

IMPROVEMENT OF CORPORATE GOVERNANCE SYSTEM

Key MTS corporate governance principles are:

- > comprehensive protection of shareholder rights and interests;
- > information openness and transparency;
- > single corporate policy in respect of subsidiaries;
- > independence of the Board of Directors when defining the Company's strategy, approving business plans, and making other important decisions;
- > control over management activities;
- > observance of business ethics when doing business; and
- > doing socially responsible business aimed at ensuring the sustainable development of the Company and its welfare.

The procedures for preparing and conducting the General Shareholder Meeting enable MTS to ensure equal attention to all shareholders from the company when they exercise their rights to participation in the company's management and receipt of profits.

The remuneration system applied in MTS is designed to increase the Company's shareholder value, and the level of remuneration paid is fair and sufficient for the motivation of employees and members of management bodies.

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

The Company has an efficient system of control over transactions executed under a conflict of interests.

The information disclosure system, built with consideration for the requirements of listing rules of the Moscow Exchange and NYSE, is efficient

and ensures compliance with the transparency principle.

The Company's systemic approach also covers areas where compliance with legislation is essential. Thus, systems of assurance of compliance with anticorruption, antitrust, insider legislation and intellectual property legislation were built at the Company based on the best international compliance standards.

In 2019, MTS continued to develop the Company's corporate governance system. In recent years, attention has been focused primarily on the implementation of the provisions of the Corporate Governance Code¹ – high results have been achieved in this field (MTS follows more than 80% of the recommendations of the code).

We also continued to monitor practices for compliance with the recommendations of the Code by other Russian public companies and take them into account for drawing up our own plan for the further development of the corporate governance system.

In 2019, a number of projects were implemented that were aimed both at developing corporate governance practices, and at maintaining them at the achieved level.

At the beginning of 2019, MTS conducted an audit of individual practices of interaction between key participants in corporate governance. Within the framework of this project, more than 30 interviews were conducted with the heads of key functions and the current MTS practices in this area were analyzed. The results will allow MTS to improve its corporate governance practices.

Last year, in connection with the tasks facing the Company to develop its own ecosystem, approaches to the work of the board of directors, its

¹ Detailed information on MTS compliance with the recommendations of the Corporate Governance Code is available in the Appendix to this report, "Report on Compliance with the Corporate Governance Code"

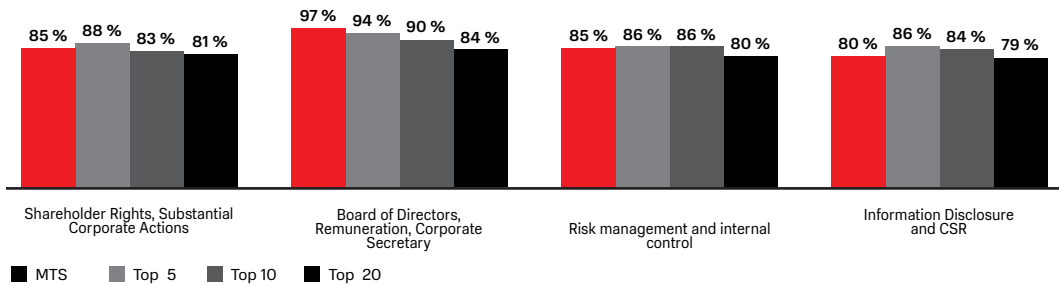
committees and the board were revised. The main efforts in this process were aimed at strengthening the strategic role of the Board of Directors and changing the role of the corporate secretary.

Another important event for MTS was the decision to conduct an external assessment of the effectiveness of the Board of Directors. The results of the assessment will be presented to the company in 2020. Based on the results of the assessment, there are plans to develop an action plan, which, inter alia, will be aimed at developing the corporate governance practices of the company.

CORPORATE GOVERNANCE INDEX

At the end of 2019, MTS remained in the top 10 companies of the National Corporate Governance Index for the third year in a row.

\\ Level of compliance with key principles of corporate governance



Dynamics 2019 / 2018	Rights of shareholders, essential corporate actions	Board of Directors, remuneration, corporate secretary	Risk management and internal control	Information Disclosure and CSR
MTS ¹	+4%	+4%	+10%	-1%
Top 5	+9%	+5%	-3%	+5%
Top 10	+7%	+7%	-1%	+5%
Top 20	+7%	+6%	-1%	+3%