The event was attended by 1,000+ people;
- International film festival “Cinema without barriers” that offers pictures from life of people with disabilities and tells stories of their struggle and success to introduce spectators to those who live and work in spite of any obstacles;
- Sporting events to include people with disabilities in sport: joint football matches “MTS Unity Cup” and beach volleyball games with corporate teams of MTS and other major businesses.

MGTS CSR Projects

Honoring Great Patriotic War Veterans at MGTS

Annually, on the eve of the Victory Day, a meeting of telecom people with Great Patriotic War veterans from MGTS is held at a commemorative monument (25 Bolshaya Ordynka Street). It was they who defended our Motherland on the battlefield and restored and developed capital telecommunications in the hard post-war years.

At the meetings the company management and representatives of the MGTS trade union committee thank the veterans for their contribution to the victory, for the strong spirit and will they demonstrated both on the battlefield and at the labor front, express their gratitude for the spring and freedom they presented to us. Following a long-standing tradition, the attendees keep a minute of silence in remembrance of the MGTS employees who died in the battlefield and lay flowers to the monument where their names are engraved.

Veterans who cannot attend the MGTS ceremony because of their health problems are visited by the members of MGTS trade union committee. They congratulate the veterans with the Great Victory holiday, presenting flowers and gifts.

Help a Veteran Volunteer Action

Help a Veteran Volunteer Action is one of the numerous actions in which the MGTS employees took part one in the jubilee year of the Great Victory. Volunteers visited war veterans and war-time civilian workers, presented gifts and socialized with veterans.

Meeting of orphanage children with Paralympians

In January, a meeting of orphanage children with Paralympians was held. The atmosphere of real sports festivity was created at the orphanage. The kids watched with a keen interest a Paralympians’ Olympic fire relay and jocos team competitions. Joint games simulating Olympic competitions in various sports truly amused both the children and adults.

In their turn, the educators and pupils also prepared an exciting show program. Dressed in vivid clothing, they sang joyful songs and performed exhilarating dances; they proved again that the abilities of the persons with limited abilities are actually unlimited.

Victory-Day Volunteer Garden Clean-up Event

In May, a Victory-Day Volunteer Garden Clean-up Event was held. Volunteers from MGTS, Sistema CF, MTS Bank, MTS, Medsi, Zhuravushka pupils and employees worked at the Krasnaya Dubrava orphanage for disabled children. After finishing the event, the children and volunteers laid flowers to the Krasnaya Dubrava Obelisk of the warriors who fell in the Great Patriotic War.

First Grader’s Backpack charitable event

In August, the MGTS employees ran First Grader’s Backpack action by gathering voluntary contributions of school supplies for orphanages by using branded for the supplies. The ranks of volunteers increase from event to event, which indicates that there are a lot of indifferent people among the MGTS employees.



MGTS Museum

The Museum of MGTS plays a great role in preserving the traditions, forming and developing the corporate culture, attracting able and talented youth to the Company. The Museum has unique exhibits illustrating not only the history of Moscow telephone network development, but also the other lines of telecommunication technologies from 1876 up to now, and the artefacts of the sociocultural environment of Moscow and capital inhabitants.

Cultural Heritage Days

For the 4th consecutive year the Museum opens its doors on April 19. The Company's employees receive invitations by corporate e-mail. Furthermore, the action organizers post the notice that the museum can be visited, the excursion schedule and the museum location on the Cultural Heritage Day site (dninasledia-voopik.ru). Any Muscovite can get a list of museums participating in the action and select those interesting to him/her. The Cultural Heritage Days always fall on the week-ends so those who wish to visit museums could do so.

CSR Projects in Countries of Operations

Uzbekistan

On June 18, 2015, UMS LLC's first CSR project was started; it was devoted to the Children Protection Day and implemented in partnership with the Tashkent Region Branch of the Uzbekistan Disabled Persons' Society. Disabled children from Bekabad, Kibrai, Yangiyul, Chirchik and Tashkent were invited to the Tashkentland Entertainment Park and took part in the festivity.

To support the State Policy of the Republic of Uzbekistan, the Year of Care for the Older Generation Government Program, to

commemorate the 70th anniversary of the victory over fascism in the Second World War and to form the image of a socially responsible Company, UMS LLC launched the Veteran preferential tariff on April 10, 2015. It is intended for the subscribers who participated in the 1941-1945 Second World War and worked at the labor front. It features 200 free outgoing minutes to all networks per month and zero subscription fee. As of March 2016, the Veteran PT is used by 131 subscribers.

Turkmenistan

The **Call a Front Friend** service was launched. This service enables the Great Patriotic War veterans, veteran widows or war-time civilian workers, who are subscribed to the Social tariff plan, to make free outgoing international calls totaling 30 minutes.

On June 16, 2015, the **Our Heroes – Our Victory book presentation** was held to commemorate the 70th Anniversary of the Victory in the Great Patriotic War. The electronic book contains more than 33 war time stories told by MTS-Turkmenistan employees.

In 2015, Turkmenistan's unique services of the Zabava (Fun) and Nastroyeniye (Mood) portals were launched to provide the subscribers with innovative services:

- **Nastroyeniye Entertainment Portal** enables the subscribers to have interesting and lively leisure by listening to various entertaining and informative information (jokes, aphorisms, useful tips, curiosities, statuses, games). The calls to the service are not billed. The service is activated after the service is subscribed for.
- **Zabava Entertainment Portal Service** enables the clients to listen to various entertaining information (jokes, tests, acquaintances, player).

Armenia

Partnership of VivaCell-MTS and Fuller Center for Housing Armenia

Fuller Center for Housing Armenia is a non-governmental charitable organization which supports social development in the Republics of Armenia and Artsakh, promoting construction and repair of simple, decent and affordable houses and consistently acts to protect the right of people to have decent living conditions. VivaCell-MTS provides financial support to the project of improvement of the housing conditions of low-income families. Since 2007 the cooperation has helped 93 families.

Social Investment Program

The company on a voluntary basis implements social investment programs in the Republic of Armenia to help the organizations and communities needing tangible or intangible assistance to implement various projects. Pursuing its social investment policy, VivaCell-MTS supports the following spheres:

- Technologies and communications
- Education

- Environment protection
- Social and community development
- Public health and safety
- Sports, culture and arts

Alternate Energy Program

The program is implemented jointly by VivaCell-MTS and Foundation for the Preservation of Wildlife and Cultural Assets (FPWC). The Alternate Energy Program addresses a number of important problems: outdoor lighting in remote villages, cost cutting,

reduction of power consumption, which contributes to environment protection. In addition to that the program offers novel innovative eco-friendly solutions and provides an excellent model of rural community development which makes the villagers equal participants of the program, taking active part in its implementation.

Educational Fund Program

The program is designed specifically for the orphan students with special needs and for students from socially vulnerable families. Since 2011, about 700 academically successful students have been involved into educational process, 53 of them made use of the program for four years and graduated as Bachelors.

Belarus

In 2015, a large-scale project #MyWorkoutToday was started to popularize healthy life style. Under the project, two events: Great Sports Festival in Mogilev and Great Sports Festival in Grodno were held in collaboration with the UN Mission in the Republic of Belarus. The events attracted more than 1,000 participants. A 2016 program has been approved to develop the project in Minsk and regional cities.

The Children on the Internet and Network for All Ages programs are also implemented in Belarus. The company aids orphans, veterans, acts as a partner of educational and sports events.

3.2. Cooperation with the State

MTS always takes account of the state interests. The Company closely cooperates with the federal governmental authorities in the host countries and with local regional authorities. In Russia, MTS takes active part in advisory and other work teams of the Ministry of Communications and Mass Media, State Duma, Federal Antimonopoly Service, Chamber of Commerce and Industry, Russian Union of Industrialists and Entrepreneurs, Commissions attached to the RF President. Our specialists are always ready their expert assessment and make their proposals concerning the drafts of major laws and regulatory acts related to telecommunications.

In 2015, the Company took part in reviewing the matters and preparing the proposals related to urgent industry problems, initiated changes in a number of regulatory acts. Participation of MTS in discussion of such issues enables us to play an important role in implementation of nation-wide interests, including better availability and safe access to modern communication services and promoting innovative development of the state. Being a subject of anti-monopoly regulation, MTS nevertheless takes active part in improvement of the anti-monopoly legislation. It helps to establish feedback with the regulating authorities and create new business opportunities.

On December 25, 2015, the results of voting of the Association of Managers of Russia were announced on appointment for a period of one year of the Committee Chairmen, who were to come into office in 2016. Ruslan Ibragimov, MTS PJSC Vice President on Corporate and Legal Issues was elected Chairman of the Business Legal Support Committee. Yelena Kokhanovskaya, MTS PJSC Public Relations Director, took the lead of the Association's Mass Media and Information Policy Committee and she will co-chair with the Public Relations Director of the Norilsk Nickel Mining and Metallurgical Company.

In 2015, we implemented a number of projects with a focus on socioeconomic development of regions. Thus, MTS entered into five partnership agreements with administrations of RF constit-

uent entities (Administration of Kirov Region, Administration of Nizhny Novgorod Region, Administration of Krasnodar Territory, Administration of Khanty-Mansi Autonomous District — Yugra, Administration of Krasnoyarsk Territory). The Company is also a partner in a number of regional projects aimed at the vocational training of students and graduates of higher education institutions.

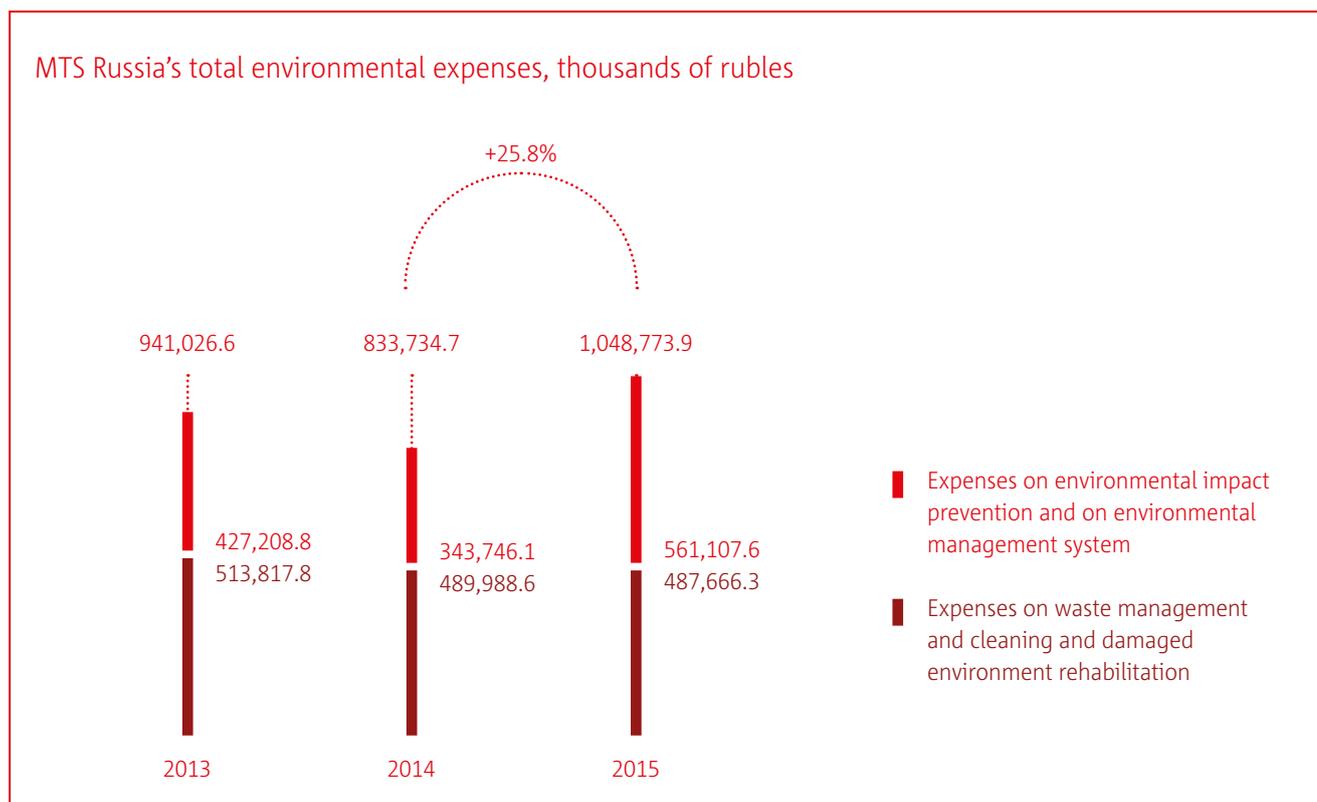
The Company's top managers actively participate in Russian and international industry forums not only as delegates, but also as active speakers.

2015 forums at which MTS top managers spoke:

- St. Petersburg International Economic Forum (A.Dubovskov, V.Latsanich)
- Barcelona Mobile Congress (V.Latsanich)
- Internet Economics Forum (R.Ibragimov)
- Vedomosti's Telecom Forum (N.Bratchikova)
- Russian Internet Week (M.Arkipov, R.Ibragimov)
- St. Petersburg International Legal Forum (R.Ibragimov)
- RBK's HR in the City Conference (Yu.Tereschenko)
- Vedomosti Newspaper's Financial Forum (A.Kornya)
- Vedomosti Newspaper's Business Informatization in Russia (K.Karapetyan)
- PeopleInvestor Business Forum (Yu.Tereschenko)
- Kommersant's Legal Regulation of Telecommunication Industry Forum (A.Rego).

3.3. Environmental Responsibility

We believe that any socially-responsible company must do business taking into account the possible impact of its activities on the environment. MTS' business is founded on the principle of a careful approach towards nature and the Company strives to minimize its environmental impact as much as possible. In 2015, MTS implemented a number of internal and external measures with a focus on increasing environmental awareness, improving the environment and educating an eco-disciplined generation.



Management of Environmental Activities

Management of environmental activities is conducted by MTS' dedicated units in each macro-region. The necessary environmental actions at the national level are arranged by the Administrative Unit (Department of Real Estate and Office Management Division) and HR Unit (Corporate Social Responsibility Division). At MGTS, the management of environmental projects is carried out by the Environmental Protection Division of the Department for the Maintenance of Buildings and Structures.

Following the recommendations of International Standard ISO 26000, the Company implements a package of environment-related package of measures. MTS strives not only to attract the employees' attention toward responsible attitude to nature but also enable them to help it with real deeds.

In 2015, MTS Russia's total environmental expenses increased by 25.8% up to RUB 1,048.8 mln.

G4-EN31

The MTS Supplier's Code of Business Conduct (the Code) declares an insistent wish that the Suppliers shall have an effective environmental policy and that they will observe the existing environmental laws and regulations. If possible, the Suppliers shall practice a proactive approach to environmental issues, undertake initiatives focused on improving environmental responsibility and foster eco-friendly technologies and the use of efficient methods

of product life cycle implementation. The MTS purchase procedure participants shall confirm their consent to abide by the Code to submit their commercial offer.

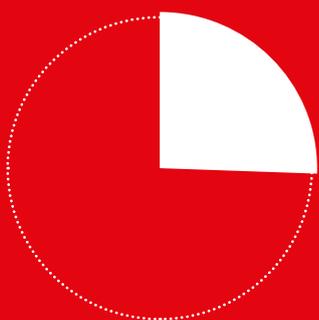
The network facility design shall include the "List of Environment Protection Measures" to be developed in accordance with GOST R 21.1101-2013. The requirement to implement these measures is a must-do for contractors. Whether the environment protection measures have been implemented is checked at the facility acceptance phase.

The MTS supply chains are on the Supplier's side. The requirement to observe the MTS Supplier's Code of Business Conduct, which provides that an effective environmental policy shall exist, is imposed on every supplier. MTS PJSC has no yet implemented supplier assessment by the environmental criteria and observance of the human rights.

G4-EN29

+25.8%

MTS Russia's total environmental expenses in 2015



1048.8 mln RUB

Fines (in money) and total non-financial penalties for non-observance of environmental laws and regulatory requirements

	2013	2014	2015
Fines, thousands of rubles	00.0	00.0	100.0
Non-financial penalties, cases	0	0	0

Environmental Initiatives

Eco-Telecom

The project is focused on implementing environmental acculturation of the MTS employees and promotes increasing their responsibility for observing a set of simple but effective rules: saving of water, saving of forest resources, collection and correct recycling of finger batteries and old telephones, humane attitude toward the environment.

Since 2013, the Eco-Telecom line is approved by MTS PJSC Board of Directors as one of the top priorities in the field of corporate social responsibility. Implementation and support of environmental projects with participation of the Company's employees and MTS volunteers is approved as part of the strategy of the MTS HR Unit.

In 2015, the EcoTech nomination was announced in the MTS youth innovative project competition Telecom Ideas. The Posadi Les (Plant a Forest) online tree planting project won in this nomination. A tree can be planted or even presented at posadiles.ru.

ECO-Office

Since 2012 we have been implementing an Eco-office project, which provides for the maximum involvement of the MTS employees in our environment protection program, including waste collection actions, environmentally-friendly recycling and sound use of energy. The project aims are to promote environmental awareness and upgrade the environmental culture among staff. In 2015, awareness posters on ecologically responsible conduct were updated.

Batteries, Get Recycled! environmental action

The action of collection of used batteries in administrative offices, launched in 2012, continued to be implemented in 2015. As much as 350 kg of used batteries was collected for recycling. Thus, more than 1,500 kg of batteries was sent for recycling in the program implementation period.

Starting from 2015, the used batteries and accumulators of telephones, tablets and other devices can be brought to a MTS retail shop where they will be stored and transported safely and recycled in an eco-friendly way. In 2016 we plan to launch a battery collection and disposal project in the MTS shops all over Russia.

All-Russian ecological campaign «Save a Tree»

In 2015, the MTS employees again took part in the ecological campaign "Save a Tree", whose purpose is to help solve the problem of waste and over-consumption of the planet's resources.

Waste paper is collected in the administrative offices on the quarterly basis. On the average, 5,000+ kg of waste paper is sent by the MTS employees to recycling every quarter. In 2015, the MTS employees collected 15,335 kg of waste paper. The employees managed to save 153 trees, 15,335 kW of electric power, 306,700 l of water; they prevented the emission of 26,070 kg of CO₂. Days of Fruits and Vitamins are held quarterly for the employees of the most active water paper collection office.

2015 Results of the Save a Tree Action:

- in April, a certificate was obtained to confirm that MTS is a participant of a global environmental project Save a Tree;



- in September 2015, a Diploma was awarded for the 3rd place in the international campaign FSC Friday, an annual festival of responsible attitude toward forest;
- in December the Nature Resource Preservation and Planting Certificate was awarded for our pine contribution in the Moscow Region.

On May 2015, the traditional charitable clean-up event was held in the ISKRA orphanage. The Company's employees took active part in landscaping.

In October 2015, during the conference of the Macro-region Administrative Unit employee conference held in the ISKRA boating house, a bird cherry garden was planted and an Green Office and Man in it eco-lecture read by the leading expert of the Greens Ecobureau.

Greenery was planted around our Smolenskaya-Sennaya office and 3a 1st Dorozhny Proyezd office.

“Earth Hour”

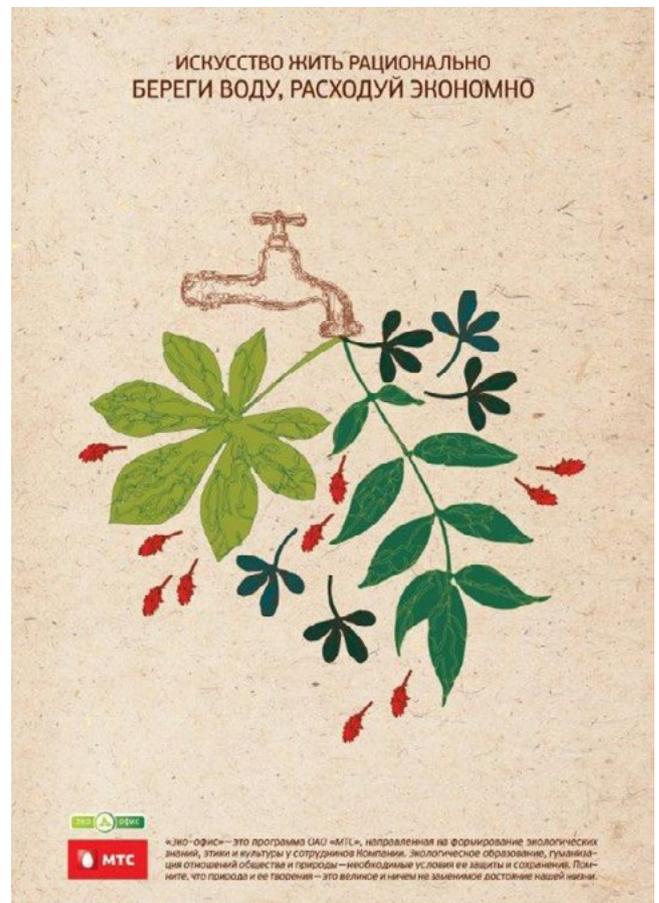
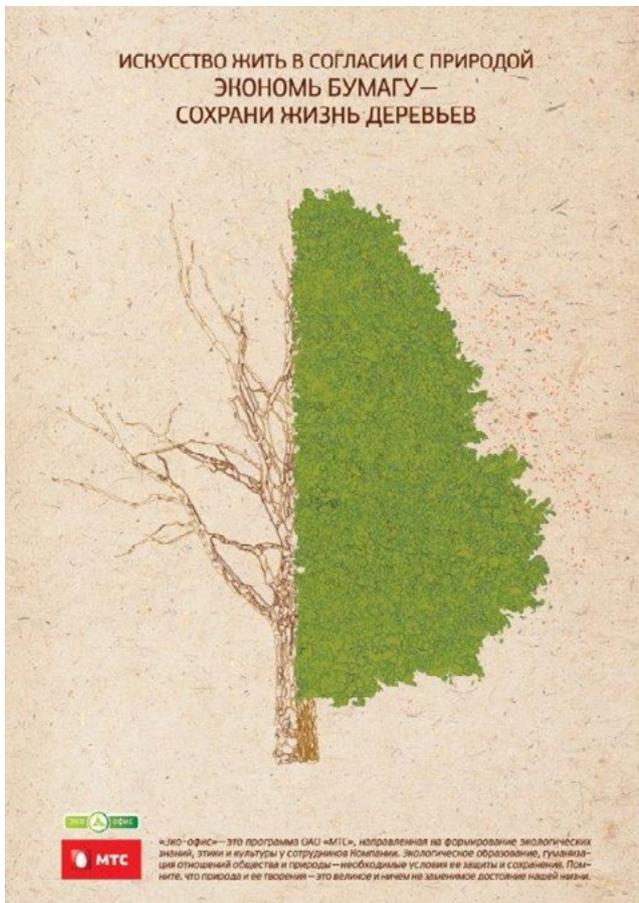
On March 28, 2015, MTS Company again took part in the international ecological campaign “Earth Hour” held by the World Wildlife Fund (WWF).

In 2015, MTS was in the TOP-5 of the Russian Green Offices Rating of GREENS Ecobureau in partnership with the WWF

Spring clean-ups

On May 30, an annual eco-clean-up event was held. This year the event was held under the System Energy motto and timed to the 70th Anniversary in the Great Patriotic War. More than 2,000 employees of JSFC Sistema, 27 subsidiaries and members of their families took part in improving the Otradnoye Sanatorium site. A special program was held for children and adults, including master classes, a performance of the Children's World Puppet Theatre and other useful open-air activities.

That day a total of 1,300 trees, flowers, shrubs were planted on 20 hectares of the sanatorium site, more than 17 flower beds and



The tour performances of the **Mobile Fairy Tale Puppet Theatre** are devoted to environmental subjects. The performances are intended for kids aged 5 to 12 and conducted in the format of a musical interactive game. They show how important it is to be friendly to nature and each other, how to make life good not only for us, but also for our children and the children of our children.



Lawns refurbished, a bright children playground and a workout equipment ground were set up. More than 900 implements were purchased specially for the event. Thanks to the corporation employees' creativity, high concrete walls of the sanatorium transformed into a real work of art!

Environmental impact assessment

During the MTS ecological events, the environmental impact of plastic and package production is assessed. Based on this assessment, it has been decided to switch over to ECO-carton packages.

During the smartphone and accessory procurement procedure, MTS performs their testing and the products of dubitable quality are not allowed to be tendered. For instance, examples can be given that smartphones having acrid chemical odor and bodies of fragile materials have not been accepted.

All customized subscriber equipment models (smartphones, USB modems, routers, TV consoles) carry the EAC certificate. Moreover, the packages and components are marked with the "Dispose Separately from Domestic Waste" symbol.

When starting to design a radio access network facility, its sanitary certificate is developed and submitted to the Rospotrebnadzor.



zor-accredited organization to be reviewed for SanPiN (Sanitary Codes and Regulations) compliance. Then the certificate is submitted to Rospotrebnadzor which issues an opinion on whether the design documentation is SanPiN-compliant.

After facility construction is finished, the Rospotrebnadzor-accredited organization takes measurements at the facility, issues its opinion and measurement record, which are submitted to Rospotrebnadzor. As a result, MTS obtains the sanitary/epidemiological opinion on SanPiN compliance of the functioning facility.

Implementation of electronic document management system

In 2015, the users finished switching over to the improved web version of the Boss Assistant software. The MTS Corporate Center switched over to a new document registration system.

In 2016 we plan to switch over to electronic document exchange with the business tourism agency (applicable to employees' business trips), which will result in considerable paper savings and courier service's carriage costs.

Environmental impact of vehicles

Owing to the nature of our business, our direct environmental impact is limited to emissions of our car fleet. When purchasing vehicles, we take account of the (Euro 3, 4, 5) ecological standards.

Data on Ecological Classes of MTS Vehicles (Region Breakdown)

	Total vehicles	Euro 5	Euro 4	Euro 3
Moscow	300	139	160	1
Center	260	53	160	47
Volga Region	403	19	364	20
Far East	136	0	136	0
Siberia	178	20	108	50
South	361	32	233	96
Urals	246	33	189	24
North West	204	38	157	9

Energy Saving

Our work does not directly affect the environment, but all our facilities, including cell phone towers, office buildings, sales offices and contact centers consume electric power. Most of the generating stations in Russia operate on gas and coal, and emit carbon dioxide. We are aware that the more traffic grows and the faster the subscriber base expands the more energy we consume, which inevitably leads to an increase in the load on generating stations, and thereby harms the environment.

Since 2010, MTS has been implementing a “Strategy of energy saving and energy efficiency”, focused on limiting the growth of and reducing the consumption of electric power; all MTS subsidiaries in the regions implement their own energy conservation and efficiency programs. For details on implementation of the “Strategy of energy saving and energy efficiency”, please refer to Page 125 of the Taking Care of Environment/Energy Saving section of the MTS Group’s 2014 Sustainable Development Report. In 2015, energy saving and energy efficiency programs were developed in all regions.

Power consumption growth is caused by the expansion of our network (commissioning of additional base stations and the Company’s other infrastructures (data processing centers, call centers, etc.)) and data traffic growth. The traffic increase and additional equipment installation result in the growth of power consumption by the base station sites. The growth of the electric power tariffs causes the cost of the power consumed to grow.

The drop of power consumption in the Ukraine is caused by the Crimean Territorial Department having left the MTS Ukraine PrJSC in 2014. If we do not consider the 2014 Crimean Territorial Department’s data, the 2015 power consumption grew by 1.6%, because of phased launch of the 3G network starting from

September 2015. That the consumption increased insignificantly after the 3G network launch is due to the integrated approach to 3G network construction, namely, upgrade of the network, installation of new, less power-intensive equipment, implementation of free-cooling systems.

We implement new energy-efficient equipment everywhere and implement power efficiency programs; otherwise, considering the network growth, power consumption would be higher.

When purchasing stand-by power supply sources for our base stations, we are guided by the energy efficiency criterion. To provide power back up for its major facilities, the Company uses diesel power plants of the leading European manufacturers (Wilson, SDMO, Geko, Inmesol), which impose very stringent requirements on fuel consumption efficiency and CO₂ emissions.

The overwhelming majority of the HVAC systems installed in the MTS Moscow buildings use controllers capable of maintaining indoor temperature and switch off ventilation systems in the off hours. These and some other arrangements at the Moscow Region facilities allow us to save hundreds of kilowatts of electric power every year.



In December 2015, MTS launched Russia’s first LTE network base station whose power cells operate on air-hydrogen fuel. The new power supply system is eco-friendly, compact and its service life is up to five times longer than that of the conventional solutions. The station is situated in the Noginsk District of the Moscow Region.

Nowadays wind power plants and solar cells are used to power the MTS base stations on the coast of the Barents Sea and Onega Lake in the North-Western

region, on the Lago-Naki mountain plateau in the western Caucasus. In 2015, a solar generation based electricity supply system was also installed on the Kitovoy Rebro Pass on the Sea of Japan coast in the Far East.

In future, we plan to use alternate sources only where is not possible to connect to classical external power supply system. The use of alternate sources is hindered by their high cost.

Power Consumption by MTS Group's Companies in Host Regions

	Year	Power consumption. kWh
Russia	2014	824,300,874.0
	2015	936,966,976.3
Ukraine	2014	264,391,266
	2015	255,389,393
Turkmenistan	2014	24,711,149
	2015	29,066,219
Armenia	2014	32,938,796
	2015	33,543,016
Belarus	2014	92,549,000
	2015	94,479,000

Energy Resources Consumed by MTS PJSC in 2015

Resource	In kind		In money, RUB, exclusive of VAT
	quantity	unit of measure	
Heat	44,241.73	Gcal	64,111,044.80
Water	264,619.71	m ³	8,886,258.08
Gas	1,031,904.36	m ³	5,912,450.79
Gasoline	2,989,635.54	liters	86,001,184.13
Diesel fuel	3,965,485.16	liters	117,229,233.71

Waste Management

MTS produces various wastes, including hazardous and recyclable ones. We take a responsible approach to waste disposal, and therefore, one of the main requirements of any draft agreement with a waste disposal contractor is our insistence on a complete cycle of treatment for the waste removed from our offices, that is, sorting and production of secondary raw materials, presentation of reporting and supporting documentation and the option to check the progress and quality of waste management services provided.

In 2015, a total of 1,171.322 tons of waste was generated, the waste was fully transferred to contractors for recycling and disposal. Thus, 28.849 t were recycled; 14.210 t neutralized and 1,128.263 t buried.

Disposal of telecommunication equipment

When disposing of telecommunication equipment, we usually sell spent devices back to the manufacturer, transfer to a third

party which won a respective tender, or contract specialized waste disposal companies. We deliver spent equipment to a specialized contractor, which dismantles it, and then sorts and weights the resulting scrap metal. The scrap is then checked for compliance with relevant GOST, examined by a pyrotechnist, neutralized, classified as intrinsically safe and cleared for processing and melting. After that, we pass the resulting scrap metal to the recycling contractor for further processing.

G4-DMA

2015 Data on Disposal of MTS Equipment, kg

	Ferrous metal scrap	Non-ferrous metal scrap
Moscow	78,938.00	30,154.00
Center	96,896.00	74,801.00
Volga Region	29,197.60	8,071.60
Far East	20,179.00	17,854.00
Siberia	45,981.60	135,522.70
South	7,669.00	48,428.50
Urals	220.69	3,093.25

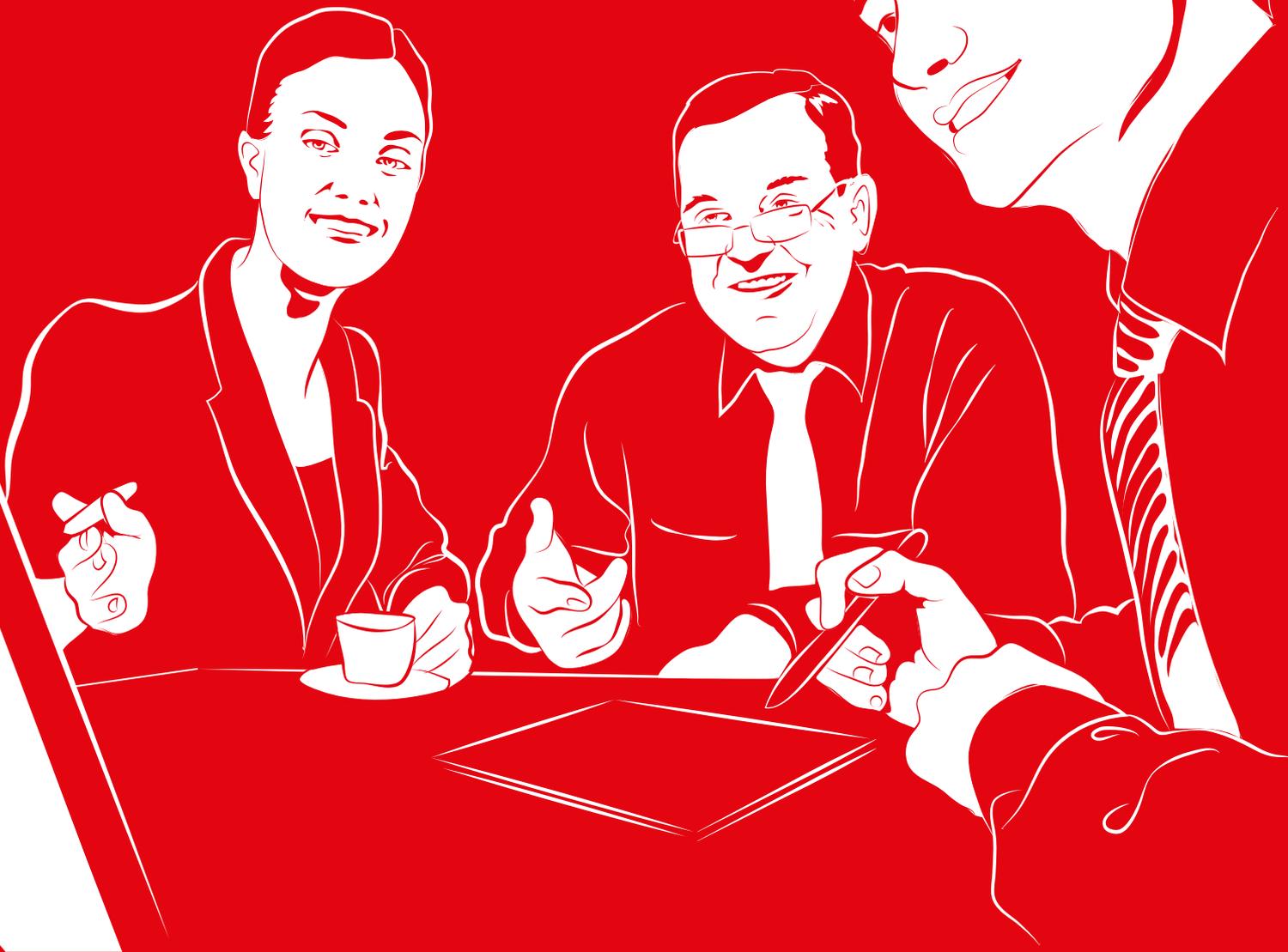
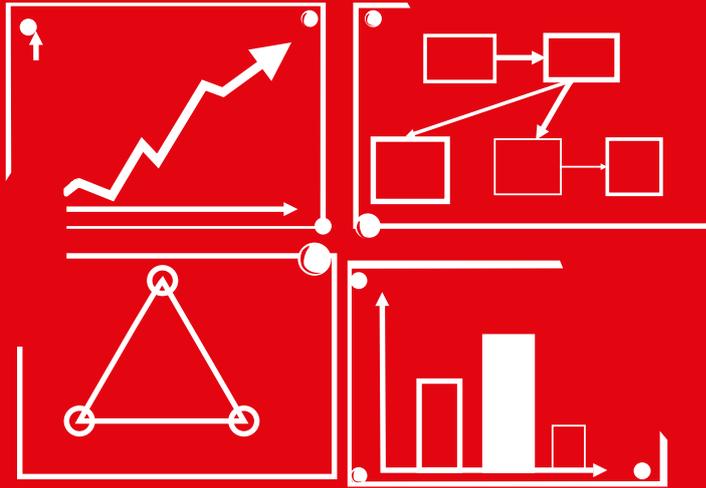
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MTS

• for the Benefit of Personnel

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4.1. HR Policy

MTS staff is a crucial factor in the Company's success. All achievements of our business, the dynamics of its development depend directly on the skills of our personnel, competitive working conditions and a fair and respectful approach to each employee. We are constantly improving social and labor relations and look to create best conditions for safe work, promoting the professional and career growth of our employees. We are sure that it is the attitude to our employees that largely determines their bona fide conduct in the Company.



“Considering the scale of our business, MTS is actively investing into the human resources, which enables it to stay the best Russian employee: last year, MTS was given the Best Employers Study 2015 international award of AON Hewitt, an international HR consulting company, and AXES Management, its Russian partner. More than once it was given People Investor's award granted for companies' contribution to human capital development.

Our Company has developed an unique corporate culture which enables us to understand each other better and have a common language. According to HeadHunter, we have the best “Idea Factory” for the employees, which makes it possible for each of us to turn his/her boldest and innovative ideas into reality. Every year our employees take part in the RegiOn corporate competition and read the Zaprosto (No Problem!) corporate magazine during work breaks.

MTS strives to enable each employee to develop his/her MTS professional and personal business competencies!”

Andrey Dubovskov, MTS PJSC President

In 2015, MTS was recognized as one of the 11 best Russian employers (according to AonHewitt BEST EMPLOYERS STUDY International Certification)

In 2015, MTS was given HeadHunter's award for youth handling

In 2015, MTS was given People Investor's award for implementing the RegiON intracorporate competition

The MTS team is more than 70,000 people working in six countries, endowed with innovative thinking, capable of generating and implementing new ideas, going outside the ready-made work patterns and turning the most unusual and bold projects into reality.

The MTS HR policy is implemented in full compliance with the labor legislation and other regulations of MTS countries of presence. The MTS employees earn fair remuneration and get decent social protection. The Company has every condition for safe labor. Engaging highly skilled personnel and talented youth to MTS is an important component of the HR policy.

The 2015 top priorities of the HR policy were enhancement of business process performance and creation of an optimum environment for professional and career growth of the employees. In the second half of the year the United Personnel Service Center, which centralizes operational HR management processes, started functioning in Nizhny Novgorod.

2015 HR Management Innovations:

- The Virtual Academy was launched which is an innovative training service implemented by MTS. The Virtual Academy encompasses a large number of online courses; many of them are grouped into training programs. They can be integrated with the major online training providers, such as Coursera, Lynda.com, Udacity, etc. The mobile applet makes it possible to train at home and while traveling. The Jam social network is integrated into the Virtual Academy; it is a forum for experience exchange, participation in development events, holding of corporate programs and competitions.
- The Manager's 8 Rules is a poll which gives a chance to provide feedback on any manager of the Company. The polling is done online, which makes it highly anonymous but absolutely transparent.
- The Personal Account feature was implemented to provide an online information storage to our employees, which is used to keep all personal data, Company track records of the employees, their performance data, results of various polls (the Manager's 8 Rules, Hogan, Hay, 360 Assessment,

Talen Q tests), staff turnover and involvement and any other necessary data.

- The HR Administration Center was implemented. It is a solution to support centralized HR administration in the United Personnel Service Center on the basis of the software products of Abbyy and UCM. ABBYY's solution makes it possible to scan, verify and send the HR information to the United Service Center to be used for processing and (automatic and manual) generation of HR events in the OEBS, keep documents in UCM's electronic storage.
- A Feedback mobile applet was developed to assess the fellow employees by our SIMPLY values scale during the year. It is also possible to save one's notes in the personal account of the performance management system and use then during the next regular performance assessment.

The 2015 MTS HR expenses totaled RUB 56.2 billion as compared with the 2014 figure of RUB 49.1 billion, which was due to MTS Group restructuring. The additional RUB 962 mln was the Company's payments to the workers who were involved in MTS activities but who were not MTS employees.

The Group builds its social and labor relations with the staff based on social partnership, which implies equality, respect and consideration for the interests of the parties concerned, as well as compliance with existing laws and regulations. MTS has developed a friendly corporate culture, an atmosphere of gratitude, care and recognition of the achievements of each member of our mutually supportive team. The MTS HR policy is based on transparent and fair relationships with the staff, the Company has developed a friendly corporate culture, an atmosphere of gratitude, care and recognition of the achievements of each member of our mutually supportive team.

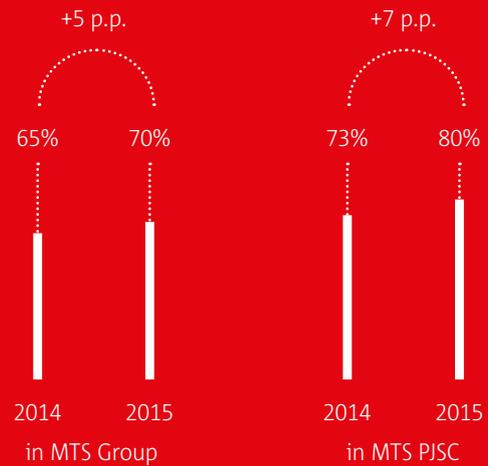
MTS concludes a labor contract individually with each employee and there is no practice of concluding collective agreements with the Company. All benefits, guarantees and compensations (including those benefits, guarantees and compensations in addition to those provided for by the labor laws) are stipulated in various local regulations of MTS. We strictly adhere to the re-

Personnel Involvement

Last year the level of staff involvement rose from 65 to 70% in MTS Group and from 73 to 80% in MTS PJSC. The MTS Russia internal NPS level increased from 32 to 43%, 2/3 of our employees are ready to safely recommend MTS as a decent employer to their friends and relatives.

More than 90% of our employees took part in the 2015 MTS Group involvement poll, which is equal to 65,000 people in absolute figures.

2015 MTS Group Personnel Structure, persons



G4-11

quirements of applicable labor laws and do our best to take into account the interests of staff and if work disputes arise we are committed to their fair and just resolution. In case of a change in the conditions of the contract or its termination at the initiative of the Company, all MTS employees receive notice thereof two months in advance.

G4-LA4

Much of the Company’s work is done by our regular staff employees, including those of subcontractors. The suppliers are not assessed by the criteria related to the practical labor relations. No assessment is performed of the significant actual and potential adverse impact on practical labor relations in the supply chain.

G4-DMA

The Company widely uses the practice of career growth based on rotation between regions and management levels: this approach means that each employee has an opportunity to gain useful experience and skills and learn to know the MTS business in various regions. Our Corporate culture encourages the employees’ social activities if they are focused on social and educational goals and

G4-LA16

performed on a voluntary basis. At the same time the Company does not favor activities which may result in the conflict of interests. If it is probable, the employee shall report it (in accordance with the in-house procedure) before he/she becomes engaged in such activity.

In September 2015, the Company’s first Career Day – a large-scale event for the MTS employees, focused on introducing other employees to the Company’s career opportunities – was held.

The employees can apply via the Unified Hot Line (the internal control and audit line (control&audit@mts.ru)) to solve the issues related to the compliance with the Code of Business Conduct and ethics, to settle corporate conflicts, to get help in the case of abuse of authority. In 2015, 13 applications were lodged via official complaint channels were registered, of which 10 complaints were settled in the reporting period.

4.2. Personnel Structure

Personnel Structure and Number of Employees¹

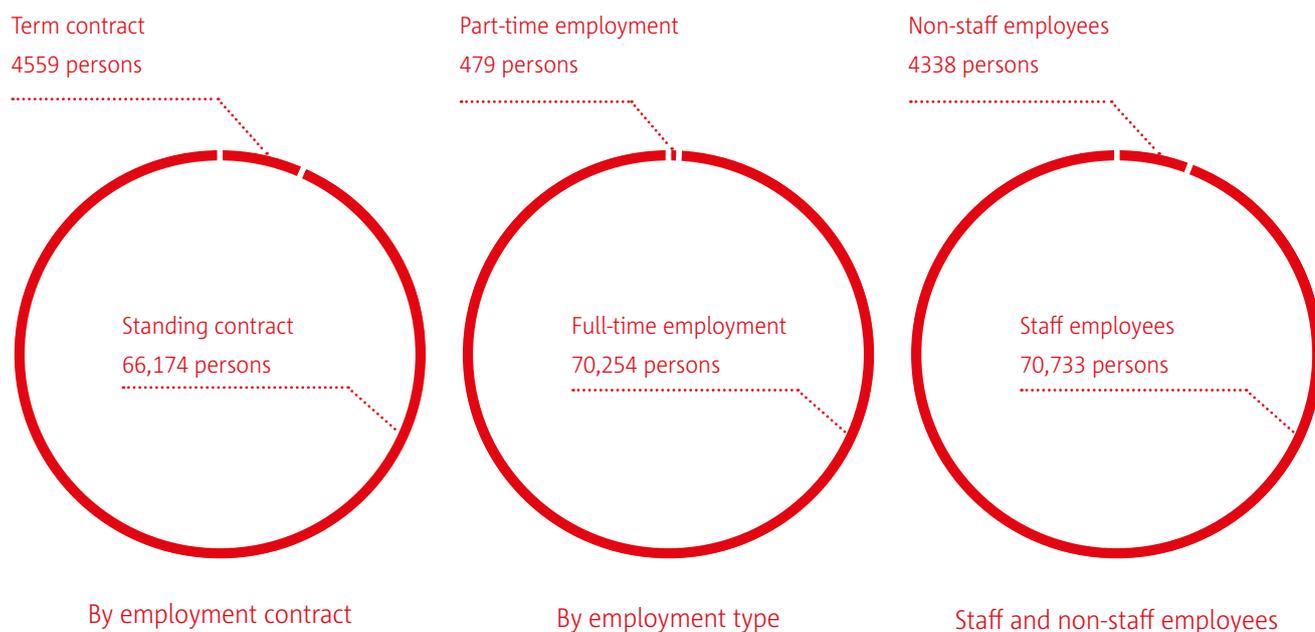
In 2015, the number of MTS employees amounted to 73,967 which is 7.9% more than in 2014 due to MTS Group restructuring.

Total Headcount

	2013	2014	2015	change: 2014-2015
MTS PJSC	30,800	31,051	30,879	-0.6%
TOTAL	65,963	68,549	73,967	7.9%

2015 MTS Group Personnel Structure

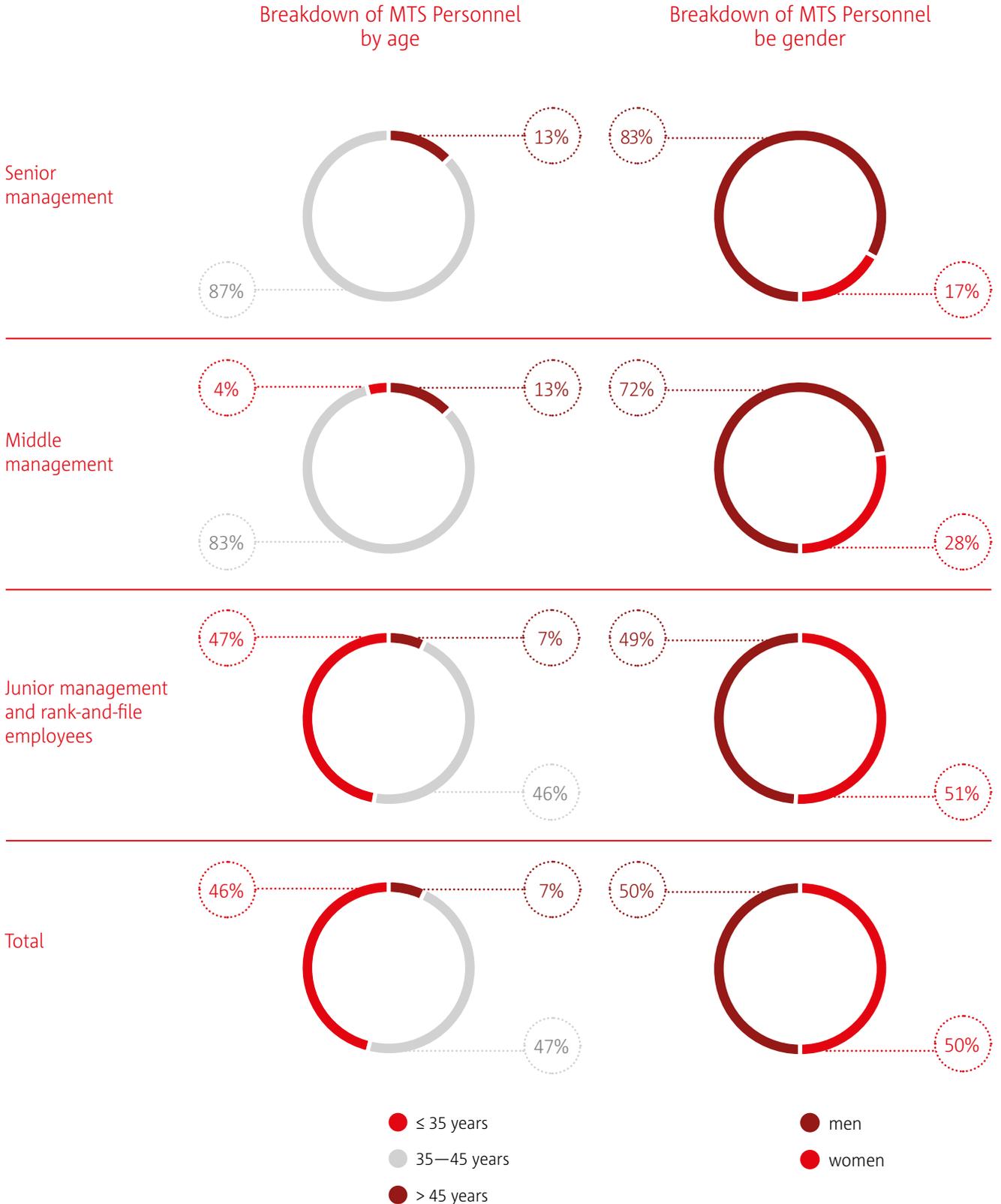
G4-10



¹ Unless otherwise indicated, the number hereinafter given does not include the employees working under civil contracts and outstaffed ones.

2015 Age and Gender Structure of MTS PJSC Personnel

MTS supports a gender- and age-balanced team structure. We are sure that this approach allows the Company to ensure the stability of the staff, a healthy corporate morale and maintain and share professional experience.





2015 Age and Gender Structure of MTS PJSC Personnel¹

	≤ 35 years		36-45 years		> 45 years		Total	
	men	women	men	women	men	women	men	women
Senior management	0	0	18	3	2	1	20	4
Middle management	18	7	350	144	59	19	427	170
Junior management and rank-and-file employees	6,187	8,093	7,292	6,689	1,403	594	14,882	15,376
TOTAL	6,205	8,100	7,660	6,836	1,464	614	15,329	15,550

¹ For MTS Russia

2015 MTS Group Personnel Breakdown by the Region, persons

	Group	MTS Russia	Russian subsidiaries	MGTS	RTC	Ukraine	Armenia	Turkmenistan	Uzbekistan
Women	35,232	15,526	747	3,842	12,826	1,201	520	331	239
Men	35,501	15,289	1,588	4,849	10,533	1,500	602	315	825

Employment of Local Human Resources

Whenever possible, we aim to provide jobs to local specialists in MTS host countries and regions. This approach is targeted at increasing the well-being of local communities through increased employment, and promoting economic growth in the regions. Over 90% employees of MTS are host region residents.

Percentage of top managers who are residents of presence regions

Presence region	%
Russia	92
Ukraine	100
Belarus	100
Armenia	100
Turkmenistan	100
Uzbekistan	0
Total:	94

Discrimination control

MTS does not allow any discrimination in the employment, work, professional or career growth of any person. We follow a principle of tolerance towards the ideological, religious, racial, physical, and/or personality differences of our employees. In hiring people with disabilities, we are guided by the applicable legislation of the Russian Federation and countries where we operate. We do not use child labor or forced labor. In recent years, no cases of discrimination on any grounds or incidents of child or forced labor at MTS or its suppliers have been recorded.

MTS bans discrimination and harassment, violence or threat of violence or another inappropriate conduct toward the Company's employees. We strictly adhere to the principle of equality and respectful attitude to all of our employees regardless of their

personal peculiarities: race, colour, gender identification, ethnicity, nationality, religion, age, disability, social or marital status, sexual orientation, culture and other personality characteristics protected by the law.

Staff Turnover

MTS is implementing a set of measures aimed at reducing staff turnover: we regularly monitor and analyze the reasons for dismissals to improve the situation. The Company also uses special adaptation programs for new employees, which have a positive impact on their relationship with the team, facilitate their introduction to the role and help employees fulfill themselves at a professional and personal level.

MTS is implementing a set of measures aimed at reducing staff turnover: we regularly monitor and analyze the reasons for dismissals to improve the situation. The Company also uses special adaptation programs for new employees, which have a positive impact on their relationship with the team, facilitate their intro-

duction to the role and help employees fulfill themselves at a professional and personal level.

Due to these measures, the MTS employees demonstrate high involvement and low staff turnover.

G4-LA1

Number and percentage of newly hired employees, staff turnover

Host Region	Number of hired employees, persons	Percentage of hired employees, %	Turnover, %
Group total ¹	5,629	15	11
Ukraine	359	13	11
Belarus	125	8	8
Armenia	41	4	6
Turkmenistan	79	12	9
Uzbekistan	440	41	11
Russia ¹	4,585	14	11

¹ Minus RTC and contact centers.

4.3. Motivation and Social Guarantees

Personnel Motivation

The Company operates a competitive payroll system consisting of fixed and variable parts. The compensations' and benefits' package is provided to Company's employees, which meets practices existing on the labor market.

The principles of competitive wages and fair remuneration lies at the heart of all staff remuneration systems at MTS. The Company uses an integrated approach to the system of staff motivation and applies the best international practices of pay that allow for objective evaluation of the performance of employees and MTS as a whole, and the motivation of employees to increase efficiency. The principles of payroll competitiveness and fair reward underlie every system of MTS personnel remuneration.

Financial incentives

The amount of a fixed part of the remuneration (official salary) is defined taking into account salary ranges established for each position category (grade) on the basis of labor market analysis in the host region and Company's Positioning Policy in respect of the labor payment market.

The variable premium part in the Company is represented by the incentive system which provides for clear and transparent principles of establishment target bonus sizes and calculation of its actual values on the basis of key performance indicators and

individual tasks fixed in evaluation forms of each employee. It depends on actual results and aims to stimulate the financial interest of all categories of employees in the continuous improvement of work efficiency to achieve the strategic, operational and financial objectives of the Company. The ratio of variable and fixed parts of total income is balanced for each position in accordance with its potential impact on business results. The more influence, the higher the proportion of the variable component.

The 2015, MTS salary averaged RUB 64,000 (including fixed salary and a bonus). The Company has a system of bonuses for employees engaged in sales and subscriber services. A distinctive feature of this system is the structure of income with a greater variable part and different frequency of payments. For the Company's employees responsible for direct sales, there exists a commission bonus scheme (direct sales interest).

In 2015, the United Personnel Service Centre was launched, which makes it possible to radically change the speed of basic operating service for the employees.

The 2015 MTS Group labor remuneration expenses amounted to RUB 54.6 billion, of which RUB 31.7 billion is the salaries, RUB 11.8 billion is bonuses, RUB 11.1 billion is insurance premiums.

All Company's employees participate annually in the performance evaluation procedure which includes both an evaluation of key performance indicators and the competence development level. Managers during the evaluation process provide an extended feedback based on annual work results, besides, following the

evaluation results a plan of developing measures is generated for employees, and key employees are defined, who are included in the MTS talent management program. In 2015, 95% of our employees have been officially evaluated for performance. The company plans to perform this evaluation in 2016, too.

Thanks to a qualitatively built personnel development system, 4 out of 5 manager's vacancies in the company are filled from in-house staff pool. And implementation of new advanced remote training platforms in 2015 will enable us to provide opportunities for employee's development with high quality and availability.

G4-LA11

Intangible incentives

We pay great attention to non-financial motivation. MTS implements the "Intangible Personnel Motivation" Policy, establishing the basic principles and areas of non-financial stimulation of the Company's personnel, as well as determining a set of measures focused on fulfillment of the employees' needs not directly related to monetary compensation.

Every year, we select the best employees, managers and project teams. Successes and achievements of MTS employees are regularly publicized in corporate print media and in the news feed of the corporate portal.

Social Guarantees

MTS provides its employees a broad compensations' and benefits' package focused on social protection of employees. We believe that enhanced commitments are necessary to provide additional social protection measures for employees, allowing them to feel comfortable and confident in any situation. MTS provides its employees with the full range of social guarantees established by applicable legislation, but not limited to. In MTS, all employee benefits fall into social and corporate ones.

G4-LA2

Corporate benefits (including cars and compensation of costs for their usage, mobile communication with a high spending limit, and compensations of relocation for work in another region) are provided irrespective of the work time duration or contract term. The benefits are given on the basis of the needs of the service.

Social benefits (including voluntary medical insurance (VMI) and health and accident insurance, additional payment for the sick list, financial aid) are given to all employees at their principal place of work except the employees hired under term labor contracts for periods of less than three months or working for less than one third of the standard work time.

The temporary disability-related additional payments are made regardless of the length of service in the Company, they do not depend on the work time or contract term.

In certain cases, any employee is entitled to financial aid. Such aid is provided with no preliminary conditions. MTS makes additional payments in addition to the standard statutory benefits for temporary disability because of illness and industrial accident or occupational disease, in the period of maternity leave, etc. In some cases the Company pays the housing rent. MTS also compensates for relocation expenses, thus supporting the employees' wish to migrate and develop.

In addition to the above compensations and benefits, the MTS employees are given opportunities for living a healthy life and going in for sports. All employees can take part in such events, as bike trips, sports competitions, days of health. Compensations for visits to swimming pools, fitness clubs or an opportunity to visit gyms and swimming pools rented by the Company can be received by the employees who have been with the Company for a certain period of time.



«Benefit Cafeteria»

Starting from the end of 2014, the pilot project of the Benefit Cafeteria program was implemented in MTS. Under this program the MTS employees were allowed to abandon one or two guaranteed benefits (sports program, voluntary medical insurance) and select other

benefits or services (the Foodcard or MTS shop certificate) which were more useful for them. The pilot project was found to be a success and, starting from July 1, 2015, the program was increased up to 30 cities/towns of MTS-Russia, including all Macro-Regional centers.

The benefits are not region-different except that an additional compensation to reimburse for the cost of travel to the vacation destination is given in the Extreme North regions and equated areas.

Besides, employees are allowed to take part in the Benefit Cafeteria program where based on employee's individual decision his set of benefits may be changed. Such an approach enables to qualitatively satisfy varying employees' needs with high cost effectiveness.

Medical service

MTS gives additional social protection to all employees by providing them with medical insurance and accident insurance. Every year we conclude voluntary medical insurance contracts with insurance companies, which enable our employees to get medi-

cal aid in state-of-the-art clinics. The voluntary medical insurance program covers the costs of ambulatory medicine, dental care, doctor calling and residential treatment.

Corporate pension fund scheme

We strive not only to provide for the present-day needs of our employees, but we also take care of their confident future. Pursuing the state pension reform, the Company is implementing a project of transferring the accumulative component of the labor pension from the RF Pension Foundation to the Sistema Non-

State Pension Foundation established with MTS participation in 2000. Our employees can expect to receive a non-state supplementary pension under the state program. As to supplementary corporate pension fund schemes, they were not implemented at MTS.

The 2015 Group costs of providing the personnel with social guarantees totaled RUB 828.7 mln, of which RUB 639.6 mln was voluntary medical insurance expenditures.

4.4. Personnel Development and Training

The high-quality and timely training of employees forms the basis of MTS personnel development. We invest tremendous efforts in the career enhancement and education of the Company's employees.

G4-LA9

G4-DMA

MTS applies a system training model which is based on Company's strategic objectives and human resources management objectives. The training system is also based on corporate values SIMPLE of MTS Group and requirements for employees' professional knowledge and skills.

The main task of corporate training in the Company is to assure overall development of employees based on the MTS key competences, generate required knowledge, skills and attitudes required for employees and managers for raising efficiency at the existing position, create a tool for development of candidates pool and successors to key positions, assure succession of unique knowledge and experience.

In 2015, MTS conducted a survey to assess the activity of the HR Management Unit, which confirmed a high level in respect to the factor "Training and Development":

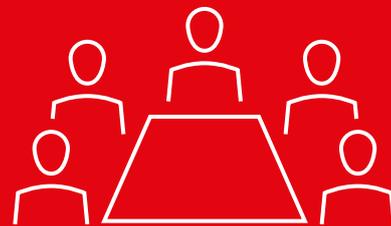
- timeliness (assessment of times of execution of processes, times of processing of documents, requests, applications, etc.) – 84.4%;
- client orientation (assessment of reply politeness and benevolence of question answering, problem solution proposal) – 85.2%;
- quality (assessment of service compliance with the Client's business needs) – 85.6%.

Also, according to AoN Hewitt's poll, the 2014 level of involvement by the factor "Training and Development" was 77%, as compared with the 2014 figure of 71%.



Our 2015 training hour figure was 38 hours of training per employee.

38
hours/employee



The total number of the trained employees was about 209,000 man-courses.

209,000
man-courses

Corporate university

The Company operates a Corporate University that sets the training standards and coordinates personnel training and development processes. Goals of the Corporate University also include building training systems for various functional divisions of the company. The mission of the Corporate University is to create development opportunities expanding people and business borders, for MTS confident future.

In 2015, the MTS Corporate University revised the strategy of distance training of the Company's employees. To form its basis, we took the world's best practices, focuses and subjects, proceeding from the analytical reviews of the past periods and from business requests. As a result, we developed an entirely new concept for launching the Virtual Academy training platform. In January 2016, the system was successfully launched.

Talent management comprehensive development program

The program differentiates three categories: manager successors, high-potential (Hi-Po) employees) and highly professional (Hi-Pro) unique-knowledge employees. A specific development plan has been prepared for each of the categories.

Based on the annual performance assessment findings, the immediate superior recommends the employee for participation in the pro-

gram or the employee himself/herself submits his/her application. The application can be submitted into one of the categories only. Traditionally the program involves 4% of the total personnel of the Company/Unit/region, the successors accounting for 15%, Hi-Pos, for 65%, Hi-Pros, for 20%.

From September 2014 to March 2016, 42 successors and 109 Hi-Pos occupied new positions. In April 2016, we started selecting employees for participation in the new, 2016–2018, program cycle.

Functional academies of the Company

- **Client Service Academy** for the client service employees;
- **Business Sales Academy** for the employees engaged in product and service sales to corporate clients;



«Virtual Academy»

In 2015, we worked on developing the Virtual Academy – an unique platform for individual personnel development. It is a training environment which combines all training formats: full-time training, distance training and external training.

In the Virtual Academy, the employees can find a ready-made training program for professional and personal growth, register, in just one click, for the training events of interest to them and recommend the courses they liked to their colleagues.

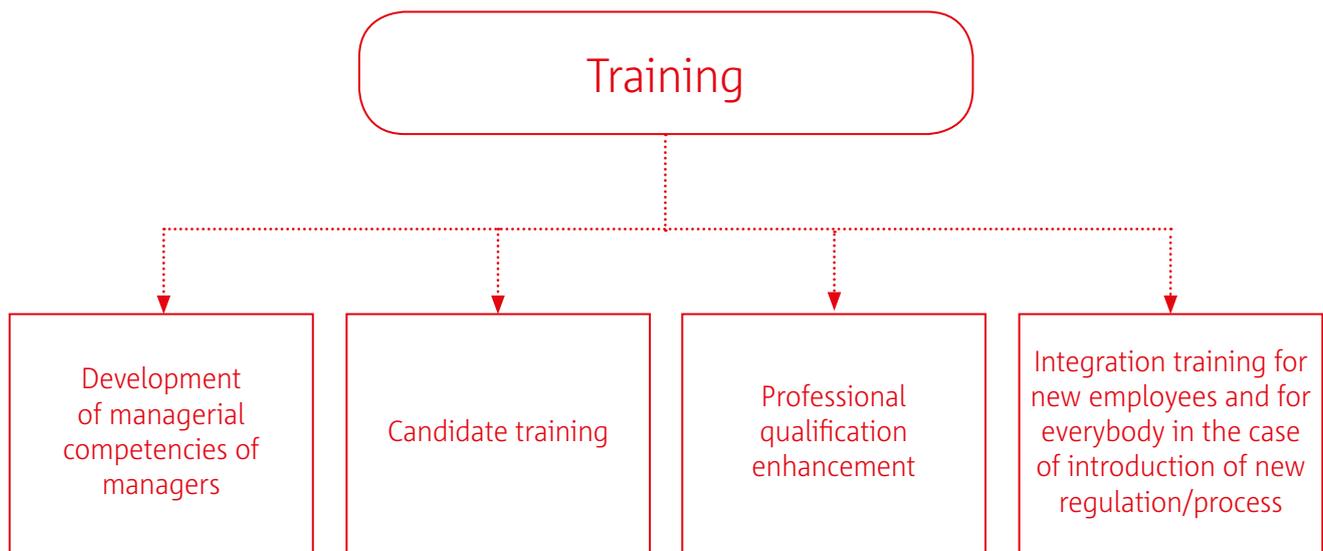
The managers have an opportunity to develop an individual employee development plan, assign ready-made programs to their teams and keep track of their academic progress.

Furthermore, the system has a social network of its own, where everybody can share his/her professional knowledge or useful information.

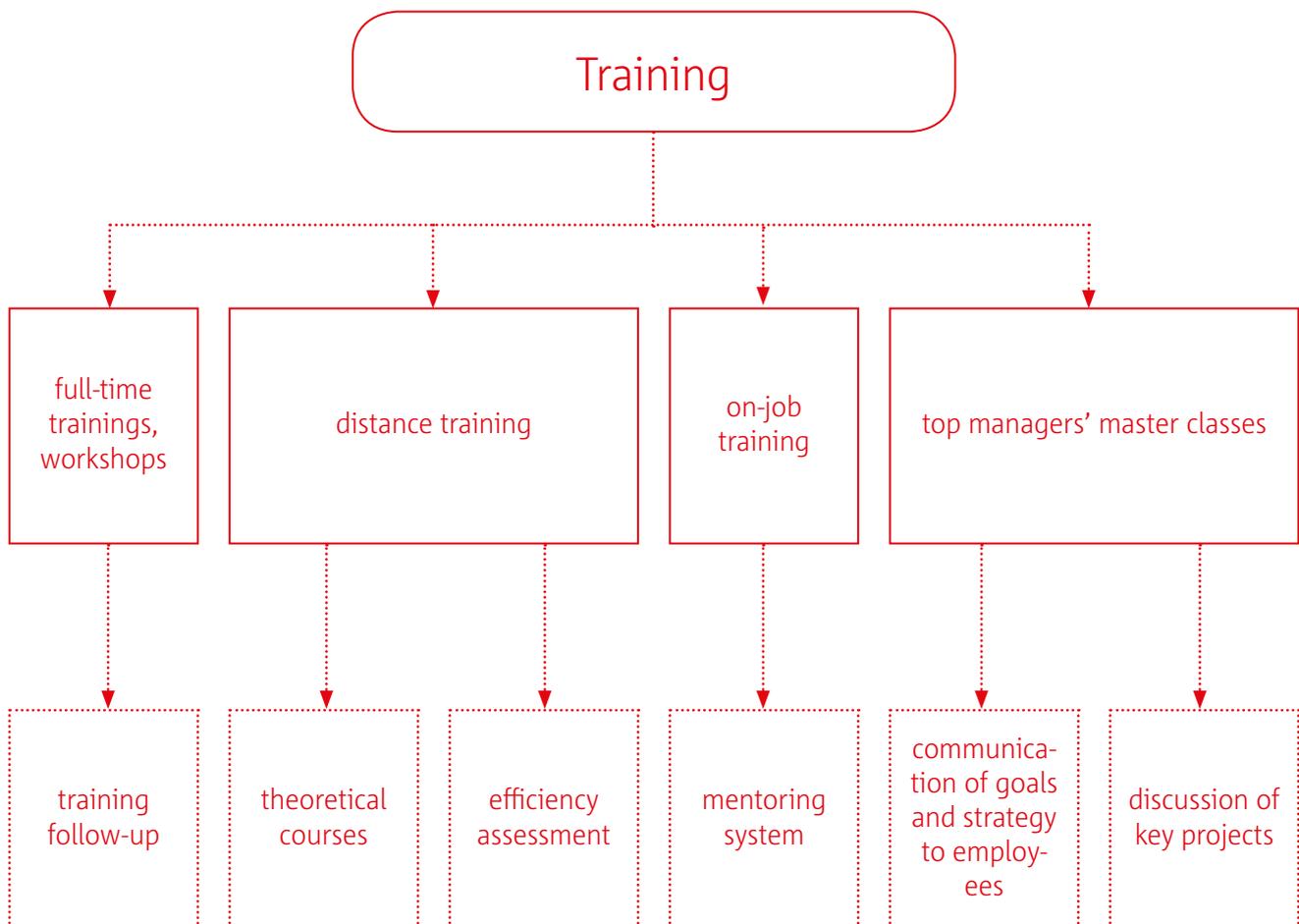
The Virtual Academy makes available a comprehensive library of the video courses developed specifically for our company's employees with the use of the world's best training practices. They are conveniently classified to enable everybody to select his/her way of development on his/her own. Marketing, communications, leadership, IT, health life-style, stress management – it is an incomplete list of the subjects available to the MTS employees. The course authors revise their trainings, add multimedia materials, interactive texts specifically for MTS, thus producing a complete course consisting of small modules.

The plan for 2016 is to develop the platform's narrow content for various target groups.

Personnel training and career enhancement tasks



Personnel training and career enhancement forms



- **Coach Mastery Academy** for development of the MTS Group coaches. The Academy is focused on professional development of the corporate and staff coaches of the MTS Group and translation of the uniform philosophy/policy/principles of training in the Company;
- **Leadership Academy** for high-potential employees of the MTS Group. The Academy's key tasks are to develop the management and communication skills in high-potential specialists;
- **HR Academy** for the HR Management Unit employees;
- **iMBA** for employees in the remote regions.

Personnel training and career enhancement is of following three types: internal training, external training and self-education. Depending on the existing goals and tasks, various forms and methods of training can be selected.



Starting from 2014, the Company operates the Woman in Business Club focused on supporting female managers. The club meetings are held bimonthly in two formats: face-to-face format and distance format.

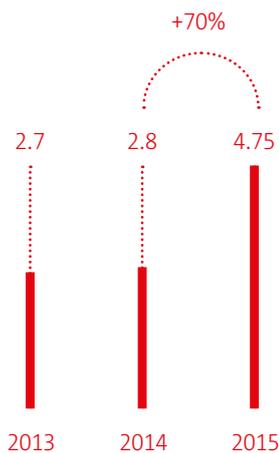


The detailed form and method description is set forth in the Our Employees section of the 2015 Annual Report.

According to the 2015 Corporate University results, all KPI targets were met. The total number of the trained employees was about 209,000 man-courses.

G4-LA9

Number of training days per employee



Number of trained employees of MTS PJSC, man-courses

Training type	2013	2014	2015
Internal training	33,926	44,391	40,048
External training	4 415	10,230	12,947
Distance training (SDTO + webinars)	92,199	76,920	155,924



Leadership Academy

The Leadership Academy project was launched 3 years ago. Starting from 2014, the Academies were launched all over the country and more than 150 employees entered them. The program is intended for developing high-potential employees of the MTS Group and combines engrossing training and work in cross-functional teams on the projects which are important for our business. The winning

team will go for internship in a foreign telecom company.

Currently, the program is conducted in all of the Macro-regions of Russia. The total number of participants is 220 persons, including the employees of the Retail chain of MTS and MGTSD. In 2015, the project was launched in Armenia and Turkmenistan.

Internal Training

Internal training is conducted by the following two departments:

- **Training Program Department**, which is responsible for management of internal training with the use of our own resources (development of soft-skills programs, training of internal coaches). The 2015 number of trainees was 40,408; the number of full-time courses was 551.
- **Training and Development Department**, which develops and implements comprehensive development programs for the Talent Management program participants (more than 800 persons), for the managers (more than 300 persons), develops mentoring and coaching, nonstandard training formats (the orators' club having more than 300 members, the women's club having more than 150 members, the book club having more than 200 members).

In the reporting period we increased the number of internal programs and distance courses, got more leadership, performance management, team management programs.

Distance Personnel Testing and Training System (SDTO) is gaining momentum. 282 new courses were added to the Distance Personnel Testing and Training System, including videos of webinars/video courses, etc. (3 times more than in 2014); each employee completed more than four courses in the SDTO system; in total 55,924 employees received training. 134 webinars were held, the number of viewings was over 27,000. Selection of interesting and urgent subjects for the employees, active participation of the Top-Team in webinars drew the employees' attention to the online trainings. The webinar popularity grew threefold. A stable tendency of preparation of mixed modular programs (supplementation of full-time trainings with online courses and webinars) emerged.

Facilitation

is intragroup interaction easement, which makes it possible to organize discussion and radically improve the quality of the decisions made.

Facilitation session

is a highly structured meeting whose participants walk through the predefined process steps to arrive at the result produced, understood and accepted by the entire team.

In 2015, 173 coaches were trained under the Coach Mastery Academy, the internal coach training program.

Furthermore, the MTS staff coaches were given team-building and facilitation technologies, which radically changed the approach to work with internal clients, enriched the set of coaching tools and made it possible to develop the personnel more efficiently and effectively.

In 2015, the "MTS Manager's Rules" were developed for the MTS managers, which include the basic principles of management in the Company, a program was conducted to instruct in these rules, 50% of the Company's managers received full-time training. Feedback workshops became popular as part of preparation for annual performance assessment.



English club

Starting from 2014, the English club functioned in the CC. In 2015, the employees began studying English in this format in all of the Macro-regions.

The meetings are held with the participation of the foreign teachers from the USA, Canada and United Kingdom. This format differs from standard language

instruction in that the Club members do not use textbooks and do not delve into grammar. The club aims primarily at developing the conversational skills of the people who have already got a stable knowledge base but who do not have sufficient language practice and who have to overcome the language barrier.



Distance courses

The Corporate University Department has developed a new distance course format. Now the courses on popular subjects will be available in the video format. The user will be able to download the video to his/her mobile gadget and view the record at convenient time, download presentations and other supplementary materials and listen to an audio version of the course. The trainings enhance professional skills and improve personality.

The course library has both video lessons on marketing, Big Data sales and the materials on emotional intelligence development, profiling and principles of healthy nutrition.

On the average, it takes about an hour to accomplish a course. The content is split into parts of 10 to 15 minutes, each part covering a certain aspect of the subject, containing tests and homework assignments. Such lessons can be watched during the week to prevent the training from interfering with the official duties. Some courses are grouped into subject lines by the complexity level. After the complete course is studied and the final test is passed, the employee gets a certificate from the MTS Corporate University.

Retail chain training

The On-Job Development pilot project has been launched in the MTS regional chain. The project time-frame was October 2015 – March 2016. Under the project, the office managers and head of office chains were taught to develop professional skills of their teams directly in working situations, to give feedback to their subordinates and plan development steps. The coaches trained the managers at trainings and followed them on in field work. The participants used specially developed methodological materials and correlated the professional growth results with the business indicators.

The pilot effectiveness was assessed by comparing the staff turnover with the figures for the operational divisions outside the

pilot and by comparing the employee's professional knowledge. The pilot demonstrated positive trends in respect to the employees' churn decrease and professional growth.

Since this work was found to be important and necessary, it was decided to introduce these tools throughout the chain. In 2016, the project is expected to be throughout the chain and all managers of the operational divisions and sectors will be required to use the MTS regional chain's mentoring tools. To enable the managers to use these tools properly, the Company's coaches conduct specialized management development programs.

External training

In 2015, more than 500 external training programs were used in the Company.

2015 biggest external training programs

New programs:

- Target project to train the employees of the newly established division (UFLNCC) in the Volga Macro-Region (Nizhny Novgorod) of the Fixed-Line Network Service Department;
- Program of training of Finance and Investment Unit, including the employees of the United Service Center (International Accounting Standards– the basic and advanced courses – and practical skills of their use);
- Teradata SQL training program for the employees of the Communication Marketing Unit, implemented due to transition to Teradata, a new analytical DBMS;
- MBTI-Based Business Communication regional manager training program.

Old programs:

- Master Program of MTS and the Higher School of Management of Innovations of the Lomonosov Moscow State University. It is a unique training program as it combines a fundamental theoretical basis and active training forms (solution of business cases, conduct of practical trainings, workshops and business games);
- English language study program (2 formats – the distance format and face-to-face format: group classes, conversational clubs).

New external training programs planned to be launched in 2016

- Program for development of and information & consulting support to the BigData Team (employees of the IT Unit and Marketing Unit) and the IT Team evolving new approaches to elaboration of our own IT solutions (From Waterfall to Agile IT transformation project);
- Training of the IT Unit employees administering the Corporate Center's hardware/software systems to use the Genesis software platform;
- Use of a mixed format to train the UNCC Technical Unit in collaboration with Huawei.

4.5. Staff Recruitment and Adaptation

MTS is continuously improving the HR selection tools, striving to hire the highest-class specialists and promising candidates. We are sure that only successful professionals are able to attain the Company's strategic objectives.

MTS operates a career portal rabota.mts.ru for job seekers, which presents the information on development, career ladders, corporate culture of the MTS Group. It also provides the information on various vacant positions: both for novices and for experts and managers. Any job-seeker who wishes to become employed in MTS, can respond to the vacancy of interest to him/her in the convenient format.

MTS seeks to recruit the best professionals in the market. In addition, the Company invests considerable amounts in the training

and development of its own staff. In the appointment, we must be certain that the person fits the position profile and will be able to achieve significant results in their work. The recruitment process at the Company is transparent to the greatest extent possible. The contest for the vacancy is open for both internal and external candidates. All information relating to a career at the Company, candidate requirements and the list of vacancies is available in the "Career" section of the official MTS website (www.company.mts.ru/career).

Recruitment of young professionals

The site rabota.ssl.mts.ru has a special section devoted to the information on "Work for the Young". It contains the information on vacancies and internships for young specialists, interns' and employees' success stories, the "MTS Success School" and provides a feedback channel.

MTS is a young Company, in which more than half of all employees have not yet reached 30 years of age. Every year, thousands of young people join our team, many of whom were students yesterday. The Company maintains an active dialog with young talents, preferring instead of the trivial approach the non-standard, innovative methods of communication, including business games at Russia's leading universities, personal growth courses,

participation in debates, master classes from MTS executives and joint projects with business schools.

MTS provides students and young professionals with the opportunity to go through summer internships and practical training in various departments of the Company. In total, in the context of internship, the Company cooperates with more than 50 higher educational institutions of Russia. The program lasts for two months or more, during which a trainee works with a mentor. A newcomer performs certain business functions and is engaged under a specific project, where he is really needed.

“Knowledge Festival”

On November 14, the first large-scale educational event called the “Knowledge Festival” was held. All of the MTS employees who wished to “replenish their knowledge bank” has a chance to spend their off day usefully and informally socialize with their colleagues. the event was attended by guests – colleagues from MTS Bank, Medsi, Detsky Mir (Children’s World), MTS Retail Chain, MGTS and other companies. The participants could select among interesting lectures by invited experts and business coaches, grouped into four subject units – “Self-Development”, “Health”, “Science and Technologies”, “Parents and Children” or hone their practical skills at master classes.



Adaptation of new employees

A special adaptation system has been developed for newcomers to the Company. In their first working day the novices are given the Welcome to MTS employee guide, which provides answers to the basic questions which may arise in the first days of work, as well as badges and stationery bearing the MTS logo.

All new MTS employees must take integrative courses:

- “Introduction to MTS” – a basic training course for new employees to introduce them to the Company’s business principles, history, organizational and corporate culture;
- “Introduction to GSM” – an ABC for each MTS employee, which contains engrossing lessons making it possible to learn everything about mobile communication.

The novices go through introduction to position, planning of adaptation and the probation period. After the probation period is over, the managers assess the performance of each employee and, in their turn, they receive the comments and proposals from

the novices. Then the HR Department reviews the new employees’ opinions on the adaptation process. As to the newcomers to the “Sales and Subscriber Service” division, they are supported by the mentoring system.

The MTS retail chain also has the Mentoring project. Essentially, it consists in that each experienced employee can become a mentor for a less experienced one regardless of his/her position. For example a specialist trains his/her assistant to take the specialist position, a sales office manager trains a specialist to become a sales office manager, etc. Direct interaction of the employees continues during further work. In 2015, we updated the mentoring program to increase the level of knowledge of new and old employees.

4.6. Occupational Health & Safety

MTS endeavors to ensure comfortable and safe working conditions for its employees. Personnel safety is the main component of corporate social responsibility of the Company. In the field of occupational health and safety MTS is guided by the laws of the Russian Federation, as well as international law and local regulations.

The Company operates a three-tier system of OSH management, focused on creating a safe working environment, prevention of occupational injuries and personnel training of safe work rules.

Labor protection activities carried out by MTS PJSC focus on:

- Ensuring the priority of preserving life and health in the workplace;
- Improving of the OSH management system;
- Timely training of managers and specialists on labor protection;
- Organization of preventive and regular medical checks of employees;
- Timely provision of employees with special clothing, footwear and other personal protective equipment;
- Organization of the production control and evaluation of the special conditions of employment;
- Ensuring the safety of production equipment and processes;
- Accounting and analysis of occupational injuries, organization of investigation of accidents and activities to prevent occupational injuries and diseases;
- Providing units with regulations, communicating the laws and regulations on labor protection to the employees;
- Promotion of occupational safety and health issues.

In January 2016, the analysis of the implementation of the planned activities on labor protection in the past year was performed. In total, MTS PJSC spent RUB 74.1 mln on labor protection measures in 2015 (in 2014 — RUB 66.5 mln).

In 2015 18,366 persons underwent external and internal health and safety training. Employees trained on health and safety are managers, experts, members of commissions on health and safety and other categories of employees. Various training systems are used for internal training on health and safety, including a remote health and safety training system of the MTS Corporate University. The Company provides training on first aid to persons injured at the production facility. First aid is a complex of actions focused on recovery or preservation of life and health of the injured. The main objective of training is practice of independent actions and behaviour of employees focused on preserving life of every injured, before arrival of rescue services.

One of the major trends in the prevention of occupational injuries and diseases is a special assessment of working conditions. This process allows to fully identify and objectively evaluate the harmful and (or) dangerous production factors and risks in the workplace, to plan the activities to improve working conditions. As of December 31, 2015, 20,525 workplaces (85% of the total quantity of workplaces) have been estimated in MTS Corporate Center and MTS PJSC Macro-regions, in 2016, special assessment of working conditions will continue. More information in the assessment findings is available on the site www.company.mts.ru/comp/social_responsibility/ocenka.

Personal protective equipment (PPE) plays an important role in the prevention of employee's direct exposure to harmful and

(or) hazardous production factors. MTS developed and approved norms of free issue of special clothing, footwear and other personal protective equipment to workers who are engaged in work with harmful and (or) dangerous working conditions. Timely procurement of certified PPE is provided, deadlines of wearing and testing of personal protective equipment are met. Properly organized safekeeping of PPE is ensured.

MTS employees engaged in work with harmful and (or) dangerous working conditions undergo preventive (at employment) and periodic (during work) medical examinations. The purpose of the periodic medical examination is a dynamic monitoring of the employee's health in the workplace, prevention and timely establishment of the signs of occupational and general diseases, and prevention of accidents. During the reporting period, MTS held preventive and periodic medical examinations of 2,989 and 8,758 employees, respectively. As a result of periodic medical examinations, 20 employees needed to be transferred to another job, and health resort treatment was recommended to 273 employees.

Particular attention is paid to the organization of MTS activities to prevent occupational injuries and diseases, to carry out preventive measures to manage occupational risks. For this purpose, various organizational and technical measures have been implemented for accidents prevention.

MTS has no official joint health and safety committees. The division managers of employees' representatives participate in monitoring and development of annual Plans of Labor Protection in Macro-Regions and Regions for the forthcoming year (10%) and in development of the List of measures to improve condi-

tions and protection of labor of the Employees, whose workplaces were put to special assessment of working conditions.

In 2015, six minor accidents and one severe accident occurred within MTS PJSC. It should be noted that 71% of accidents are due to falls of the injured as a result of personal carelessness, and 29% are due to road traffic accidents. Rate of occupational injury, which is characterized by a frequency rate of accidents, was 0.17, for comparison, in "Communication" industry it was 1.56. The accident severity rate was 16.28.

The 2015 occupational injury and working time loss rate was 0.03 and the lost day rate (LDR) was 0.49. The workplace absentee rate (AR) was 5.51. In 2015, no occupational diseases were diagnosed and no fatal accidents took place.

Vehicle drivers and technical specialists (work at height, work inside electric installations), which serve the communication network, belong to the category of high-injury workers. The health and safety issues are not covered in the official agreements with trade unions since such agreements do not exist.

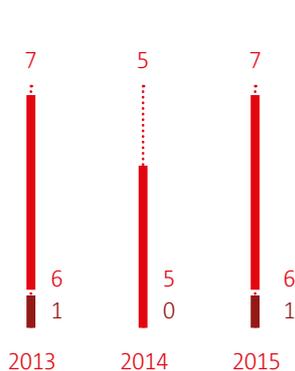
Annually MTS cooperates with the Social Insurance Fund of the Russian Federation (RF SIF) for financial support of preventive measures to reduce accident injury rate and occupational diseases of employees and health resort treatment of employees working with hazardous and (or) dangerous production factors, as well as to obtain discounts on insurance tariff for compulsory social insurance against industrial accidents and occupational diseases. In 2015 the total amount received from this work made 9.6 M RUB (in 2014 - 9.5 M RUB).

G4-LA5

G4-LA6

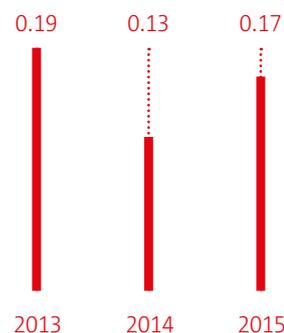
G4-LA7

Number of accidents in MTS



- Minor
- Severe

Accident Frequency Rate



Using the funds of the Social Insurance Fund of the Russian Federation:

- medical examinations were performed;
- overalls, safety shoes and other PPE were purchased;
- special assessment of labor conditions was made;
- health resort treatment was organized for MTS employees.

OSH management system in MTS has been recognized at the regional and district levels. In 2015, a number of MTS branches became winners of city and regional contests for labor protection.

A lot of attention is paid to promotion of labor protection issues, various forms of operation are used. Every year in April, in anticipation of the Global Labor Protection Day, various actions are taken to improve the labor conditions and protection of the Company employees, to prevent occupational injuries and diseases.

In the reporting year, the representatives of MTS and subsidiaries participated in the work of the first All-Russian Labor Protec-

tion Week in Sochi. The busy schedule of the All-Russian Labor Protection Week made it possible to participate in professional discussions, to study best practices and experience of colleagues, to learn about the main directions of labor protection law improvement, to get recommendations and answers to practical questions.

In order to motivate macro-regions and regions to achieve high indicators in the field of labor protection, in 2015 the review contest was held on labor protection for best labor conditions and protection among macro-regions of MTS. Activities of macro-regions and regions were assessed by 20 indicators. Winners of the review contest were: Branch of MTS in Altai Territory, macro-region "Siberia"; Branch of MTS PJSC in Smolensk, macro-region "Centre"; macro-region "Moscow". Two branches of MTS PJSC got the "Employer's Trust Certificate".

Every year the Company assesses the effectiveness of OSH management system based on quantitative indicators that objectively assess the degree of implementation of the labor policy. Assessment is carried out for each region. As a result of evaluating the OSH management system effectiveness, the analysis is performed, concrete measures on improvement of labor protection are planned.

4.7. Physical Culture and Sport

The Company continues to support the desire of its employees to lead a healthy life. MTS has corporate football, basketball and volleyball teams. The Company's personnel can participate in corporate competitions together with the members of their families and to take football, basketball, volleyball, swimming classes. Since the end of 2012, a sport program has been existing for the MTS employees, under which, depending on the region, the Company either leases swimming pool lanes so that its employees can go in for sports or compensates for subscriptions.

Every year the MTS Group holds sports competitions at the regional and federal levels to select the best sportsmen for participation in the Summer Sports Festival (Spartakiada Games) of the JSFC Sistema. MTS has been taking part in the Spartakiada Games for 13 years, customarily taking the prize places.

The Company holds the regular Mini-Football Cup of the MTS Group, the Health Day (a family sports festival), an annual beach volleyball tournament in Macro-Region "Siberia", a tourist jamboree in Macro-Region "South". Bowling, volleyball, chess, karting and table tennis tournaments are conducted. Also, regional Spartakiada Games and championships in football and other sports are held.

In 2015, the 8th Mini-Football Cup of the MTS Group was held in the Olympic Sochi. The tournament was the most representative as compared with the previous ones since it was an arena for 14 teams from Russia, Armenia, Belarus, Turkmenistan and Uzbekistan. It was won by the Belarus team who won the MTS Cup for the sixth time.

In 2015, the MTS employees took part in Spartakiada Games program and swimming, basketball, volleyball, football, table tennis, billiards, chess and karting sports events.



5 • Responsible Business

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5.1. Shareholder Structure

Shareholder capital structure

The Company's majority shareholder is Sistema PJSC, which owns 51.46% of the mobile operator's shares as at December 31, 2015.

During the 1st quarter of 2016, the shareholder capital structure of the Company was changed. On March 17, 2016, 67,995,335 ordinary shares in the form of 33,997,667 ADRs (3.29% of MTS authorized capital) which previously belonged to Mobile TeleSys-

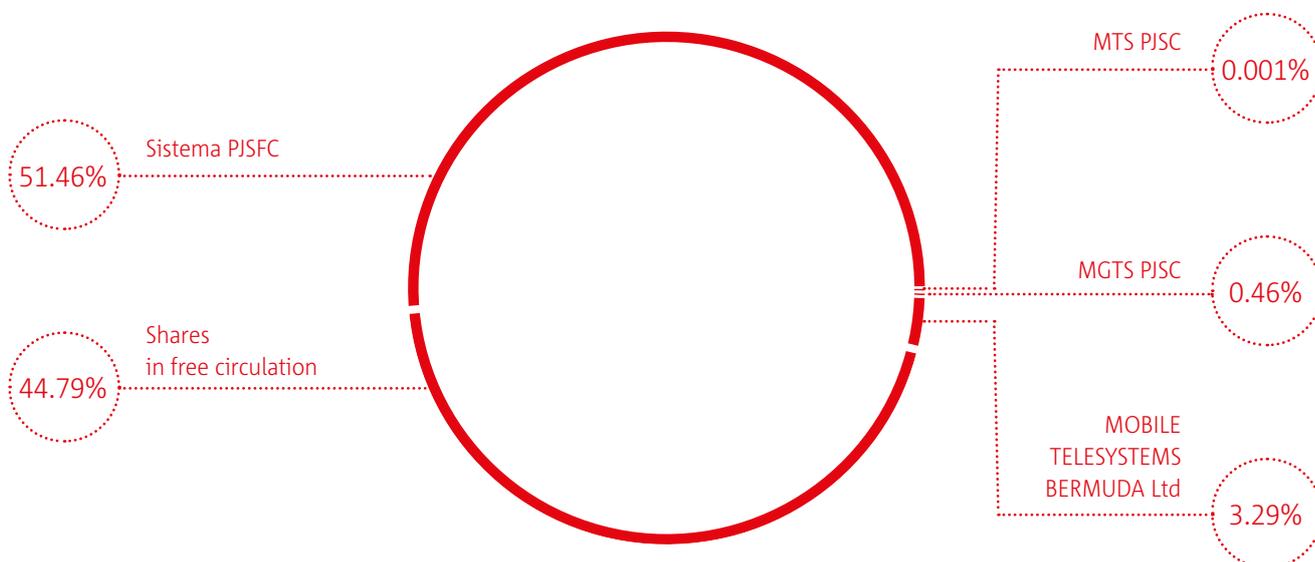
tems Bermuda Limited (100% MTS subsidiary) were transferred to a treasury account of MTS PJSC as part of asset distribution during liquidation of Mobile TeleSystems Bermuda Limited.



Detailed information on the shares and shareholder capital structure of MTS PJSC is available in the Annual Report for 2015, [Section "Capital and Securities"](#).

G4-13

Shareholder capital structure of MTS PJSC as of December 31, 2015¹



¹ The ownership interest of JSFC Sistema OJSC includes ownership interests of its following subsidiaries: LLC Sistema Telecom Assets (10.67% of shares of MTS PJSC) and Sistema Finance S.A. (10.00% of shares of PJSC MTS)

Vladimir Petrovitch Evtushenkov is a controlling person of JSFC Sistema JSC.

MGTS PJSC is a subsidiary of MTS PJSC.

0,001 % of shares bought out by MTS PJSC from shareholders of MTS PJSC as part of the obligatory buy-out procedure due to reorganization of MTS PJSC in the form of take-over of subsidiaries

MOBILE TELESYSTEMS BERMUDA Ltd (subsidiary of MTS PJSC) is the owner of ADR for shares of MTS PJSC.

Shares in free circulation include 10.46% of shares of MTS PJSC and ADR for 34.33% of shares of MTS PJSC.

Dividend Policy

Board of Directors and MTS executives understand that permanent stable dividends are the integral component of the investment appeal of MTS and profitability for the shareholders. Since 2010 MTS has paid in total over RUB 235 billion in annual dividends with average annual growth rate of 12% (at that, annual volume of payment grew by 69% from 2010 to 2015).

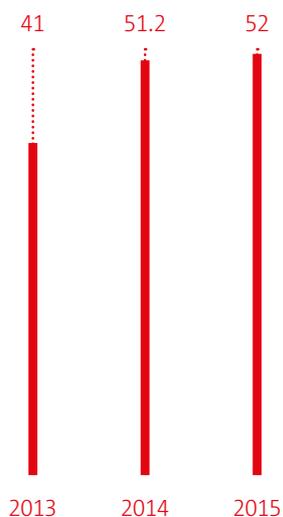


Detailed information on dividend policies and payment of dividends is available in the Annual Report for 2015, Section [“Interaction with Shareholders and Investors”](#).



Dividend payment statistics is available on the Company's website www.mtsgsm.com/information/dividends.

Dividend Payments by MTS PJSC, billion RUB



For the 2015 calendar year, MTS PJSC paid the record high amount of dividends

25.17 RUB

per one ordinary share (RUB 50.34 per ADR)

or in total

52 billion RUB

5.2. Corporate Governance

We aim to improve our existing corporate governance system, keep track of its effectiveness, implement the best practices in our business, and follow the provisions of the applicable Corporate Governance Code.

The MTS corporate governance system is based on the clear delineation of the governance bodies' responsibilities and respect for shareholders' rights and interests as well as on information transparency. MTS corporate governance relies on the provisions of the Russian legislation, but is not limited thereto - we are committed to developing our corporate governance with due regard for global best practices.

Key MTS corporate governance principles are:

- comprehensive protection of shareholder rights and interests;
- transparency of information on the Company's activities;

- controllability of the MTS Management Board activities;
- independence of the Board of Directors in definition of the Company's strategy, approval of business plans, other important decisions;
- centralization of decision-making on the key issues of activities.



Detailed information on the corporate governance system is available in the [Annual Report of MTS PJSC for 2015](#).

System of MTS PJSC Governance and Control Bodies

Governance bodies¹

General meeting of shareholders

Higher Governance Body of MTS PJSC.

Procedure for the General Shareholders' Meeting is focused on 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.

Board of Directors

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.

Board of Directors regularly addresses the issues related with the CSR development, charity and environment.

Management Board

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 MTS PJSC.

Management Board follows the Charter and the Regulation on Management Board of MTS PJSC in its activities.

President

One-person executive body of MTS PJSC.

He 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.

Andrei Dubovskov has been the President of MTS PJSC from March 5, 2011.

The President governs the Company's activities in accordance with the Charter and the Regulation on President of MTS PJSC.

¹ http://www.mtsgsm.com/about/corporate_governance/statutes/

Internal Control System

Auditing Commission

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.

Internal Control and Audit Unit

Internal Control and Audit Unit is an independent structural unit of MTS PJSC, consisting of: Internal Audit Department, Control Department, Administrative Control Department, and 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 Chairman of the Audit Committee under the Board of Directors of MTS OJSC, and administratively subordinated directly to the President of MTS PJSC. Its activities are regulated by the Regulation on Internal Control and Audit Unit.

Audit Committee under the Board of Directors

Audit Committee is a collegial deliberative body under the Board of Directors, which reviews matters related to control of functional efficiency of the risk management and internal control system and reliability of the financial statements of MTS Group, considers candidates and results of inspections of external auditors and ensures preparation of recommendations to the Board of Directors in order to take decisions on such matters.

Auditor

Independent estimate 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.

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 PJSC¹, and the requirements of legislation of the Russian Federation.

Company's shareholders take part in governance over the Company through decisions taken at the general meetings of shareholders. Shareholders may exercise a significant influence on business through the voting. In particular, powers of the general meeting of shareholders 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 related-party transactions as well as a number of other important matters.

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.

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



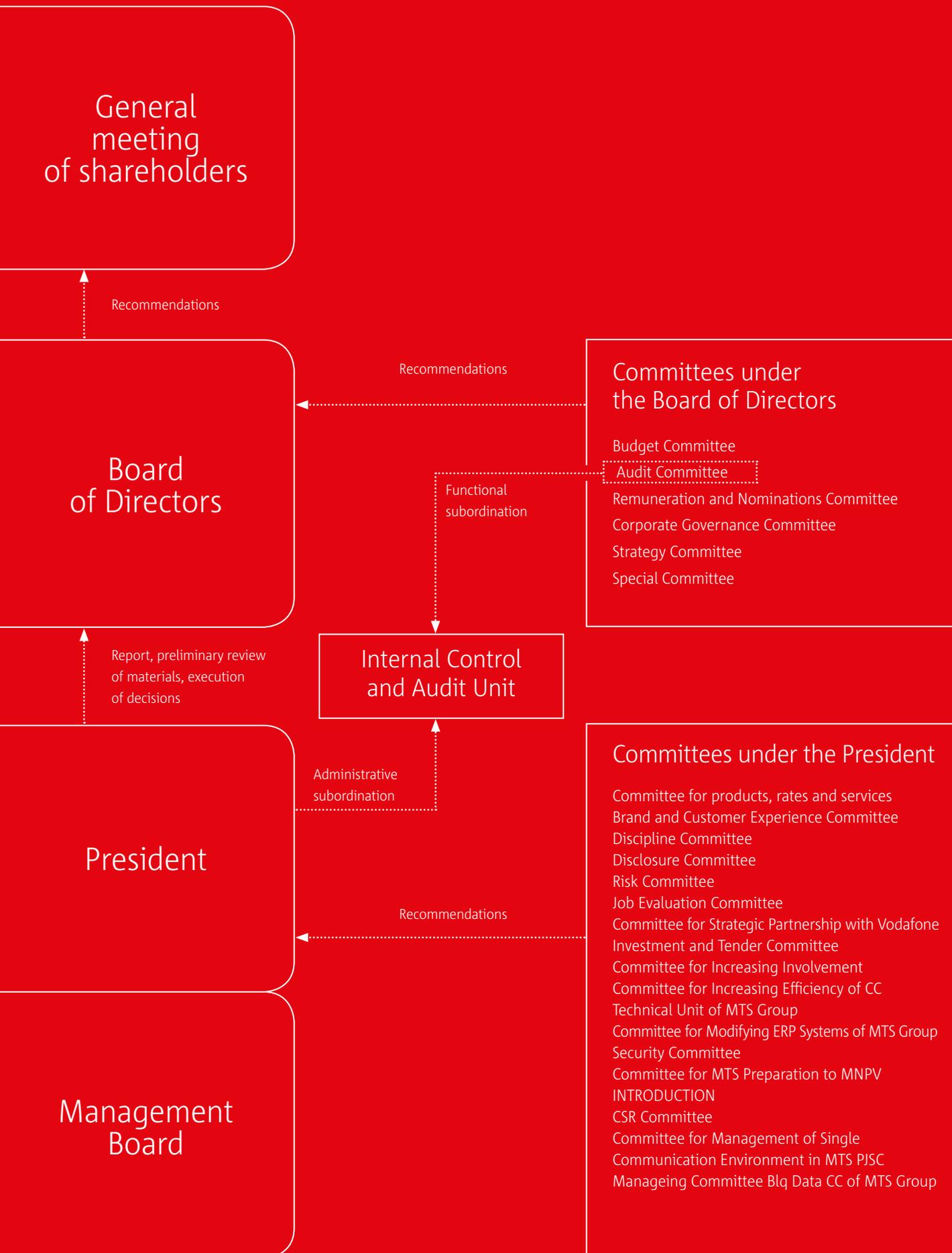
Detailed information on the General Meeting of Shareholders is available in the Annual Report for 2015, [Section "Corporate Governance"](#).

¹ www.mtsgsm.com/upload/contents/294/MTS_GSM_Regulations_2015_eng.pdf



MTS PJSC management structure in 2015





Board of Directors

MTS PJSC Board of Directors consists of nine persons. The current composition of the Board of Directors was elected at the annual General Shareholders' Meeting of MTS PJSC on June 25, 2015, and was in effect until the end of 2015 after the election.

New composition of the Board of Directors included Mikhail Shamolin (President of JSFC Sistema OJSC) and Regina Von Flemming (CEO of Axel Springer Russia Publishing House until October 2015).

For the Board of Directors to effectively perform its functions and make informed and reasonable decisions, the number of independent directors in the Board of Directors is more than one third.

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. The Board of Directors current independent members 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.

MTS shareholders can be confident that the Company is managed by one of the industry best teams having a deep understanding of both the telecommunication sector and the Russian market.

Chairman of the Board of Directors

Chairman of the Board of Directors is responsible for ensuring the effective operation of the Company's Board of Directors and its interaction with the Company's management bodies as provided in the Regulation on the Board of Directors.

During 2015, Ron Sommer performed the functions of the Chairman of the Board of Directors of MTS PJSC.

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.

¹ http://www.mtsgsm.com/upload/contents/294/MTS_BoD_Regulations_2015_eng.pdf



In 2015 Ron Sommer ranked among the "Top 25 Chairman of the Board" in the ceremony "Director of the Year 2015" National Awards

Committees under the Board of Directors

For the purpose of increasing the efficiency of decisions taken by the Board of Directors, making a detailed preliminary review of the most topical matters and preparing recommendations to that effect, the following committees operated under the Board of Directors as of the end of 2015: Budget Committee, Audit Committee, Remuneration and Nominations Committee, Corpo-

rate Governance Committee, Strategy Committee, and Special Committee of Independent Directors.

Each BoD member is also a member of one to three committees. Representation of MTS PJSC management in the committees allows for a meaningful dialog during the committee meetings.

Evaluation of Board of Directors' performance

The evaluation of Board of Directors performance acts as an efficient tool of corporate governance development and is focused on raising efficiency of Board of Directors performance.

mittee at the Board of Directors made a decision on the need for drafting a new methodology, for which an external consultant was engaged.

After adoption of the Code and conduction of the corporate governance audit of MTS in 2015 the Corporate Governance Com-

In 2016, self-evaluation of Board of Directors using a new evaluation methodology is planned.

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 PJSC¹.

shall not exceed USD 200,000, and the total amount of remuneration shall not exceed USD 500,000. More information on the procedure of accrual and payment of remuneration to Board of Directors members is available on the Company's website (www.mtsgsm.com/about/corporate_governance/statutes).

Board of Directors members are paid remuneration for their work, and the rate of such remuneration depends directly on the performance of the Board of Directors and results of the Company in general. In addition to the basic compensation, remuneration for the fulfillment of additional obligations and performance-based bonuses are paid to Board of Directors members. Additional obligations include participation in the work of BoD committees.

In 2015, remunerations paid to Board of Directors members, including compensations related with the performance of functions of a Board of Directors member, made a total of RUB 71,827,703.



Detailed information on the Board of Directors operations and remuneration paid to BoD members is available in the Annual Report for 2015, Section "Corporate Governance".

Bonus based on performance over the year is paid depending on the amount of MTS' capitalization, subject to profit under US GAAP standards. At that, year-end bonuses paid to the Directors

¹ http://www.mtsgsm.com/upload/contents/328/Statute_on_remunerations_final_eng.pdf

Composition of the Board of Directors as of December 31, 2015

Executive Director



Andrei Dubovskov

President, Chairman of the Board
Born in 1966
Board of Directors member since June 27, 2011
Citizenship: Russia



Independent Directors



Michel Combes

Born in 1962
Board of Directors member since
Feb.14, 2013
Citizenship: France



Regina Von Flemming

Born in 1965
Board of Directors member since
June 25, 2015
Citizenship: Germany



Stanley Miller

Born in 1958
Board of Directors member since
June 24, 2010
Citizenship: Belgium



Thomas Holtrop

Born in 1954
Board of Directors member since
Feb.14, 2013
Citizenship: Germany



Committees



Non-Executive Directors



Ron Sommer

Chairman of the Board of Directors
 Born in 1949
 Board of Directors member since
 June 25, 2009
 Citizenship: Germany



Aleksander Gorbunov

Deputy Chairman of the Board of
 Directors
 Born in 1967
 Board of Directors member since
 Feb. 14, 2013
 Citizenship: Russia



Mikhail Shamolin

Born in 1970
 Board of Directors member since
 June 25, 2015
 Citizenship: Russia



Vsevolod Rozanov

Deputy Chairman of the Board of
 Directors
 Born in 1971
 Board of Directors member since
 June 27, 2012
 Citizenship: Russia



President and Management Board of MTS

A key role in implementation of the selected strategy, organization 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.

During 2015 (from March 5, 2011), Andrei Dubovskov performed the functions of the President of MTS PJSC.

Management Board members in 2015:

- Andrei Dubovskov, President, Management Board Chairman;
- Mikhail Arkhipov, Vice-President, Human Resources;
- Kirill Dmitriev, Director, Moscow Macro-Region;
- Ruslan Ibragimov, Vice-President, Corporate and Legal Issues;
- Alexey Kornya, Vice President, Finance and Investments;
- Vasyl Latsanych, Vice President for Marketing;
- Vadim Savchenko, Vice-President for Sales and Maintenance;
- Andrei Smelkov, Vice-president for foreign companies;
- Andrei Ushatskiy, Vice President, Engineering and IT;
- Valery Shorzhin, Vice-President, Procurement and Administration.

Information about principles and system of remuneration of senior officials

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 fulfillment of key performance indicators (“KPI”) fixed in general for the Company for a corresponding reporting period as well as for fulfillment of functional individual tasks defined by the Board of Directors;
- The long-term material incentive program is focused on increasing the Company’s shareholder value as well as preserving long-term labor and corporate relations between the Company and its management.

Remuneration paid to the Management Board members in 2015, including cost compensation, premiums and other types of remuneration, made a total of RUB 552,105,349.



Detailed information on the principles and procedure of accrual and payment of remuneration to the Management Board members and senior officials is available in the Annual Report for 2015, [Section “Corporate Governance”](#).

Corporate Governance Development

We consider corporate governance as a condition of sustainable development and element of company's investment attractiveness. Thus, we are interested, above all, in qualitative corporate governance and build it not only based on requirements of legislation but also take into account recommendations of the Corporate Governance Code as well as Russian and foreign corporate governance practices.

In 2015, we continued the work on development of our corporate governance system. The audit of the Company's corporate governance completed at the start of 2015 confirmed the high level of corporate governance and degree of compliance with the principles and recommendations of the Corporate Governance Code.

Following the audit results we approved the Roadmap for implementation of Code recommendations in MTS, and started its enforcement. Most of the Roadmap activities were done by the end of 2015. The report on compliance with the principles and recommendations of the Corporate Governance Code is available in the Annex to the Annual Report for 2015.

In the reporting period, we also introduced a new institute of anti-monopoly compliance, new for Russian practices of corporate governance.



Details on implementation of the system see in [Section 5.4. Compliance and Business Ethics](#).

We positively assess the results we managed to achieve, however we do not settle for them. We strive to continuously improve our corporate governance in view of the experience and practices in the market, listing regulations and legislation changes. That is why our main goal for the next year is to continue implementation of Roadmap activities with regard to changing regulatory environment.

5.3. Risk Management

As of today, an efficiently operating risk management and internal control system focused on assuring reasonable confidence in achievement of objectives set in the Company was established in the Company.

Risk management is carried out in MTS Group within the accepted conceptual risk management frameworks (document “Company Risk Management. Integrated Model” of the Committee of Sponsoring Organizations of the Treadway Commission (COSO)). The integrated risk management process is functioning efficiently in accordance with the needs of the Group and international standards. Risk management policy aims to minimize unexpected losses from risks and to maximize capitalization, taking into account the relation between risk and return of investments acceptable to the shareholders and the management of MTS Group.

Risk Management Department of the Corporate Centre (RMD CC) assesses the most significant risks on the basis of long-term financial model and regularly conducts simulations for obtaining key financial indicators considering the risk and probability distributions of these indicators. RMD CC applies econometric techniques for the analysis of individual risks.

A report on the status of the MTS Group risks is reviewed quarterly by the Risk Committee, which discusses the key company risks and makes collective decision on the elaboration of measures for their mitigation.

Notification of the MTS Group management is carried out taking into account the whole risk spectrum to ensure the completeness, quality and comparability of the information provided for each level of decision-making.

The Board of Directors within its competence is liable for organization of the risk management and internal control system in the Company, including approved reports of Company’s executive bodies 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; annually reviews a report of the Audit Committee based on annual results with analysis of current control systems and discovered violations.



Detailed information is available in the Annual Report, [Section “Risk Management and Internal Control System”](#).

5.4. Compliance and Business Ethics

Compliance

The leading position of our Company in the market is largely determined by the size and scope of its activities, dynamic development and continuous differentiation of products and services for subscribers. Today, however, it takes more than just seeking to improve investment and operating efficiency to be a successful company. Prominence of our Company obliges us to support its reputation in a best possible way as a socially responsible organization for the state, our subscribers, shareholders, partners, and all stakeholders and the public. MTS for several years has been developing the corporate system of compliance with requirements of applicable legislation and business ethics – compliance.

The Company adheres to principles of compliance with requirements of applicable anti-corruption legislation¹ and business ethics in all business relations and irrespective of a world country, in which the Company performs its business activities. The Company fixed the principle of non-acceptance of corruption in any forms and occurrences both in everyday activities and when implementing strategic projects.

The compliance system in MTS PJSC sets forth measures focused on regulatory risk management, improving corporate culture of the Company, implementing and developing in the Company best corporate governance practices as well as standards of responsible business conduct relying on norms of applicable legislation, recommendations of regulatory bodies, industrial specifics and best practices in this area.

The compliance function is responsible for the preparation and implementation of the anti-corruption compliance program, conflict of interests management and update of the Code of Business Conduct and Ethics.

MTS PJSC introduced the position of the Director of the Compliance Department who is directly accountable to the President of MTS and responsible for the creation and implementation of full compliance functions within MTS and its subsidiaries.

¹ Anti-corruption legislation of countries, on the territory of which the Company performs its activities, Foreign Corrupt Practices Act 1977, The Bribery Act 2010.

October 23, 2015 marked the Company's first-ever corporate Ethics and Compliance Day. The employees from the regions across Russia participated in on-site and remote training sessions organized by the specialists of Macro-Regions Compliance Department and received answers to the questions of their interest in ethics and compliance.

Regulatory Documents:

- **The Code of Business Conduct and Ethics** (www.mtsgsm.com/about/compliance/corporate_conduct)

The Code of Business Conduct and Ethics (hereinafter, the Code) was updated in 2015.

The Code should be regarded as a document containing a minimum set of standards and requirements adopted by the Company in order to promote fair and ethical business practices and to prevent abuse. The Code defines the rules and standards that should be followed by the employees in their everyday work. In cases requiring application of higher standards than the accepted commercial practice, or regulations having greater legal force under the current legislation, MTS will use such higher standards.

The Code of MTS PJSC covers such topics as MTS and Employees, MTS and Clients, MTS and the Society, MTS and Laws, Feedback on the Code Violations, which formalize our responsibility before our employees, subscribers, shareholders, partners and all parties concerned, and the public. The Code is amended when and as necessary.

The Code applies to the Board of Directors members, senior management and all employees. All employees are responsible for compliance with the Code and are personally responsible for their actions. The business conduct and ethics standards set forth in the Code also apply to all the companies which are part of MTS Group.

- **Anti-Corruption Laws Compliance Policy** (www.mtsgsm.com/about/compliance/policy) applies to all employees and senior management of the Company and is a must-know for all new employees.
- **Conflict of Interests Management Policy** applies to all employees and senior management of the Company and is a must-know for all new employees. The document was substantially updated in 2015. In particular, the term “close relatives” was further defined, the principles of conflict of interests management supplemented with new ones such as a collective nature and deliberativeness with the procedure for their implementation described. Recommendations contained in the Bank of Russia’s Letter “On the Corporate Governance Code” of April 10, 2014 were taken into account. Also, the new annex citing the examples of conflicts of interests and best options for their settlement was prepared.

Compliance System Core Elements

- Company’s management actively demonstrates its commitment to compliance principles as well as supports efforts for implementation and assurance of operation of the corporate compliance system (tone from the top).
- The Company regularly conducts measures for discovery and subsequent updating of corruption risks paying special attention to risks specific for its activities, regions of operations as well as potentially vulnerable business-processes.
- The Company develops and implements anti-corruption procedures reasonably and proportionally meeting the level and nature of discovered risks.
- The Company implements and maintains the program of training of its employees and members of management bodies in principles and standards of compliance with applicable anti-corruption legislation by means of a specially developed training system. The Company by means of informing and training contributes to the increase of the level of corporate culture, awareness of anti-corruption and business ethics issues.
- The Company exercises monitoring of efficiency of implemented procedures for corruption prevention, monitors compliance and, if required, improves them.
- The Company established criteria for defining the need for inclusion of an anti-corruption clause in the text of a contract, which take into consideration the risk level both depending on contract party category and on the type of established relationships.
- For the purposes of minimization of the risk of Company’s involvement in corrupt practices, the Company developed due diligence procedures both in respect of contract parties – legal entities (including members of joint ventures, companies or associations) and in respect of individuals with whom the Company plans to enter into a labor contract or a civil law contract. The due diligence procedure is also applied if the Company acquires a stake in some legal entities.
- The Company established the procedure for preliminary control as well as the reporting system and subsequent analysis of the most risky transactions in terms of compliance, including, but not limited to, in the area of granting, implementation of representation expenses, organization

of measures, corporate social responsibility, procurement, marketing, sales, M&A transactions etc.

- As part of internal control procedures the Company conducts inspections of the discipline of execution of the established procedure for implementation of business processes, including inspections of lawfulness of executed transactions with Company’s assets.

- The Company operates a single hotline (the line of the internal control and audit unit control&audit@mts.ru) for the employees to notify of noncompliance with the MTS PJSC Compliance with Anti-Corruption Legislation and Conflict of Interests Management Policies. When sending messages to the single hotline, employees may not specify their data (e-mail) for feedback. Bona-fide claimants are provided by the Company with protection from any forms of persecution or discrimination.

Informing and Training

The MTS applicable policies are brought to the notice of employees when they are employed by the Company and sign an employment agreement. Each employee familiarizes himself/herself with the binding policies and regulations, including the Compliance with Anti-Corruption Legislation and Conflict of Interests Management Policies, and the Code of Business Conduct and Ethics, and signs an acknowledgement form, and all new starters (100%) are therefore kept informed.

All members of the governing bodies (included in the Moscow Corporate Center) are informed of the anti-corruption policies and methods and regularly attend training sessions. The Com-

pany’s management is certified for compliance with the Code of Business Conduct and Ethics and Compliance with Anti-Corruption Legislation Policy on an annual basis.

Contractors familiarize themselves with the MTS Code of Business Conduct and Ethics, the Supplier’s Code and the Compliance with Anti-Corruption Legislation Policy, and, at the stage of delivery of tender documents, sign a certificate whereby they agree to observe the requirements of the anti-corruption laws.

The Company has a system of values in place, serving as a basis for the competence model which includes, inter alia, compliance



competences since 2014. Along with the accomplishment of corporate KPIs and individual tasks, the level of competence development is taken into account in the performance evaluation of MTS employees. These competences are defined in terms of behavioral indicators which may be observed, measured and developed.

The Company has a compliance training system in place which includes compulsory e-courses and full-time training sessions as well as optional awareness sessions, speeches and participation in the Company’s internal conferences on various aspects of compliance for the purpose of keeping employees informed of the legal requirements and internal policies and procedures binding upon each MTS employee.

E-training consists of two training courses: The Code of Business Conduct and Ethics (launched in 2013) and Compliance with Anti-Corruption Legislation (launched in 2014), which must be attended by all new employees as well as by the current employees, irrespective of their position, on a bi-annual basis.

The Code of Business Conduct is the fundamental training course in compliance with the Company’s rules and requirements, including anti-corruption requirements. This training course was

updated in 2015 to match with the recent version of the Code, the new course launched for all employees of the Company.

E-training

Training Program	Number of Employees Who Completed Training	
	2014	2015
In the Code of Business Conduct and Ethics	4,134	10,846
In anti-corruption compliance	5,915	13,101

The Compliance Department together with the Corporate University Department regularly keeps track of timely completion of training by the employees and keeps the Company’s top management informed. In 2015, 2,385 persons, including top management, attended training sessions.

Compliance system development results in 2015

The project for the independent performance evaluation of the MTS PJSC corporate anti-corruption compliance system with the involvement of a third party consultant was implemented. The purpose was to review conformance of the MTS anti-corruption compliance system to the requirements of applicable anti-corruption legislation and the world best anti-corruption practices.

The project included:

- evaluation of the compliance system elements,
- performance analysis of anti-corruption review procedures and their implementation,
- availability of framework anti-corruption documents, the “tone from the top” procedure.

The project of independent evaluation of compliance risks by divisions in their specific business processes (evaluation of “from bottom to top”) with methodological support of the Compliance Department was implemented. Based on project results the compliance risk map was updated, control update scheduled for two processes. The procedure for independent evaluation of compliance risks by business divisions will become annual and will be automated.

A number of system-important compliance procedures was reviewed and improved, regulatory documents were refined, including, proposals for modification of the procedure for contract

party auditing for the purpose of its optimisation and implementation of a risk-oriented approach were drafted, the current version of the Code of Business Conduct and Ethics of MTS PJSC etc. was updated.

The work towards further development of the culture of bona fide behavior and encouragement of reporting of suspected violations via hotline calls continued. In particular, the initiative to hold the first corporate Ethics and Compliance Day was implemented.

Regular measurement of the discipline of execution of compliance procedures and controls through quarterly monitoring in high risk areas was put in place. The number of violations tends to decline compared with 2014. During 2015, data of 28 situations was checked and reviewed by experts for conflicts of interests (Col). 7 actual Cols and 9 potential Cols were settled.

The work towards the compliance system implementation in the new subsidiaries and affiliates UMS in Uzbekistan continued in accordance with the plan approved earlier.

Active development of compliance systems in subsidiaries and affiliates of MTS continued. The Company pays special attention to compliance development in jurisdictions with high country risks. Under the compliance system development strategy in the entire MTS Group of Companies the implementation program includes companies newly entered into MTS Group.

Compliance Awards in 2015

Director of the Compliance Department of MTS PJSC won the ICA Compliance Award 2015 “For Promotion of Compliance Practice”. MTS’ achievements in the development and promotion of the

best compliance practices won public recognition of the International Compliance Association experts in Russia.

Compliance development plans for 2016

- Implementation of the best compliance practices, study of success stories of large international companies, feasibility analysis of their implementation within MTS Group;
- Corporate culture improvement and raising the degree of consciousness that would serve as a universal internal control for each employee in making business decisions (a long-term objective);
- Implementation of projects for development and distribution of the best practices:
 - Participation in the international Project Committee ISO PC/278 for the development of the international ISO 37001 Anti-Bribery Management Systems standard;
 - Participation in the National Technical Standardization Committee TK 123 for the development of GOST Anti-Corruption Corporate Management;
 - Participation in the OECD and MICEX’s initiative for the establishment and operation of a corporate management and business ethics development club of companies;
- Assure compliance with ISO 19600 Compliance Management Systems: development of a uniform compliance policy that establishes a consistent compliance risk management approach, coordination of development and implementation of all compliance programs based on a uniform compliance system development principle;
- Full or partial automation of a number of compliance processes; counterparty inspection optimization.

Anti-Corruption

In 2015, Russia improved its position in terms of corruption and, with the score of 29, ranked 119th of 168 countries included in the index, according to a survey by Transparency International¹. Corruption was at a comparable level in Sierra Leone, Guyana and Azerbaijan. “If Russia’s current position is compared with the result of the previous years, the country’s total score improved by only two points, and its significant improvement in the index is due to the dynamics in a number of other countries,” the survey says.

G4-DMA

Consolidated efforts of the authorities, business and population are needed to reduce corruption in the country. We are convinced that one should always start with oneself, and for this reason MTS is doing its best to mitigate corruption risks, leveraging the most advanced anti-corruption measures based on the anti-corruption laws of the countries in which the Company operates. Fundamental documents regulating the anti-corruption requirements within MTS are the Code of Business Conduct and Ethics and the Compliance with Anti-Corruption Legislation Policy. In addition, anti-corruption law enforcement procedures are set forth in the Company’s business process regulations.

MTS has the anti-corruption compliance function in place to implement the compliance system that establishes the standards of personal responsibility for decision-making, including review of actions for their corruption nature, as well as initiators themselves and their line managers.

G4-15

Anti-corruption practice development results in 2015

New versions of the internal anti-corruption regulations were prepared, approved and put into effect:

- The Anti-Fraud Policy² specifies the underlying anti-fraud principles and defines a regulatory and organizational framework for fraud prevention, detection, minimization and (or) response at MTS PJSC;
- Regulations of the Counterparty Information Review process define a framework for the preparation and implementation of the counterparty information review procedure;
- Regulations of the Internal Investigation process define the procedure for the identification of events, circumstances, persons guilty of violating the requirements of the labor and civil laws and the Company’s regulations; signs of violations of the applicable criminal and administrative laws of the Russian Federation, anti-corruption legislation, legislation on counteracting the abuse of insider information (to the extent applicable to the activities of MTS PJSC Group and/or its employees) and antimonopoly legislation; determination of the causes and conditions which have contributed to the violation or pecuniary damage to the Company.

¹ gtmarket.ru/news/2016/01/27/7287

² Communications fraud means intentional, including fraudulent, actions committed by third parties through the use of communications in order to illegally receive the services and use the resources of the client and/or the communications service provider without intention to pay, to obtain unauthorized access to the client’s and/or service provider’s confidential information, including for the purpose of financial gains, as well as other actions focused on causing damage or other harm to the client and/or the service provider. Such actions include, but are not limited to SIM card cloning, hardware cracking and international PRS traffic generation, unauthorized access to subscribers’ personal areas for the purpose of defrauding subscribers out of money, unauthorized international traffic termination.

On March 19, 2015, MTS joined the Anti-Corruption Charter of the Russian Business and entered the Consolidated Register of the Charter Members.

The Anti-Corruption Charter of the Russian Business was signed by the leadership of RSPP, Russia's Chamber of Commerce and Industry, PO Business Russia and OPORA ROSSII on September 20, 2012 at the 11th Investment Forum in Sochi with the participation of Russian Prime Minister Dmitri Medvedev.

The essence of this document is that businesses should implement dedicated anti-corruption programs and practices that affect not only the situation within companies, but their relationships with business partners and the government as well.

The implementation of the Compliance with Anti-Corruption Legislation Policy included the following activities:

Organizational and legal activities:

- Improvement of the procedure for the prevention of corruption risks typical of the Company's activities;
- Audits of the Company's business areas related with the highest corruption risk;
- Interaction with the Compliance and Control department on a regular basis;
- Interaction with the law-enforcement and regulatory bodies in anti-corruption matters on a regular basis;

In the area of HR policy:

- Additional employee checks were conducted when appointments to higher-ranking senior positions were considered;
- Polygraph testing was made for the employees engaged in procurement as well as during filling of positions most exposed to a corruption risk;

In the area of procurement and asset management:

- Support and control of competitive procedures, contracting and procurement;
- Audits of financial and business operations, performance of contracts and investment projects;
- Due diligence on contractors during procurement procedures in order to identify signs of a conflict of interests and minimize purchases from the sole supplier;
- Review of the use of assets, including real property, for the statutory purposes.

In the area of operations on financial markets:

- Regular monitoring of compliance with authorization requirements to access insider and sensitive information.

No corruption in charitable projects

MTS implements charitable programs in accordance with the MTS Charitable Activities Policy and Regulations of the Charitable Project Organization and Implementation process. These documents define a framework for planning and implementation of charitable activities, including compliance procedures, and a plan of actions necessary to organize and carry out charitable projects at the federal and regional levels. The same documents contain the exhaustive list of charitable assistance circumstances and requirements to the documents necessary to keep detailed records of charity-related expenses, including the requirement to

submit a detailed report on spending MTS funds for the intended purpose.

For the purpose of corruption risk prevention during the implementation of charitable projects, all such projects are subject to approval in the Oracle E-Business Suite system that ensures that all required persons are covered by the approval chain. If government officials are involved in the implementation of charitable projects, such projects are subject to additional approval by the Compliance Department. The Compliance Department exercises

post-control of compliance with the procedure and requirements for the implementation of charitable projects within quarterly monitoring. Should any violation be revealed, the Compliance Department notifies the performer's chief thereof and makes recommendations on disciplinary actions in order to prevent violations in the future.

No instances of corruption were revealed at MTS in the reporting period. There are no legal actions related to corruption practices against MTS or MTS employees.

Informing on Anti-Corruption Policies and Methods

Prior to entering into contractual relationships, all the Company's potential contractors shall be subject to mandatory check, including for signs of compliance risks, and shall also familiarize themselves with the MTS Code of Business Conduct and Compliance with Anti-Corruption Legislation Policy. For any legal entity

to be admitted to the Company's procurement procedures prior to entering into an agreement, this legal entity shall fill out a Questionnaire Form showing the aspects and degree of this legal entity's observance of the applicable anti-corruption legislation.

Anti-Corruption Clause in Agreements

Depending on the type of the contractor and the agreement made, we propose to sign a supplementary agreement known as the anti-corruption clause which specifies the contractor's obligation not to participate in corruption schemes. The rules of inclusion of the anti-corruption clause are set forth in the Contracting Regulations, define the criteria for determining it necessary to insert the anti-corruption clause in agreements based on the type of the contractor and the type of expense, and describe the types of expenses. Control of inclusion of the anti-corruption clause is via the electronic contract approval system Oracle E-Business Suite at the stage when the agreement is created by the performer. Based on the specified type of expense,

the system determines automatically whether such clause needs to be inserted in the agreement or not. That said, our contractors have the right to make changes in the anti-corruption clause or propose their version thereof which is subject to approval by the Compliance Department.

To minimize the risk of the Company's involvement in corrupt practices, MTS has developed due diligence procedures in respect of contractors, both legal entities and individuals. These procedures also apply to the extent the Company buys ownership stakes in any legal entity.

Anti-corruption policy development plans

Efforts towards further development of the anti-corruption policy as part of the compliance system improvement will be continued in 2016. We will continue to further improve the standards and regulations in order to make the business processes more

transparent, and to develop anti-corruption monitoring mechanisms to add value to the steps taken to prevent corruption at MTS.

5.5. Transparent Procurement Procedures

Procurement management is intended to maximize the Company's business expansion, achieve the full satisfaction of the client's needs and offer the best value for money.

MTS builds its relationships with suppliers based on the principles of good faith, integrity and transparency. To that end, we enhance our sound business relations both within the Company and with our contractors.

Procurement at the Company is in accordance with the special policy developed as required by regulatory authorities and is focused on the efficient use of monetary resources and improvement of competition and transparency. Equal access to procurement procedures is achieved through offering equal competitive opportunities and common rules for all those engaged in a procurement procedure prior to the initiation thereof. The MTS Procurement Rules and Code of the Supplier's Business Conduct are available to any supplier on our website in the Procurement section tenders.mts.ru.

The Company approved the Code of MTS PJSC Supplier's Business Conduct (www.dealers.mts.ru/partn/purchases/kodeks) describing the minimum standards expected to be observed by suppliers. Apart from good faith and integrity, the Code highlights the significance of compliance by suppliers with environment protection laws.

Any tender is prepared in detail by a category purchasing manager. A statement of work and evaluation criteria are specified in working with the client, and it is checked to ensure that no terms tailored to a specific tenderer are offered.

E-mail addresses of the lines for supplier feedback are available on MTS website to obtain information about the terms of participation in procurement procedures and prevention of procurement violations:

- buz@mts.ru is the line of the Procurement Management Unit, part of the Single Hotline, used for sending messages about the delivery of products made and services rendered as well as about participation in procurement procedures. Messages

received are handled by the employees of the Strategic Development and Procurement Planning Department.

In 2015, the line received 460 messages from the current and potential suppliers (average 9 messages a week). All the messages were handled, our partners received comprehensive answers on the message subject.

- control&audit@mts.ru is the line of the Internal Control and Audit Unit, part of the Single Hotline, used for sending messages about violations in procurement activities. Messages about violations in procurement activities received by this line are handled by the employees of the Control Department.
- tendersmail@mts.ru is the e-mail address for suppliers' questions and navigation in the Procurement Procedure Newsletter Opt-In System on the Procurement portal.

This e-mail address receives average about 30 messages a week from the current and potential suppliers. Our partners are given advice on all questions and receive help in working with the Newsletter Opt-In System.

For the purpose of improvement of customers' procurement competence, MTS developed a dedicated "Procurement Guide" in the form of an interactive training course with game elements. The course introduces to the procurement process, provides easy navigation in the full range of issues and facilitates guidance in regulatory documents in an exciting game form.

Procurement portal is the system for posting and sending notifications of procurement procedures and is used for registration of suppliers and posting of information about the commencement/prolongation/closure of open and closed procurement procedures.

IT system improvements are currently in the works in order to engage additional suppliers – small and medium-size business (SMB) entities. Bidding in certain categories will be held only among SMB entities, enabling to enlarge the range of engaged suppliers from among SMB entities.

In 2015, MTS completed the deployment of OracleSourcing, the IT system module enabling the Company to hold 100% of procurement procedures electronically. OracleSourcing is the integrated ERP solution that enables complete automation of the sourcing process, including holding of electronic auctions on the own electronic trading platform.

Total purchases made in 2015 electronically amounted to over RUB 99 billion. Average efficiency of holding procurement procedures was 11% at the level of MTS Russia, 6.7% at the level of MTS Ukraine, and 9.2% at the level of MGTS.

Procurement activities of MTS' foreign subsidiaries in 2015 were integrated into the MTS single procurement process. MTS PJSC representatives are members of local tender committees, except for Uzbekistan where MTS PJSC representatives are members of the Supervisory Board due to the specifics of the local legislation.

In 2015, the Procurement Management Unit of the MTS Corporate Center participated in local procurement by subsidiaries and affiliates in order to achieve additional saving through the implementation of the Corporate Center approaches in host countries, transmission of price conditions, unification of requirements to equipment/services purchased and consolidation of the scope of needs at the level of the parent company MTS. The Procurement



Management Unit of the MTS Corporate Center participates in the procurement process in Armenia and Belarus with procurement estimated at over USD 250 thousand, in Turkmenistan with USD 10 thousand, and in Uzbekistan with USD 200 thousand. The Company relies on the Purchase Price Determination Principle according to which the purchase price shall not be higher than prices for Russia, logistics cost included. In 2015 in total, the Procurement Management Unit of the MTS Corporate Center participated in more than 120 procurement procedures of MTS subsidiaries and affiliates.

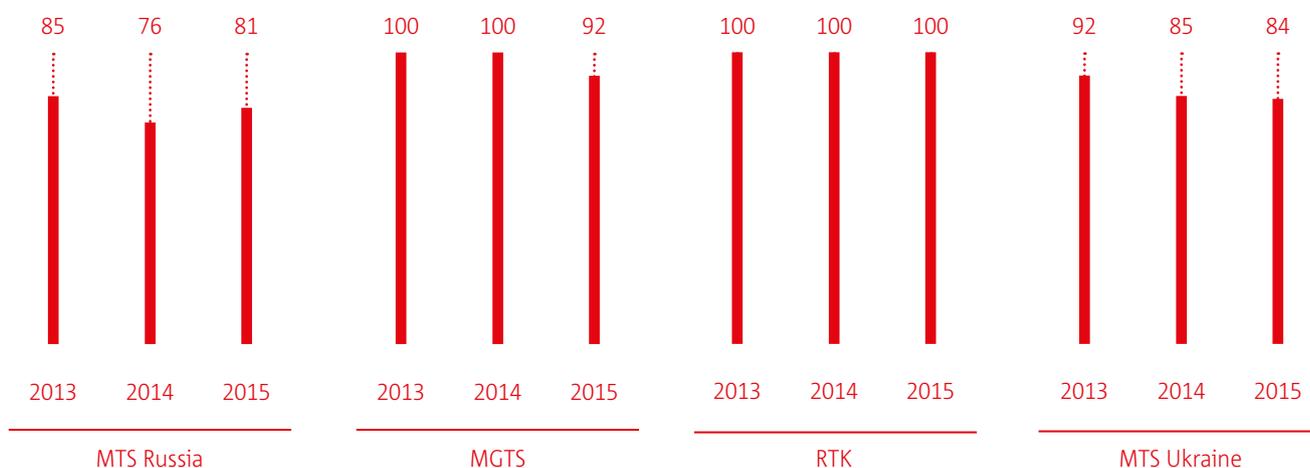
We always aim to buy services and products of local suppliers, thereby promoting economic development in the regions and countries in which MTS operates.

An annual supplier survey known as Voice of the Supplier covering 47 representatives of MTS suppliers was held in 2015. This process is part of the MTS PJSC Supplier Management System and a way of developing relationships with suppliers.

The NPS (Net Promoter Score) methodology, the one similar to the Annual Supplier Evaluation 2015 methodology, was used for the Voice of the Supplier survey in 2015. Based on the answers given by each supplier, NPS was calculated to show how much

G4-13
G4-12
G4-EC9

Share of Local Suppliers, %





Joint Procurement

For the purpose of the strategic partnership agreement between MTS and Vodafone, the companies participate in the global programs of joint network and customer premises equipment purchases, thereby enhancing the operating efficiency of business

processes and strengthening positions on the host markets.

MTS also carries out joint procurement with JSFC Sistema, adding significant value to procurement activities.

the percentage of those who would recommend the brand, its products and services is higher than the percentage of those who would criticize those.

Based on the results of the survey in 2015, total NPS Grade A (Excellent) for MTS PJSC increased (NPS 2015: 85.53) compared with 2014, if recalculated as appropriate (NPS 2014: 79.90).

Despite the high total NPS for MTS PJSC, the survey revealed a number of areas for the development of MTS as the client as reflected in the plan of actions focused on optimization and improvement of MTS operations.

The Supplier Client relationship satisfaction model was developed based on the findings of the Voice of the Supplier survey and due to the shift to the NPS methodology in 2015.

This model was developed using the NPS mutual cross-evaluation method by comparing two NPS indices:

- NPS measured based on the findings of the Voice of the Supplier survey – the evaluation of MTS PJSC by suppliers.
- NPS measured based on the findings of the Annual Supplier Evaluation – the evaluation of suppliers by MTS PJSC.

This model provides insight into the Supplier Client mutual cross-evaluation and helps identify critical deterrents to effective and mutually beneficial cooperation between supplier companies and MTS PJSC.

The 2015 relationship satisfaction model demonstrated a high level of satisfaction from both parties.

Actions to increase transparency of procurement procedures and mitigate corruption risks associated with procurement activities in 2015

A compulsory course of online training in “The Code of Business Conduct and Ethics of Public Joint-Stock Company Mobile TeleSystems” was updated;

Compulsory in-person training in compliance for the Company’s management, including a review of business units’ functional risks;

The Code of the MTS PJSC Supplier Business Conduct was modified to include the following:

- requirements to observe the Code standards by any supplier, including management, employees, contractors, subcontractors and agents;

- requirements to observe by Suppliers of the principle of no conflict of interests;

- wishes to suppliers in respect of notifying MTS of grave violations as regards compliance with the standards specified in the Code of the MTS PJSC Supplier Business Conduct.

The 2015 Major Results

Enhanced efficiency of minor procurement management: measures were implemented to reduce small purchases through the use of catalogues, conditional outsourcing, etc.

Active integration of procurement activities with MTS Group's foreign subsidiaries and cooperation with JSFC Sistema companies. 2015 saw the expansion of partnership with MTS-Bank in Marketing, IT and Services & Facilities, while a TV transaction made jointly with Ozon, Detsky Mir and Concept Group provided two-digit saving to all the parties to the transaction.

Further implementation of measures to reduce exchange risks by using exchange clauses, receiving additional discounts, advances and deferral of payments.

Acceleration of procurement procedures: a pilot project for the simultaneous approval of the agreement and open FX position was implemented. The result unveiled opportunities for reducing the approval period by up to 20%.

Further development of the Inventory Management project: inventories were reduced by 60.5% during 12 months of 2015.

A course "Interactive Procurement Guide" with the description of all main procurement processes was prepared and posted to the MTS internal portal to increase the quality of communications with the client.

G4-DMA

Competition

G4-SO7

We are sure that bona fide and fair competition is instrumental in sustainable development and growth of the economy, therefore MTS always opposes any form of obstruction of competition and aims to fully comply with the anti-monopoly legislation of the countries in which MTS operates.

In 2015, MTS Group companies were involved in over 30 anti-monopoly proceedings relating to the application of Federal Law "On Protection of Competition". The cases at law were violations committed (by both MTS Group companies and third parties) on various markets (mobile wireless communications, granting access to the infrastructure, etc.).



Among others, MTS PJSC participated in the anti-monopoly proceedings initiated by FAS Russia against T2 Mobile Ltd. in the case of the breach of the anti-monopoly legislation consisting in the distribution of information prejudicial to the business reputation of MTS PJSC during the promo action called The Season Open held at the special website <http://zahvost.ru>.

As a result of these proceedings, the actions of T2 Mobile Ltd. were recognized as an act of unfair competition contradicting Paragraph 1 of Part 1 of Article 14 of Federal Law "On Protection of Competition". Upon examination of the whole of the evidence available in the case files and with due regard to the opinion of the FAS Russia's Expert Council on the application

of the anti-monopoly legislation relating to unfair competition, FAS Russia Commission resolved that the defendant's actions as the sponsor of the promo action "The Season Open" focused on sparking subscribers' interest in the services rendered under the Tele2 trademark were intended to gain advantages in business by discrediting competitors and developing a negative client experience with the services of mobile communications operators already operating on the market of such services. In such case, the image of Tele2 as an "honest" operator is persistently formed in clients in contrast to other "dishonest" players in the market of mobile wireless communications, though this view is totally biased and is not supported by any specific facts.

5.6. Information Disclosure

MTS always aims to conform to the international legal standards. It means above all that all internal processes and relationships both with counterparties and within the Company are well-regulated and transparent. 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 information disclosure system developed with due regard to the requirements of the Moscow Exchange and New York Stock Exchange listing rules is effective and provides for the observance of the transparency principle.

MTS PJSC tries its best to consider interests of investors and shareholders and to establish trustful relationships of MTS with partners through the improvement of transparency and openness of Company's activities.

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, and at the official website of MTS: for shareholders³ and investors⁴, as well as in iOS application⁵.

We also publish at our official website some other information. Sections "For investors and shareholders"⁶ and "Corporate Governance"⁷ include 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 iTunes⁸.

Maintenance and development of the effective dialog with equity market participants require a constant involvement of Company's managers. MTS representatives regularly participate in inter-

national conferences, hold road shows and meetings with investors, organize days of analysts.

Publication of financial results according to quarterly statements is carried out with phone conferences involving MTS managers. Published financial statements are supported by presentation materials for better coverage of achieved results and presentation of the Company's strategy.

MTS strives to continuously improve interaction with investors and shareholders, using the experience of other companies and monitoring the latest legislation changes and advanced standards in this area.

In case of question related to MTS activities the investors may contact the services on interaction with shareholders and relations with investors. Information on responsible representatives of relevant business units and their contacts is available in the Annual Report for 2015, Section "Interaction with Shareholders and Investors".

The information resource known as Single Hotline is in place to promptly respond to feedback from clients and counterparties and increase employees' loyalty to the Company. Feedback topics cover a wide range of issues relating to the activities of MTS and its subsidiaries, enabling employees and counterparties to have exhaustive information on the topics of their interest.

¹ www.sec.gov

² www.disclosure.ru

³ www.company.mts.ru/comp/ir/control/data

⁴ www.mtsgsm.com

⁵ itunes.apple.com/gb/app/mts-investor-relations/id928385820?mt=8

⁶ www.company.mts.ru/comp/ir

⁷ www.company.mts.ru/comp/ir/control

⁸ itunes.apple.com/ru/app/godovaa-otchetnost-gruppy-mts/id919440557?mt=8

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Recognition of Achievements

Ranking/Contest/Award	Achievement	Arranged by
Corporate Awards		
International awards in PR, branding and reputation management 2015 SABRE Awards	Generation M joined the top-5 finalists and became the winner in the In2 SABRE category "Gamification/User-Generated Contests"	The Holmes Report, the world's leading source of PR analytics
2015 Runet Awards	Generation M became the winner in the category "Culture, Mass Media& Mass Communications"	Russian Association for Electronic Communications and Coordination Center for TLD. RU/.РФ.
Corporate Charity Leaders 2015	MTS is the winner in the category "For Information Openness", Generation M became the winner in a special category "The Best Program Unveiling Corporate Charity Policy and Principles of Corporate Social Investment"	Donors Forum, PwC, the international auditing and consulting group, and Vedomosti newspaper
Supplier of the Year 2015	MTS won the Supplier of Telecommunications and Communications Services award	Interregional Non-Profit Organization "Moscow Association of Entrepreneurs" and the Russian Chamber of Commerce and Industry
Khrustalnaya Garnitura	MTS won the Best Collection Team and Seller of the Year awards.	Call Center Guru Professional Community
Russian national competition "Best Corporate Media"	MTS' corporate magazine "Zaprosto" became the winner in the category "In-house Magazines", radio station Prosto Radio won the Radio award	The Russian Association of Communication Directors and Corporate Publishing
Effie Awards	MTS received bronze awards in the category "Telecom, Internet & Other Communications Services" for its campaign "#DelayInternet with unlimited plan SmartNonstop from MTS" prepared byBBDO, MOSAIC, and in the categories "Media Idea" and "Engaged Community" for its MTS in Dance campaign.	EffieWorldwide, RosBusiness-Consulting CJSC

Ranking/Contest/Award	Achievement	Arranged by
Time of Innovations 2015	Telecom Idea won in the category "The Best Innovation Promotion and Development Project"	
Competitive Procurement Leader	MTS became the winner in the category "The Best Supplier Relationship Management System"	B2B-Center, an electronic trading platform
Annual competition "For active corporate information disclosure policy"	MTS won the 2015 awards	News agencies Interfax and AK&M
The VII Russian national competition "The Top-10 Public Sector IT Projects. Educational & Health Care Institutions"	The project Children Teaching Adults won in the category "The Best Media Project in Education"	The Ministry of Communications and Mass Media of Russia and COMNEWS Group of Companies
The Moscow Times Awards 2015	MTS cross-media project #WowMoscow became a finalist in the category "For Contribution to Live Improvement", the Good Deed charity event arranged by MGTS became the winner in the category "Corporate Social Responsibility Project of the Year"	The Moscow Times
Kotler Awards	MTS is the winner in a special category "For giving the technology brand a new social and humanitarian twist" for MTS rebranding You know that you can.	Philip Kotler
Comnews Awards	MTS became the winner in the category "Leader by Annual Revenue from Communications & Broadcast Services".	COMNEWS Group of Companies
The 2nd Russian national AKMR ranking "TOP-COMM-2015"	The PR Department of MTS joined the top-5 PR and corporate affairs departments	The Russian Association of Communication Directors and Corporate Publishing
HR Awards and MTS Team Achievements		
Annual HR project contest "HR Brand Awards"	MTS won the Start of Career award.	HeadHunter Group of Companies (hh.ru)
	MTS won the nomination "Big heart" with the project Generation M and became the most socially-oriented employer	HeadHunter Group of Companies (hh.ru), YUM! Company (KFC, PizzaHut brands)
	MTS was acknowledged with special award "For contributing to the development of HR-branding", which is bestowed once in 10 years	HeadHunter Group of Companies (hh.ru)

Ranking/Contest/Award	Achievement	Arranged by
Best Employers Study 2015	MTS received international Aon Best Employers Study certification.	International HR consulting company AON Hewitt and its Russian partner AXES Management
People Investor	Integration contest RegiON won the 2015 awards.	The Russian Managers Association
MTS Executives Awards		
Media Manager 2015	Elena Kokhanovskaya became the winner in the category "For Contribution to Sector Development".	The Russian Association of Communication Directors and Corporate Publishing
Director of the Year	Ron Sommer became the winner in the category "The Best Chairman of the Board of Directors".	The Association of Independent Directors
Annual National Awards "Success. Corporate Counsel of the Year"	Ruslan Ibragimov was the Achievement of the Year prize winner.	The Russian Corporate Counsel Association
TOP 1000	A.Ushatsky was the winner in the Best IT Director category, V.Latsanich was the winner in the Best Marketing Director category	The Russian Managers Association
The TOP-1000 Russian Managers ranking	The ranking included MTS top-managers: A.Dubovskov, M.Arkipov, R.Ibragimov, V.Savchenko, V.Latsanich, A.Ushatsky, M.Kalinin, E.Kokhanovskaya, V.Shorzhin	The Russian Managers Association and Kommersant Publishing House

About this Report

Dear friends, we are proud to present the 8th Sustainable Development Report of the Mobile TeleSystems Group for 2015. The previous report was published in 2015. MTS publishes its non-financial reports on an annual basis.

Every year we improve the quality of our reports reporting, since we understand that the process of preparation of sustainable development reports covers a number of strategic and operative tasks, namely:

- understand the total volume of main impacts of our company on economics, environment and society
- identify opportunities for business development and risk minimization

- identify areas for improvement of the company's management system
- raise the degree of employees' involvement in business processes and engagement of motivated specialists
- boost innovations and elaborate optimum solutions
- improve reputation, raise partner and client loyalty, deserve respect among local community
- obtaining competitive advantages.

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Principles of reporting

The MTS Group compiled its sustainable development report in accordance with the GRI G4 Sustainability Reporting Guideline, best domestic and international practices, as well as a pilot version of the Appendix for the telecommunications industry. In

addition, the social report incorporated the comments and recommendations of the Council of the Russian Union of Industrialists and Entrepreneurs on non-financial reporting, which had been given during approval of 2014 social report.

Material aspects

The approach to determining of materiality and of performance indicators

In accordance with international guidelines GRI G4, the core of preparing a sustainability report is a focus on the process of identifying material aspects based on the Materiality Principle¹.

The procedure for determining materiality comprises the following:

- List all possible material aspects that are related to the specifics of the telecoms industry.

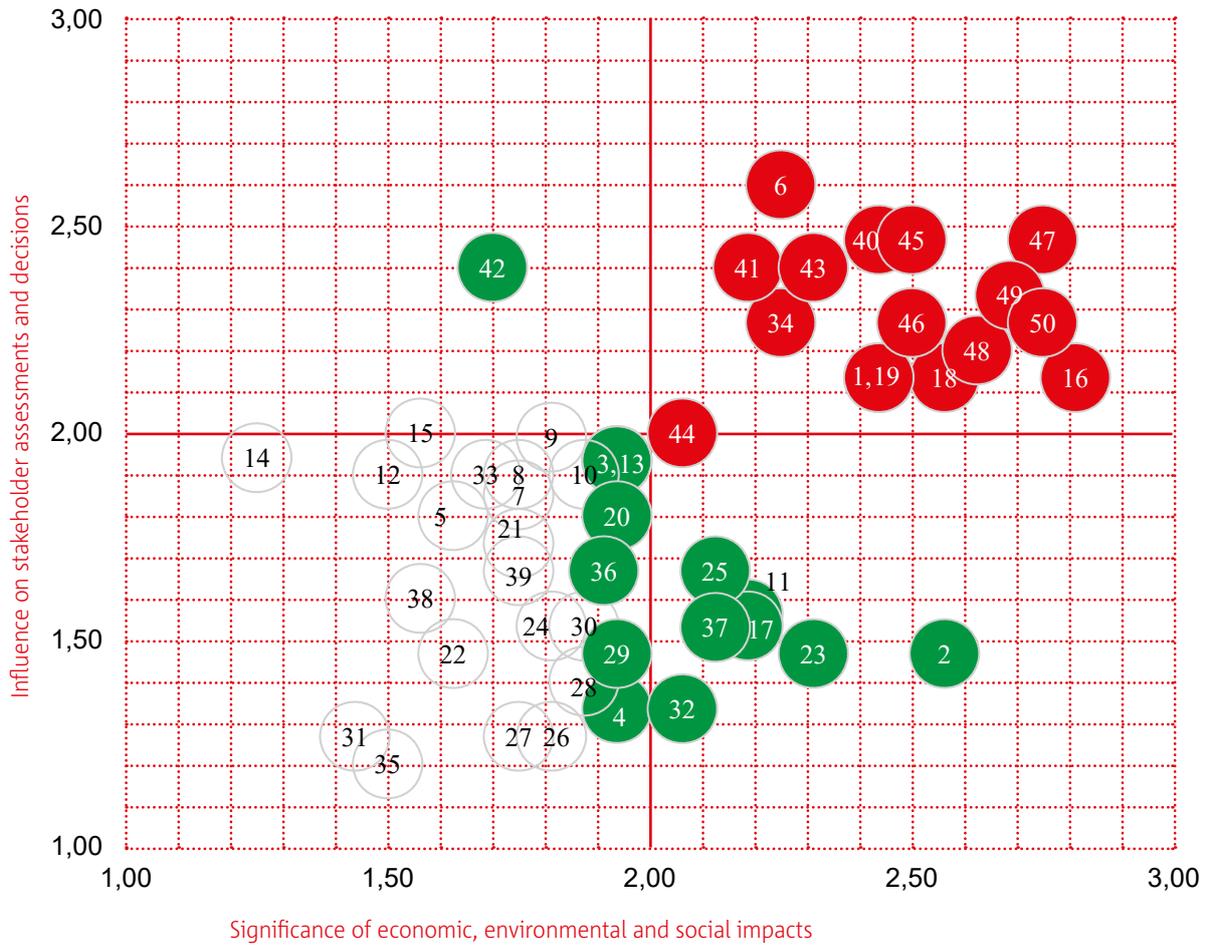
- Make a survey of stakeholders in order to update the material aspects.
- Include material aspects in a respective ranking map which shall be used while compiling the report and arranging its data (in particular, while providing a detailed information on indicators).

The questionnaire for determining the material aspects of MTS sustainable development was sent to internal and external stakeholders.

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¹ Material Aspects are those that reflect the organization's significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders.

Materiality matrix



red and green highlight material aspects;
 black highlights non-material aspects;
 asterisk (*) indicates aspects specific to the MTS Group.

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1.	Economic performance	disclosed in 2014
2.	Market presence	new
3.	Indirect economic impacts	disclosed in 2014
4.	Procurement practices	disclosed in 2014
5.	Materials	
6.	Energy	new
7.	Water	
8.	Emissions	
9.	Effluents and waste	
10.	Products and services (ecology)	

11.	Compliance (environmental)	new
12.	Transport	
13.	Overall (environmental)	new
14.	Supplier environmental assessment	
15.	Environmental grievance mechanisms	
16.	Employment	disclosed in 2014
17.	Labor/management relations	disclosed in 2014
18.	Occupational health and safety	disclosed in 2014
19.	Training and education	new
20.	Diversity and equal opportunity	disclosed in 2014
21.	Equal remuneration for women and men	disclosed in 2014
22.	Supplier assessment for labor practices	disclosed in 2014
23.	Labor practices grievance mechanisms	new
24.	Investment	
25.	Non-discrimination	disclosed in 2014
26.	Freedom of association and collective bargaining	
27.	Child labor	disclosed in 2014
28.	Forced and compulsory labor	
29.	Security practices	new
30.	Indigenous rights assessment	
31.	Supplier human rights assessment	disclosed in 2014
32.	Human rights grievance mechanisms	new
33.	Local communities	
34.	Anti-corruption	disclosed in 2014
35.	Public policy	disclosed in 2014
36.	Anti-competitive behavior	disclosed in 2014
37.	Compliance (society)	new
38.	Supplier assessment for impacts on society	disclosed in 2014
39.	Grievance mechanisms for impacts on society	disclosed in 2014
40.	Customer health and safety	new
41.	Product and service labeling	new
42.	Marketing communications	new
43.	Customer privacy	new
44.	Compliance (product responsibility)	new
45.	Responsible business conduct*	disclosed in 2014
46.	Accessibility of telecommunications products and services*	disclosed in 2014
47.	Development of safer internet*	disclosed in 2014
48.	Improving access to services*	disclosed in 2014
49.	Development of innovative services*	disclosed in 2014
50.	Development of telecommunications infrastructure*	disclosed in 2014

Preliminary results of the survey:

Thirty two completed questionnaires were received. Of these, 15 questionnaires were received from external stakeholders, and 17 – from internal ones.

A map of material aspects was prepared based on the results of processing the questionnaires. The proposed aspect materiality boundary is assumed to be 1.9 on the axis of “Materiality of

economic, environmental and social impact” and 2.0 on the axis of “Impact on assessments and decisions of stakeholders”.

Besides the description of material aspects, the 2015 Report includes a description of focus areas of corporate social responsibility, the company’s contribution to the development of the host regions and the telecommunications industry, corporate mechanisms that ensure high quality and reliability of our operation, description of key charitable and social projects of the company, analysis of relationships with key stakeholders in CSR context.

Compliance of our 2015 Sustainable Development Report with GRI G4 Guideline

The MTS Group compiled its 2015 Sustainable Development Report in accordance with the GRI G4 Sustainability Reporting Guideline (the “Core” option).

The key difference of the 2015 version from the 2014 one is that the newer version is based on an updated list of material aspects of the Group’s operations that has allowed to identify the most critical activities and to focus on the disclosure of information, which is of the greatest interest to stakeholders.

The Team

The report was prepared by a team that included representatives of nearly all business units of the Company (financial, legal, HR, PR, IR, GR, marketing, technology, strategy, corporate governance, monitoring and audit). The work team defined the range of issues to be addressed in the report, in addition to those which were identified during the MTS top management survey. It also

defined the format of presenting information on selected topics and appointed employees to collect and analyze information on relevant report sections. The process of preparing the social report was coordinated by the Department for professional communities relations which is a part of our Corporate Communications Unit.

Scope of Report

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G4-20

G4-21

The corporate-wide 2015 social report of MTS Group MTS Group covers the activities of MTS and its affiliates in all host territories – 83 regions of Russia as well as Ukraine, Belarus, Armenia, Turkmenistan and Uzbekistan. This report summarizes all social aspects of the Company’s activities for the period from January 1 to December 31 of 2015.

This report contains no restatements of information provided in previous reports, as well as no reasons for such restatements,

changes in reporting periods, nature of business and assessment methods. There are no substantial differences as compared to earlier reporting periods with regard to the scope, boundaries, or methods of measurement used in the 2014 social report. No analysis of the impact of material aspects on suppliers and other groups of legal entities was done owing to lack of information. The boundaries of material aspects apply to the MTS Group.

Endorsement of Report

This is the fifth approved social report by MTS. As in previous years, the approval of the report took the form of Public endorsement by an independent third party, namely, the Council of the Russian Union of Industrialists and Entrepreneurs (RUIE) on non-financial reporting.

We will do our best to consider all public endorsement based comments in respect of the MTS Group and incorporate them in the next cycles of our non-financial reporting.



Extract from the Minutes of the Council of RUIE on non-financial reporting from 15th of July 2016 on the question of the Agenda “About the Public Endorsement of the Sustainable Development Report of MTS Group for 2015”

Regarding the question of the agenda “About the public endorsement of the Sustainable Development Report of MTS Group for 2015” the following decisions were made:

1. To declare the public endorsement of the Report as accomplished.
- 1.2. Put on record in the Statement of public endorsement the following:

The Sustainable Development Report of MTS Group for 2015 contains material information, covers wide range of questions on key aspects of responsible business conduct in accordance with the principles of the Social Charter of the Russian Business. The Report provides sufficient information about the developing of the modern system of telecommunication services, stakeholders engagement practice, responsible business practice and Company's social projects.

The recommendations made by the RUIE Council following the public verification of the MTS Group's Report 2014 were

Chair of the Council of RUIE on non-financial reporting

Deputy Chair of Council of RUIE on non-financial reporting

duly noted and incorporated into the 2015 Report. For example, the Report presents the information about Company's self-evaluation in accordance with the principles of the international standard ISO 26000:2100. The information about the procedure of material topics definition according to the stakeholders expectations is included in the Report, energy consumption information is presented, ecology theme in the context of supply chain responsibility is incorporated in the Report, references on the sources with more complete information about questions briefly mentioned in the Report are included.

1.3. To approve the Statement of public endorsement taking into account discussions.

2. To pay Company's attention on the following: The Statement is prepared for MTS Company, which can use it for intercorporate aims and for aims of communications with stakeholders by means of its publishing in whole without any changes.

Fedor Prokopov

Elena Feoktistova

Comments by stakeholders by the results of extended session of CSR Committee

Comments by stakeholders

Action by the Company

MTS and its subsidiaries

- | | |
|--|--|
| 1. Make the report more focused, for example by selecting 3 or 4 main topics dealing with Company's projects | Consider when preparing the 2015 report. |
| 2. Use eco-friendly paper | Rejected due to eco-friendly paper being too costly. |
| 3. Represent the structure as three major modules: <ul style="list-style-type: none"> 1 — “MTS is reliable”, “MTS leads the market”; 2 — “What MTS has given to the community”, i.e. more cost-efficient services and stations; also describe the non-commercial projects, including Generation M; 3 — “Internal efficiency of MTS”, which covers financial indicators, anti-corruption policy description, procurements, other management approaches, BoD structure. | Consider while preparing the 2015 report. |
| 4. Make a separate section “Compliance and business ethics”. | Incorporate in the 2015 report. |

Representatives of AFK Sistema companies

- | | |
|---|---|
| 5. Include real stories of people into the Community section. | Consider while preparing the 2015 report. |
| 6. Make better use of infographics in the report. | Consider while preparing the 2015 report. |
| 7. Use the image bank of MTS. | Consider while preparing the 2015 report. |
| 8. In the brief version of the report, place emphasis on infographics since they are less formalized and make the report look like a booklet. | Consider while preparing the 2015 report. |

GRI Content Index¹

G4-32

G4-33

General standard disclosures		Reference
Strategy and analysis		
G4-1	Provide a statement from the most senior decision-maker of the organization	3
Organizational profile		
G4-3	Report the name of the organization	1
G4-4	Report the primary brands, products, and services	8, 18–19, 37
G4-5	Report the location of the organization's headquarters	170
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	8, 14–15
G4-7	Report the nature of ownership and legal form	1
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	14–15
G4-9	Report the scale of the organization	97
G4-10	Report the total number of employees by employment contract and gender	99
G4-11	Report the percentage of total employees covered by collective bargaining agreements	98
G4-12	Describe the organization's supply chain	146
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	122, 146
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	report2015.mts.ru
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	142
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization	84

¹ No external assurance of the Report was conducted.

Identified material aspects and boundaries

G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents	www.company.mts.ru/comp/ir/report/2016-03-21-5101567
G4-18	Explain the process for defining the report content and the Aspect Boundaries	155
G4-19	List all the material Aspects identified in the process for defining report content	156–157
G4-20	For each material Aspect, report the Aspect Boundary within the organization	158
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	158
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	158
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	158

Stakeholder engagement

G4-24	Provide a list of stakeholder groups engaged by the organization	30–33
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	30–33
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	30–33
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	160

Report profile

G4-28	Reporting period (such as fiscal or calendar year) for information provided	155, 158
G4-29	Date of most recent previous report (if any)	155
G4-30	Reporting cycle (such as annual, biennial)	155
G4-31	Provide the contact point for questions regarding the report or its contents	170
G4-32	Report the GRI Content Index for the chosen option	161
G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report	161

Governance

G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	128–129
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Ethics and integrity

G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	27–138
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SPECIFIC STANDARD DISCLOSURES

Material Aspects	DMA and Indicators	Omissions	Reference
Economic Performance	Disclosures on Management Approach		report2015.mts.ru
	G4-EC4 Financial assistance received from government		In 2015 MTS PJSC did not receive financial assistance from government
Market Presence	Disclosures on Management Approach		102
	G4-EC6 Proportion of senior management hired from the local community at significant		102
Indirect Economic Impacts	locations of operation		36
	Disclosures on Management Approach		38, 70
	G4-EC8 Significant indirect economic impacts, including the extent of impacts		36
Procurement Practices	Disclosures on Management Approach		145
	G4-EC9 Proportion of spending on local suppliers at significant locations of operation		146
Energy	Disclosures on Management Approach		91
	G4-EN3 Energy consumption within the organization		92
Compliance	Disclosures on Management Approach		86
	G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		86
Overall	Disclosures on Management Approach		86
	G4-EN31 Total environmental protection expenditures and investments by type		86
Employment	Disclosures on Management Approach		97
	G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region		103
	G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation		105

Labor/Management Relations	Disclosures on Management Approach		97
	G4-LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements		98
Occupational Health and Safety	Disclosures on Management Approach		116
	G4-LA5 Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs		117
	G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender		117
	G4-LA7 Workers with high incidence or high risk of diseases related to their occupation		118
Training and Education	Disclosures on Management Approach		107
	G4-LA9 Average hours of training per year per employee by gender, and by employee category	The records are being kept only from 2015 without breakdown by gender and employee category	107, 110
	G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category		105
Diversity and Equal Opportunity	Disclosures on Management Approach		100
	G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity		100
Labor Practices Grievance Mechanisms	Disclosures on Management Approach		98
	G4-LA16 Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms		98
Non-discrimination	Disclosures on Management Approach		102
	G4-HR3 Total number of incidents of discrimination and corrective actions taken		No incidents of discrimination

Security Practices	Disclosures on Management Approach	102
	G4-HR7 Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	Training on human rights policies or procedures for security personnel was not conducted
Human Rights Grievance Mechanisms	Disclosures on Management Approach	102
	G4-HR12 Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	No documented grievances
Anti-corruption	Disclosures on Management Approach	142
	G4-SO4 Communication and training on anti-corruption policies and procedures	144
	G4-SO5 Confirmed incidents of corruption and actions taken	144
Anti-competitive Behavior	Disclosures on Management Approach	148
	G4-SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	148
Compliance	Disclosures on Management Approach	23
	G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No fines
Customer Health and Safety	Disclosures on Management Approach	93
	G4-PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	No incidents of non-compliance
Product and Service Labeling	Disclosures on Management Approach	50
	G4-PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	No incidents of non-compliance
	G4-PR5 Results of surveys measuring customer satisfaction	52
Marketing Communications	Disclosures on Management Approach	23
	G4-PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	No incidents of non-compliance

Customer Privacy	Disclosures on Management Approach	58
	G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	59
Compliance	Disclosures on Management Approach	93
	G4-PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No fines
Providing access	Disclosures on Management Approach	70
	GRI-PA2 Policies and practices to overcome barriers for access and use of telecommunication products and services including: language, culture, illiteracy, and lack of education, income, disabilities, and age. Include an explanation of business models applied	70
	GRI-PA4 Quantify the level of availability of telecommunications products and services in areas where the organization operates	14–15
	GRI-PA6 Programmes to provide and maintain telecommunication products and services in emergency situations and for disaster relief	46
Technology Applications	Disclosures on Management Approach	43
	GRI-TA2 Provide examples of telecommunication products, services and applications that have the potential to replace physical objects	43, 55

Glossary

3G, 3rd generation is a set of services that encompasses high-speed mobile access to Internet and wireless voice communication services. 3G uses packet data transfer technique. 3G networks UHF frequencies, typically in the range of about 2 GHz, transmitting data at up to 3.6 Mbit/s offering conferencing, watching of movies and TV on the mobile phone, etc.

4G (LTE) is the 4th generation of mobile telecommunications technology featuring high data rates and improved voice communication quality. As 4G are commonly referred to cutting-edge technologies that enable data speeds of up to 10 Mbit/s for mobile subscribers.

ARPU: Average revenue per user

DATA company is a company focused on providing data transmission services.

GPON (GigabitPON) means Passive Optical Network that providing multifunctional high-quality reliable broadband Internet access at unprecedented high speeds of up to 1 Gbit/s. The subscriber uses a single fiber optic line fed directly in his/her apartment to receive telephony, Ethernet data, or video services with guaranteed quality.

MOU (Minutes of Usage) means a metric measure equal to the number of voice traffic minutes used by a network subscriber.

ADR means American Depositary Receipts.

Safe working conditions means elimination of the impact of harmful and hazardous working conditions or keeping them within the hygienic standards.

Business process means a sequence of actions, involving several sub-divisions of the company, and which results in the creation of a final product that has value for the consumer/client.

Charity means voluntary transfer to people or legal entities on non-commercial basis (free of charge or on favorable terms) of assets, including cash, performance of work, provision of services and other support free of charge.

Stakeholder engagement means company's activities to understand the expectations and concerns of stakeholders and to involve them in the decision-making process.

Fiber-optic communication line (FOCL) means a type of data transfer system based on using optical dielectric waveguides, known as "optical fiber".

Global Reporting Initiative (GRI) means a non-governmental organization that cooperates with all stakeholders. The GRI was established in the US in 1997 by CERES (Coalition for Environmentally Responsible Economies) and the Governing Council of the United Nations Environment Program (UNEP). GRI coordinates the work program of regional offices in Australia, Brazil, China, India and the United States. The entire network of stakeholders includes 30,000 people.

Stakeholders means natural and legal persons or groups that have an impact on the company's activities or are affected by them and have the right, in accordance with the law and international conventions, to directly initiate legal proceedings against the company. Stakeholders include company's shareholders, investors, employees, suppliers, contractors, consumers, trade unions, mass media, people who live on the territory where the company operates, etc.

Inclusive environment - means an integrated approach that promotes social integration of persons with disabilities and is based on the principles of social and cultural rehabilitation.

Intellectual volunteering means a kind of volunteering that includes arranging and conducting intellectual activities.

Internet means a global system of integrated computer networks that uses IP protocol and the packet routing technology. Internet forms a global information space and is the physical basis for the World Wide Web (WWW), and many other data transfer systems (protocols).

Quality of life means the entirety of socio-economic and other criteria that reflect the existing level and degree of well-being of people and society in such fields as education, employment, health, human rights, income, infrastructure, culture, and leisure.

Near Field Communication (NFC) is a set of high-frequency wireless technologies that enables data exchange between devices within a short distance (a few centimeters). The advantage of this technology lies in the possibility of using devices that support NFC for a variety of purposes. For example, NFC-based devices can act as bank cards, e-wallets, travel passes, keycards, identity documents, etc.

Competences means knowledge, skills, abilities and behavioral characteristics necessary for a job.

Corporate culture means a system of standards, values, attitudes and commitments that predetermine the company's way of addressing the issues of internal integration and external adaptation, and guiding and motivating day-to-day behavior of organization's members while also being affected by this behavior.

Corporate social responsibility (CSR) means the company's responsibility to stakeholders, which means that business decisions are taken with due regard to the interests of stakeholders. It is a part of the company's ongoing strategy to increase its presence in society and to develop its business; it is also a chance to make a positive impact on the community in which the company operates.

Corporate volunteering means voluntary activities of employees for the good of society, based on the Company's CSR strategy. Corporate volunteering is supported and encouraged by the Company.

Corporate values means corporate culture components that have special emphasis in the minds of the Company's employees thus governing their social behavior.

Corporate Centre (CC) means a management structure engaged in centralized management functions with regard to the Company's business units and their member affiliated companies and foreign subsidiaries (FS).

Mission means the purpose of an organization, the meaning of its existence, that makes it different from other similar organizations.

MICEX means Moscow Interbank Currency Exchange (Russia).

Young specialists means graduates of higher or vocational educational institutions whose employment experience after graduation does not exceed three years.

Moscow Stock Exchange means the exchange holding which is largest in Russia and Eastern Europe.

Motivation means a mechanism to enhance performance and efficiency, the process of providing incentives to an employee or staff group for engaging in activities that serve the company's purpose.

IFRS means International Financial Reporting Standards.

Occupational safety means a system of ensuring safety of life and health of employees in the process of their labor activity, including legal, social and economic, organizational and technical, sanitary and hygienic, therapeutic and preventive, rehabilitation and other measures.

HR management process means an end-to-end integrated human resource management system, which covers all stages of a company's interaction with employees, from attraction and hiring to the retirement and post-retirement support.

Personnel development means a system of activities implemented by the Company with the purpose of recruitment, adaptation, and retention of employees and contributing to the fulfillment of their professional and creative potential.

Restructuring means an end-to-end transformation of company's activities including changes in production pattern, assets, liabilities as well as in its management system with the aim to increase its soundness, profitability and competitiveness as well as to overcome unprofitability or to modify production's organizational structure.

Rotation means transfer of employees to a higher-level position in another region (vertical inter-regional rotation) or to a same-level position in another business unit (horizontal rotation) in order to enable them to acquire new skills and to broaden their horizons thus contributing to better performance of their professional duties

Roaming means a special communication (mobile telephony, Wi-Fi) service offered to subscribers outside of their “domestic” mobile operator’s coverage area by using resources of other network operators. The subscribers are not required to enter into an agreement with the “hosting” operator and the service fee is charged to their accounts. When using the voice roaming service the subscriber usually retains his/her existing mobile telephone number.

Social partnership means constructive and mutually beneficial cooperation between three sectors of society: government agencies, commercial enterprises and nonprofit organizations in order to address the social issues for the benefit of the entire population or local communities.

Social programs means activities that the Company voluntarily engages in to develop and stimulate personnel, create favorable working conditions, develop corporate culture and support the local community and charity; such activities have systemic nature, are associated with the Company’s business strategy and aim at meeting the balanced needs of various stakeholders. From the management point of view, a social program is a complex of measures streamlined in terms of resources, action parties, and timelines that ensure efficient addressing of internal (internal corporate program) or external corporate social tasks (external corporate program).

Social report (sustainable development report) means a document offering a well-balanced analysis of the company’s impact on the economic, environmental and social spheres.

Sponsor means an individual or legal entity who finances any activities of other individuals or legal entities. Sponsor provides financing without deriving any material benefit or profit from it.

High-Definition Television, HDTV means a set of high-quality TV broadcasting standards based on modern standards of image scanning that provide a greater resolution compared to standard-definition TV and uses the latest digital video and audio coding standards.

Machine-to-Machine, M2M means services that ensure direct communication between devices (machines) using wired and wireless technologies. The term M2M implies that telecommunications and IT technologies are combined in order to transfer data between devices over large distances. M2M services are used in security applications, automation of industrial processes, logistics, health care, “smart home” systems, etc.

Sustainable business development means a consistent system of economic and social activities based on ongoing interaction with stakeholders. That implies that the use of materials and human resources, the vector of investment and technology development are well harmonized and focused on strengthening the current and future business potential.

Broadband means high-speed Internet access that is much faster than traditional dial-up access and does not monopolize the phone line. In addition to its high speed, broadband is always on and ensures a so-called bidirectional communication, i.e. the ability to both receive and transmit data at high speeds.

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For more information about the MTS Group
see [section "Additional Information"](#) of our 2015 Annual Report.

Feedback Questionnaire

Dear readers,

You have read the 2015 Mobile TeleSystems Group Sustainable Development Report, which addresses a large audience of stakeholders. We would appreciate your feedback that will help us improve the quality and impact of our future reports.

1. Rate the report on a 5-point scale using the following criteria:

- Credibility and objectivity
- Completeness and materiality of information
- Structure of the report, information search convenience, style

2. What sections proved to be most interesting and useful for you.

3. What information do you think should be added to the next report?



4. Which version of the annual report you prefer to use?

Printed

Electronic (pdf)

Electronic (interactive website)

5. Specify which group of stakeholders you belong to:

Employees of MTS PJSC

Employees of an AFK Sistema member company

Federal authorities

Regional authorities

Local self-governments

Contractors/vendors

Clients/consumers of goods and services

Business entities

Public organizations

Environmental organizations

Charitable organizations

Mass-media

Expert community

Other



You know that you can!



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