MOVING CONFIDENTLY TOWARDS SUSTAINABLE DEVELOPMENT

2016-2017 Corporate Social Responsibility Report — VimpelCom PJSC
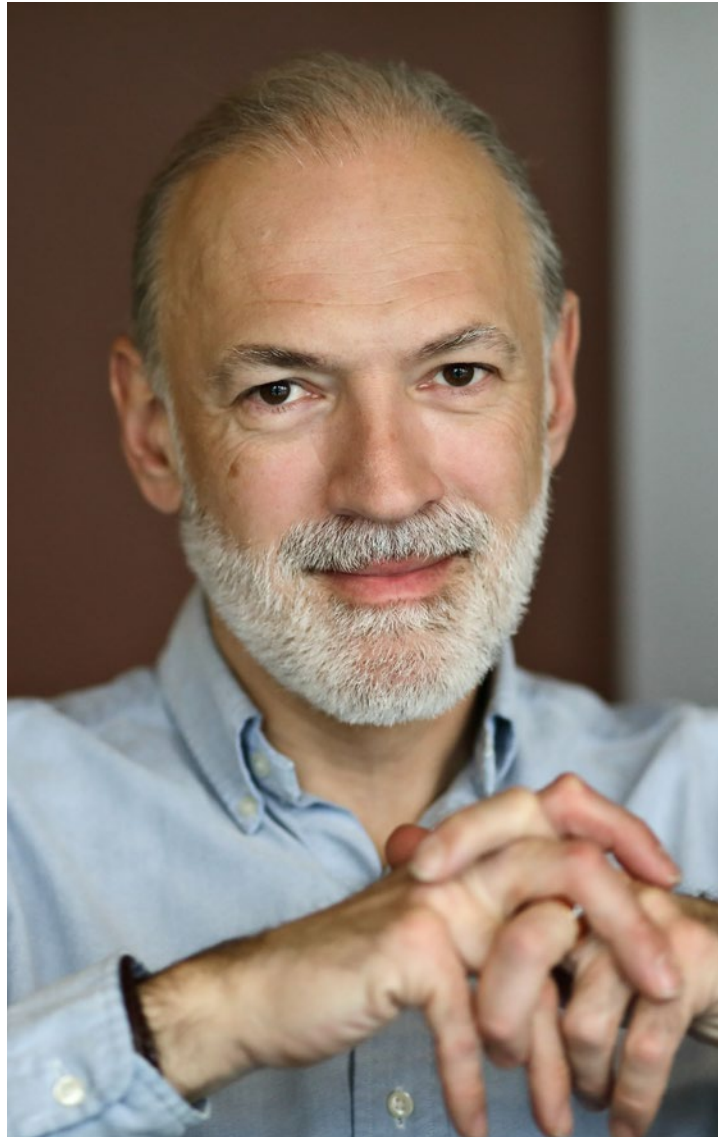
2016-2017 Corporate Social Responsibility Report — VimpelCom PJSC

The terms "Beeline", the "Company", and "VimpelCom" in this report apply to VimpelCom PJSC and its operations. This report provides information on VEON Ltd.'s business unit in Russia. VEON Ltd. Group (hereinafter — the Group) is a global telecommunications operator headquartered in Amsterdam which offers new opportunities in the digital universe to its clients.

The indicators cited in the Report are as of 31 December 2017 excluding those for which other dates were specified.

Moving confidently towards sustainable development

CEO's Letter

Dear Reader,

I am honored to present the company's 2016-2017 Corporate Social Responsibility Report. We are transitioning to a business model which incorporates principles of sustainable development. This transition will impact our business including corporate governance, approach to launching products and services, corporate culture, risk management and our business partners.

What does sustainable development mean for us and how does it differ from the customary model of corporate social responsibility? Sustainable development is a way of thinking that involves and engages all aspects of the Company's life. Beeline's mission is not limited to perfecting communication services, but also includes continuous promotion of quality changes in all areas of life where our technologies are used, whether it is building a new digital economy across the country or developing customised innovative solutions for significant social impact.

This is the reason why in 2016-2017 we mostly focused on social innovations in infrastructure and worked to promote the advantages of mobile technologies that improve quality of life of our key stakeholders: transition of their businesses to innovative and more efficient business models, as well as creation of transparent corporate culture underpinned by technological excellence in our company. We applied our knowledge and experience to positively change ourselves and the world around us.

In 2016-2017, our key objectives encompassed the integration of global values – being collaborative, innovative, truthful, entrepreneurial, and customer oriented – into business processes through strengthening of our compliance practices and increasing talent engagement. We are fully satisfied with the results. The new, value-oriented approach was a main driver behind sustainable revenue growth in the mobile segment

achieved by Beeline. We developed and implemented reliable, effective compliance mechanisms for observing regulatory requirements and business ethics in all departments of our company.

Employees engagement in this period reached a record high both in the company's history and for the industry as a whole, primarily owing to unique working environment and corporate culture that we created.

We have significantly improved the quality and accelerated the pace of rendering services to our customers, as well as worked on the enhancement of personal data security and Beeline's resilience to cyberattacks. We have strengthened transparency and integrity standards when dealing with partners and suppliers, made further steps to create a unique professional environment for our employees and extended the range of innovative solutions aimed at resolving social issues.

We elaborate on our corporate experience in this Report, hoping that it will inspire other Russian companies to embark on the sustainable development journey or to just consider the possibility of doing so.

Our performance in 2016-2017 has proven that the systematic solutions that we have implemented for fostering quality changes in society are the right vector within the outlined CSR strategy. We continue to

refine high-tech solutions that allow us to scale the social impact of our operations.

Our joint work with Liza Alert search-and-rescue volunteer organization is the most vivid example of our impact. Our cooperation started in 2011 and since then we have never stopped applying our technologies and investing in the development of new practices and systems used to search for missing people. We are proud of our new lizaalert.beeline.ru service, a system of targeted notification of local rescue operations which lets any person to join the largest volunteer movement in Russia by making just a few clicks. These allow us to attract more people to searches for missing people, which means a higher chance to rescue even more lives.

The sustainable development philosophy is not a project. It is not even a strategy. It is the path to the future that Beeline moves along hand in hand with its clients and the society. Today we do everything possible to make the world a kinder, safer and more comfortable place for everyone.

Join us on this path!

Regards,
CEO
Vasyl Latsanych

Improving the quality of people's lives

A word from the Corporate Social Responsibility leader

Dear Friends,

I am pleased to present VimpelCom PJSC's 2016-2017 Corporate Social Responsibility Report. Here, we summarize our achievements against the stated goals and set forth objectives for the future, benchmarking them to global trends and best practices in sustainability management.

Our approach is based on dynamic development and transparency. We strive to create new opportunities for the business through joint search for solutions with key stakeholders, which allows us to introduce significant amendments in the social and environmental dimensions of society. Our business solutions are aimed at systematic improvement and long-term achievements, and produce significant social impact.

The in-depth understanding of changes in society experiencing the impact of business operations and the assessment of the extent and nature of this impact led us to review our effort in a more global context, i.e., in the context of reaching the UN Sustainable Development Goals (SDG) adopted in 2015. We defined the extent of the impact and steps to be made in the reporting period in order to achieve some of the goals, e.g., Goal 8 (Promote inclusive and sustainable economic growth, employment and decent work for all), Goal 9 (Build resilient infrastructure, promote sustainable industrialization and foster innovation), and Goal

17 (Revitalize the global partnership for sustainable development). We cover these issues in more detail in this report.

We developed the design of this report as part of Goal 10 (Reduce inequality within and among countries). Our partners for the design project were employees of the company Everland. The Everland initiative is an example of successful social entrepreneurship. One of the main aims of the initiative is to ensure training and employment for people with disabilities. Particularly, the design of this report was developed by

specialists with impaired hearing and locomotor disabilities.

We want to share VimpelCom's achievements with you and invite you to take part in a dialog. We will be glad to answer any questions you might have regarding the report, as well as tell you about the projects and initiatives which caught your attention in more detail. ☻

Kind regards,
CSR Group Leader
Evgeniya Chistova

About the Report

In this section you will learn about the following:

- The principles we used to prepare this Report.
- The UN Sustainable Development Goals on which we focus in the course of our business.
- How we selected topics for this Report.

Here we present the report on Corporate Social Responsibility, where we summarize the results of VimpelCom PJSC's activities in 2016-2017. Beeline is the first Russian company that was listed on the New York Stock Exchange (the company shares were traded under the VIP ticker). Therefore, VimpelCom was the first to introduce international transparency, corporate governance, and investor protection standards in Russia.

VimpelCom PJSC's success paved way for many other Russian companies willing to obtain listings on international stock exchanges. In April 2010, VimpelCom Ltd. holding company was incorporated. On 30 March 2017 it was renamed to VEON Ltd., which consolidated stakes in VimpelCom PJSC and ZAO Kyivstar GSM. As a result, the VIP ticker was re-registered in the name of VimpelCom Ltd. whose shares were trading on NYSE under this ticker. Starting from 10 September 2013, VimpelCom Ltd.'s shares (on 30 March 2017 VimpelCom Ltd. was renamed to VEON Ltd.) had been trading on NASDAQ under the VIP ticker. NASDAQ is the trading venue for stocks of technology companies, such as Microsoft Corporation, Intel Corporation and Google Inc. VEON Ltd.'s shares have been trading on Euronext (Amsterdam-based stock exchange) since 4 April, 2017. As of today, VEON Ltd.'s shares are traded at NASDAQ and Euronext under the VEON ticker.

Report preparation principles

It is the first time that the Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards, which succeeded GRI G4 guidelines (the Core disclosure option).

In preparing the report we complied with the principles for defining the content of the report and quality principles set by the GRI Standards.

The principles for determining the content

Communication with internal and external stakeholders to define the relevance of the significant topics;

Sustainability context;
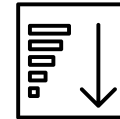
Materiality of the disclosed topics for subsequent analysis of the Company's operational efficiency;

The sufficiency of disclosure from a completeness principle standpoint when it comes to the results of the company's efforts;

The agreement and consistency of the disclosed data.

Report preparation principles
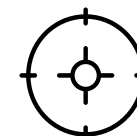
Accuracy;

Balance;
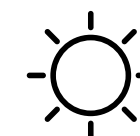
Clarity;

Comparability;

Reliability;
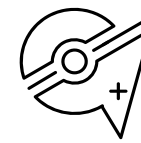
Timeliness.

The UN Sustainable Development Goals (SDG)

In implementing the sustainable development strategy, VimpelCom benchmarks its efforts to achieve the UN Sustainable Development Goals adopted in 2015 by the UN member states working to fulfill the Agenda for Sustainable Development. The agenda comprises 17 universal goals aimed at ensuring the prosperity and well-being of the entire humanity. The global community is committed to implementing these goals by 2030. The integration of the SDGs into the corporate strategy provides an opportunity to link our business to the efforts of finding solutions to key societal problems, as well as to the enhancement of our brand.

Integration of the UN SDGs:

- Shows the maturity of the company and its management systems;

- Secures leading positions for the company within the industry;

- Ensures the alignment of the company's operations with the goals and objectives established at the top governmental level.

Global corporate leaders from various industries prepare strategic plans based on the needs of the regions where their companies have a presence.

The UN Sustainable Development Goals (SDG)

The contribution of the telecommunications industry

All over the world, mobile operators develop mobile solutions that are expected to resolve a wide range of social problems. Mobile technologies can be used to gain access to high-quality education, healthcare, and decent labor conditions. Rendering mobile services in remote regions contribute to closing social and geographical gaps.

VimpelCom shares the telecommunications industry's aspiration to implement tools that can be used for resolving the challenges faced by society. Below we list the Sustainable Development Goals on which we focused in the reporting period. In the future, we plan to increase our social impact by tapping into new areas and strengthening our performance within the existing initiatives. Examples of specific initiatives are cited throughout the various sections of this report.

The UN Sustainable Development Goals (SDG)

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

SDG-linked objectives applied to Beeline's operations

9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

9.c Significantly increase access to ICT and strive to provide universal and affordable access to the Internet in LDCs by 2020.

Beeline's practice

The accessibility of mobile infrastructure is a key development driver for many industries. The stable quality of communications is a basis for society's security. The fast development of the digital economy including the creation of new businesses and jobs, as well as technologies means higher quality of life for the population. We continued to improve the quality of communications all over Russia and to increase coverage in remote areas. By the end of 2017, the penetration ratio of Beeline's 3G and 4G networks reached 94 and 65 percent of the Russian population respectively. VimpelCom continued to develop mobile finance services and provide services which assist payments and money transfers. In 2016-2017, we focused on developing solutions for SMEs allowing them to meet several business needs at once and increase economic efficiency.

Throughout its history VimpelCom has never stopped to produce special tariff solutions which take into account the needs and financial capacity of subscribers belonging to low income groups that include pensioners, veterans, and people with disabilities. In 2016-2017, the Company implemented new digital and technological solutions making it possible to fully integrate people with disabilities into society. In the future, the Company will continue to focus on the strategy involving the creation of a uniform design of its services and applications enabling maximum accessibility of all services.

The UN Sustainable Development Goals (SDG)

Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all

SDG-linked objectives applied to Beeline's operations

8.2 Achieve higher levels of productivity for economies through diversification, technological upgrades and innovation, including through a focus on high value added and labor-intensive sectors.

8.6 By 2020 substantially reduce the proportion of youth not in employment, education or training.

Beeline's practice

In a pointed effort, Beeline transfers its technical knowledge to youth via Make Your Mark, VEON Ltd. Group's large-scale international project. This includes systematic support for student technology teams and startups working on innovative digital solutions. Our role includes setting up local and global competitions, hackathons, and contests designed both to support the development of the digital ecosystem in Russia and fulfill the potential of young specialists in Russia under the auspices of an international organization.

Material topics

In preparing this report we aimed to identify material topics that reflect the key results of the Company's operations and meet the expectations of the key stakeholders.

To identify material topics the following was performed:

1 → **2** → **3** → **4**

Key stakeholders, as well as key topics raised by stakeholders, were identified. A list of potentially important topics was formed.

Practices of telecommunications industry leaders were analyzed (industry benchmarking), the most significant topics were shortlisted.

A survey among internal stakeholders was conducted, the list of the most significant topics was supplemented with topics that had not been shortlisted.

The most significant topics were ranked via a targeted polling of stakeholders.

Material topics

① Stage 1: Key stakeholders

Open, sustainable and long-term relations with stakeholders is our absolute priority. We view active dialog and higher transparency as instrumental tools for responding to changing expectations and needs of key audiences.

Customers

- Improve the quality of mobile network, increase the coverage and the speed of mobile Internet;
- Ensure the security of personal data;
- Provide an uninterrupted connectivity;
- Eliminate spam messaging;
- Simplify interaction and accelerate responses;
- Increase tariff transparency and offer more attractive terms.

Employees

- Make career growth opportunities available;
- Provide decent working conditions;
- Ensure access to learning and training programs;
- Create a transparent remuneration system;
- Provide social guarantees.

Shareholders

- Implement the strategy and objectives;
- Strengthen market presence;
- Maximize the economic and operating efficiency;
- Increase the transparency of operations;
- Ensure commitment to responsible business conduct.

Business partners

- Build truthful and transparent relationships;
- Maintain the stability of the customer base;
- Simplify interaction and accelerate responses;
- Safeguard confidential information and ensure information security.

Investors

- Ensure financial and operating stability;
- Strengthen the company's reputation;
- Ensure transparency and openness in relations.

Government and regulatory authorities

- Comply with license and legislative requirements;
- Participate in lawmaking initiatives;
- Ensure fair competition;
- Fulfill tax obligations;
- Expand network coverage;
- Implement partnership programs aimed at solving social problems in the regions.

Local communities

- Improve uninterrupted access to communications services;
- Minimize the harmful effects of the communications equipment on health;
- Provide access to mobile services (banking, etc.);
- Use the potential of mobile technology to fully integrate vulnerable social groups into society.

Material topics

(2-3) Stages 2-3. The list of material topics

Upon the identification of key stakeholders and interaction areas, as well as after the industry benchmarking and the internal corporate survey, we determined 14 material topics that comprised important areas such as customer relations and services, business reliability, fairness and responsibility, corporate culture and the HR policy, innovations and socially important services, a responsible environmental approach, and effective supply chain management.

Business reliability, fairness and responsibility

1. Anti-corruption practices
2. Transparency
3. Compliance and conformity with the global and national telecommunications standards

Business reliability and fair practices are key pillars of the Company's operations. Compliance with legislative requirements, commitment to the internal code of ethics and 100-percent employee and partner awareness of our values set the basis for our approach to compliance.

Customers and services

4. Increase in the quality of communications services
5. Personal data protection
6. Information security

B Client-oriented approach is the focal point of VimpelCom's efforts. Our priorities include provision of high-quality services, customer satisfaction, and security of personal data.

Talent management

7. Decent working conditions
8. New opportunities for employees

Decent working conditions and opportunities for employees is an integrated part of the Company's progress. Advancing our business is not possible without talented, deeply involved, and highly professional employees sharing the company's values and owning the outcome.

Innovations and society

9. Innovative products and services
10. Socially important products and services
11. Availability of communications services

Focus on socially important projects and the development of innovative solutions form the basis of our business strategy. We look for, implement and design special innovations in order to improve the quality of people's lives and develop the digital economy. We see the creation of common values as a foundation for prosperity and growth.

Caring about the environment

12. Rational use of resources
13. Implementation of an environmental strategy

The continuity of our business depends on energy consumption. Our plans for the future include more careful measurement of our environmental footprint, as well as increasing the number of indicators for tracking performance.

Interacting with suppliers

14. Responsible supply chain management

We do business with a large number of suppliers in order to ensure the continuity of our services. We are aware of the risks related to lack of responsibility of the counterparties; therefore, we focus on improving supplier selection and supplier evaluation mechanisms. One of our objectives is to translate our values to all members of the supply chain.

Material topics

④ Stage 4. Topic ranking and materiality matrix

At this stage, we applied the GRI Standards in order to rank the selected material topics, using two key criteria:

- Risk materiality for the Company;
- The relevance of the topic for stakeholders and society at large.

We conducted a targeted survey asking participants to rank each suggested topic. Based on the results of the survey, we ranked the material topics. We prepared and structured this Report based on the reviewed materiality.

Materiality matrix
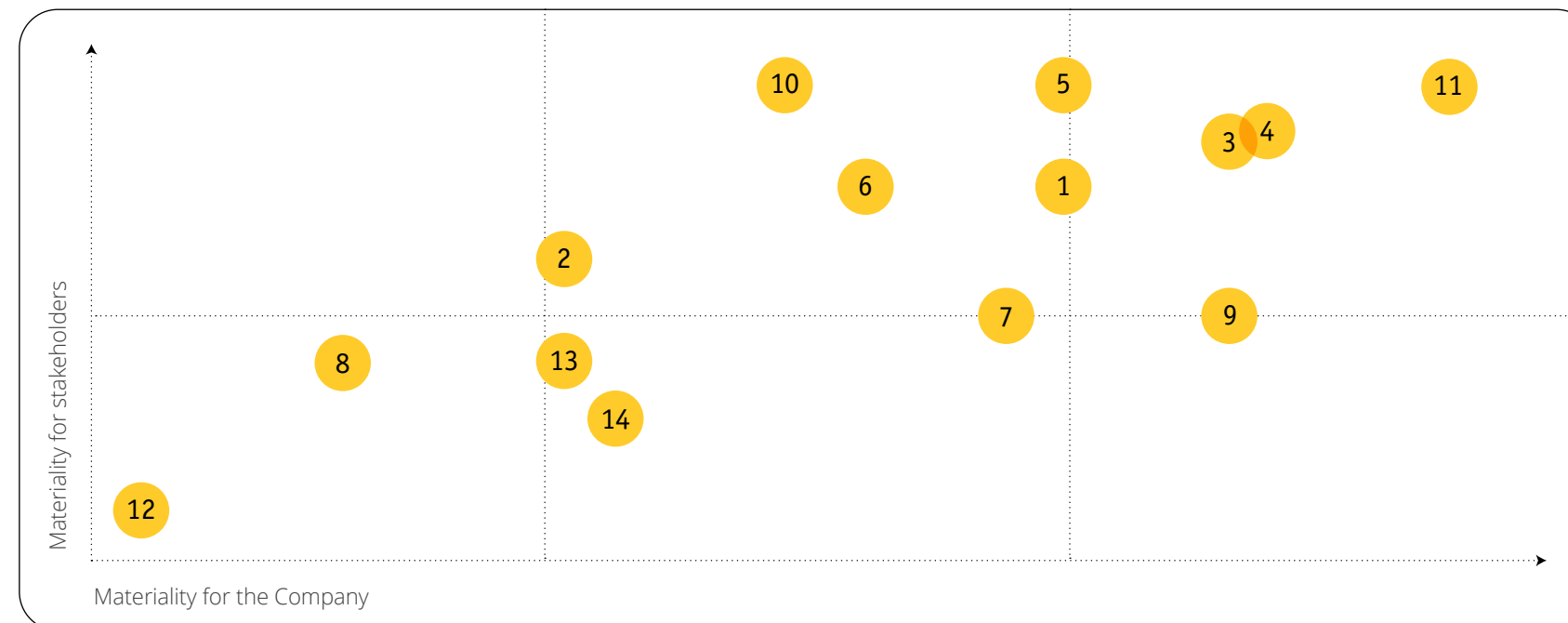
1. Повышение качества услуг
2. Защита персональных данных пользователей
3. Информационная безопасность
4. Деятельность по противодействию коррупции
5. Прозрачность деятельности
6. Комплаенс и соответствие международным и национальным стандартам в сфере телекоммуникаций
7. Достойные условия труда
8. Предоставление новых возможностей для сотрудников
9. Инновационные продукты и разработки
10. Социально значимые продукты и услуги
11. Доступность услуг связи
12. Рациональное использование ресурсов
13. Реализация экологической стратегии
14. Ответственная цепочка поставок

Material topics

Next steps

We aspire to continuously improve our business; therefore, we always look for new and more efficient mechanisms of identifying material topics. Inherent dynamics of the telecommunications industry determines the speed of change in the agenda that may be potentially interesting to our stakeholders. We continuously monitor factors that may have a positive or negative impact on our operations. We also look for ways to transform risks into opportunities in order to create common values.

About the Company

In this section you will learn about the following:

- General information about the Company and the nature of our business.
- The strategic objectives which we strive to achieve.
- The values we pursue.
- The essence of our risk management policy.

Overview of operations

VimpelCom is Russia's major telecommunications operator that provides a broad range of services to individuals, SMEs, large and multinational companies, as well as other telecom operators.

The Company provides integrated mobile services and landline services, intercity and international telephone services, data transmission, telematics services, Internet-based wired and wireless solutions, including fiber access technology, Wi-Fi, third and fourth generation networks.

Beeline's GSM licenses enable the company to provide communication services virtually all over Russia. The Company owns GSM licenses in seven enlarged regions of the Russian Federation including the Moscow and Moscow Region license areas. The Company has a 3G (IMT-2000/UMTS) license covering Russia's 83 federal subjects. In 2012, the Company won a tender for a license to provide telecommunication services via radio and electronic means in the LTE networks (including later modifications of this standard) in the 735—742,5/776—783,5 MHz, 813,5— 821/854,5—862 MHz, and 2550—2560/2670—2680 MHz frequency ranges in Russia. VimpelCom obtained four licenses, including for provision of mobile radio and telephone services, data transmission services excluding voice information transmission, voice information data transmission services, and telematics services.

The Company also has licenses for intercity and international intra zone telephony (in 83 Russian federal subjects), local telephony services excluding public pay phones and common use facilities (in 75 Russian federal subjects), as well as number of other licenses across the Russian regions.

Overview of operations

West

Big Moscow

Centre

East

South

2016-2017 operations in figures

	Subscribers (1000)	Mobile network traffic (GB)
2017	58 160	1 278 410 532
2016	58 308	871 628 485

Financial performance (RUB mln)

	Revenue	EBITDA	Capex in telecommunications infrastructure development
2017	275 987	102 710	40 017
2016	272 044	103 866	42 697
2015	277 241	110 144	56 775

2015 values amended as compared to the data disclosed in the 2015-2016 CR Report. In 2016, the Company harmonized the revenue from content services and other revenue, and respectively restated the 2015 data, decreasing the sales and the cost of sales for that period.

The Company structure

The top governance bodies of VimpelCom PJSC are the General Meeting of Shareholders, the Board of Directors, and sole executive bodies: the Company's President and the CEO. The Company's top governance body is the General Meeting of Shareholders authorized to make decisions with respect to the Company based on the current Charter and legislation.

The Company's operations are governed by the Board of Directors, except for issues referred to the competence of the General Meeting of Shareholders in accordance with the legislation and the Charter. The Board of Directors consists of five members. The members of the Board of Directors are elected at the General Meeting of Shareholders by cumulative voting for the period lasting until the next Annual General Meeting of Shareholders unless the authority of all members of the Board are terminated by the decision of the Extraordinary General Meeting of Shareholders. The Board

of Directors is authorized to make decisions on all issues pertaining to the general management of the Company's operations, excluding issues relating to the competence of the General Meeting of Shareholders.

The Company has two separate sole executive bodies, i.e., the President and the General Director, who act independently of each other and represent the Company with respect to the issues falling within their competence in accordance with the Charter.

The Company set up a Committee for Social Investment in order to implement its social investment strategy in the most efficient way, as well as to ensure the optimal balance of interests between all the stakeholders including the Company's clients, employees, investors, the government, and the Company as a whole.

The Company strategy

VEON ltd. Group's strategy focuses on the implementation of the following strategic priority: the reinvention of the business in order to increase the innovativeness of the telecommunications industry. Key objectives:

- Transition to the digital business model in all processes, from direct interaction with clients (front end) to internal administrative issues.

- Develop new digital services.

We spread our vision to our operations in the Russian Federation through the implementation and ongoing improvement of innovativeness in telecommunications systems. Our focus is on four areas:

Work with clients

Improve the quality of customer service: optimize the sales and service channels, fine-tune existing products and services, and launch new ones.
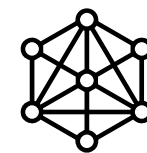
Deployment of the Beeline network

Expand operations on a national scale and continue to step up operations in the regions: advance into license regions using GSM, 3G (IMT-2000/UMTS), and LTE standards.
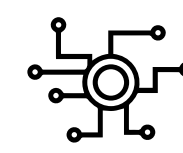
Expansion into new markets

Financial services, analytic products, cloud technologies, and M2M solutions.

Development of communication services

Develop mobile and fixed-line Internet services, e-commerce, mHealth, IoT, etc.

The Company strategy

The key components of our strategic vision comprise the following:

4G

Network development

Fixed-line business turnaround

ARPU

Device Revenue

Digital evolution

Fix Revenue

Development of distribution channels

Digitalization of services
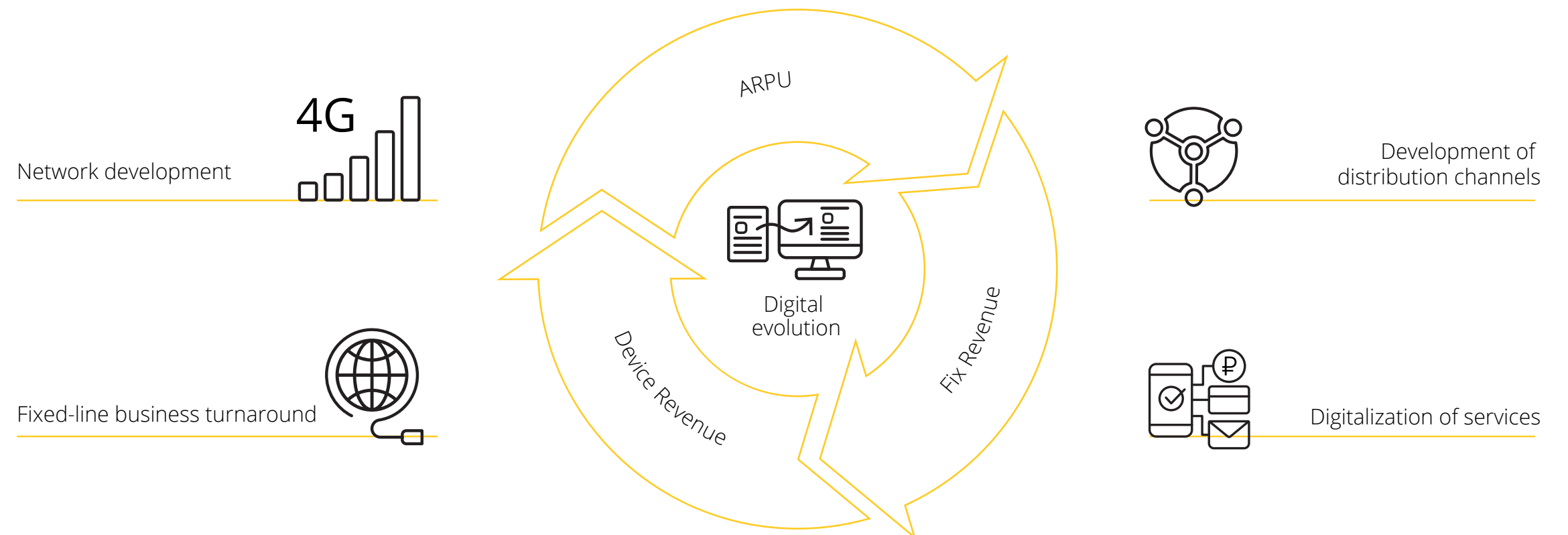
- 4G network coverage expansion and implementation of pilot 5G networks in the regions. Smart investments in network development based on big data analytics and the priority of local network expansion via regional need analysis.

- Fixed-line/mobile convergence via the provision of fixed-line and mobile services within a single package offers to clients.
- Retail channel expansion through launching monobrand points of sale.

- Digitalization of services and products in order to increase the efficiency of subscriber service and optimize internal business processes.

Corporate values

Each of the Company's employees sticks to corporate values while performing her day-to-day duties. The values which we articulated in the reporting period are to be followed in order to develop and sustain the culture of innovations and digital entrepreneurship.

Care about your client

- Study best offers in the market.
- Understand client interests, goals and objectives.
- Clarify and foresee client needs.
- Offer the best solution to your client.

Own the business outcome

- Be fully involved in business.
- Own responsibility for the business as if it is your own.
- Be flexible and efficient with respect to changes.
- Fulfill the assumed obligations.
- Ready to take risks in a well-considered manner, learn from mistakes.

Team player

- Work as part of the team to achieve common goals.
- Respect and value the time spent by others.
- Initiate constructive dialogs for the benefit of the team.
- Build partner relationships in order to achieve better results.

Shape the future

- Continuous search for new ideas.
- Open to changes and new approaches.
- Promptly implement new approaches.
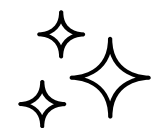
Fairness and openness

- Act fairly and openly.
- Comply with business ethics rules.
- Articulate clearly your expectations for colleagues, partners, and shareholders.
- Provide and accept feedback in a respectful manner

Risk management

The Company adopted a risk management policy - VEON Group Enterprise Risk Management Framework Policy – based on the following premises:

- Each employee (irrespectively of their position) is responsible for risk management within her functional duties, as well as the integration of controls in the business planning and budgeting processes;
- Each employee is responsible for ensuring the transparency of risk assessment procedures in the respective business divisions of the Company and its subsidiaries;
- Corporate risk assessment is conducted at least once a year.

We follow the leading global risk management practices and standards, as well as apply the Enterprise Risk Management Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (ERM COSO).

Based on the ERM COSO, we have distinguished four groups of risks: financial risks, compliance risks, operational risks, and strategic risks. Each group of risks comprises CSR and sustainability-related risks.

The Company applies the comprehensive risk identification approach set forth in the corporate policy. This approach includes both data analytics and training sessions for representatives of various business functions.

Business reliability and fair practices

In this section you will learn about the following:

- Our compliance and ethics program, as well as our anti-corruption efforts.
- The principles we use to interact with business partners and suppliers, and our accomplishments.
- Areas of cooperation with the government.

Compliance

The Company pays primary attention to business ethics, aiming to meet legislative requirements, as well as business community and public expectations, in addition to the prevention of illegal actions and practices. The Company's objective is to ensure the common understanding of the need to conduct business in an ethical manner for all our partners.

The compliance unit is the department in charge of translating the principles of ethical behavior and controlling the observation of stated principles. The strategic goal of the compliance department is to provide support for an efficient compliance program aimed at developing an ethics culture and protecting the Company from bribery and corruption risks, as well as other significant legal and reputational risks defined by the Company's management and the compliance unit. This means in-depth involvement in commercial initiatives, the Group's operations, the regulatory environment and law enforcement practices.

"The high level of business ethics is the basis for the implementation of VimpelCom's compliance program with the BoD and top management's involvement and commitment to the culture of ethics playing the central role.",

— Ilsur Akhmetshin, Vice President, Compliance Director, VimpelCom PJSC

The Company has implemented and continuously supports the compliance and ethics program comprising 10 areas:

1. **Commitment of the Company's management to the implementation of an efficient compliance and ethics program.** The CEO and management set the tone from the top and ensure the administrative support for the implementation of the compliance program in 10 areas, and demonstrate a clear and unambiguous example of intolerance to corruption-related and ethical violations. The Company's management strives to ensure personal interaction with employees and an open dialog on the topics of ethics and compliance. In 2017, the Company launched a series of regular informal meetings with the CEO and regional directors in order to discuss ethics-related matters and values for VimpelCom.

2. **Development and implementation of compliance policies and procedures.** The Company has developed and launched the Code of Conduct and the Anti-Corruption Policy. In addition, the Company develops and introduces compliance policies and procedures aimed at the prevention of corruption-related violations based on the analysis of risks. The Company accomplished significant work involving the update of current and introduction of new compliance policies and procedures.

3. **Regular risk assessment.** The Company assesses risks on a periodical basis taking into account specific conditions, such as the geography of business presence, the need to interact with third parties including government officials of various levels, and particular features of specific industries where the Company operates.

4. **The compliance function structure and independence**. The compliance function has enough resources and authority in order to be autonomous with respect to the Company's management. The expansion of the compliance function was a key new feature of the reporting period: we appointed regional compliance managers who embed all elements of the compliance program and ethical principles of professional services at the regional level. They also monitor the compliance with the Code of Conduct, compliance policies and procedures.

5. **Efficient compliance trainings and communications; training executives, employees and business partners**. We conducted compliance trainings for the Company's employees focusing on anti-corruption rules set forth in the Code of Conduct. In addition,

Мобильное приложение по комплаенсу и этике

Комплаенс

Honest and open

Speak Up
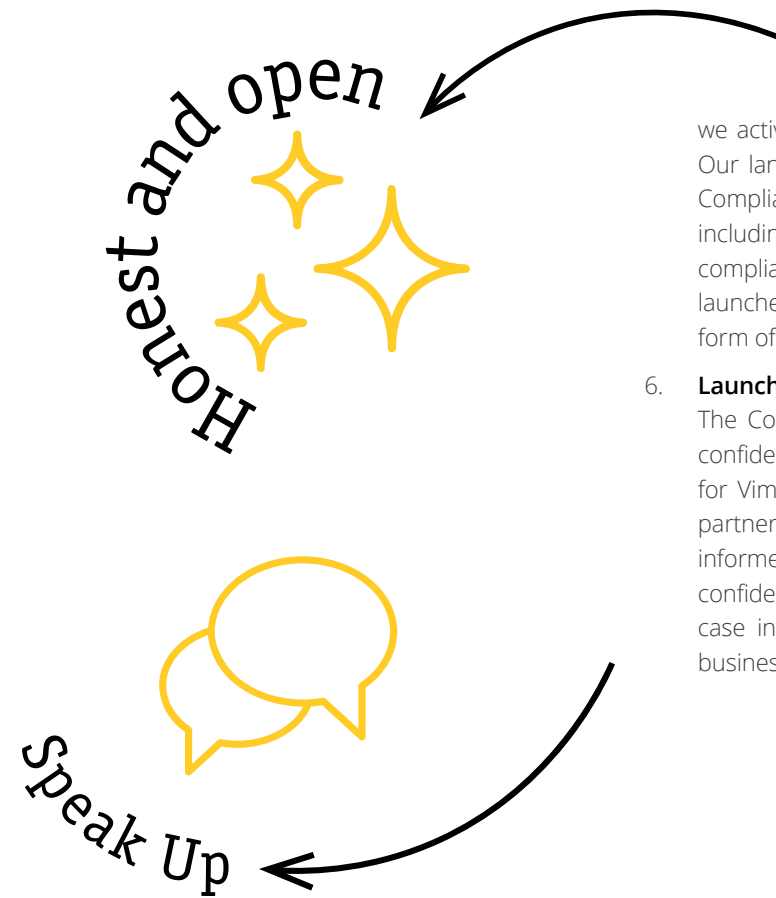
we actively promoted and strengthened the compliance culture. Our landmark initiative comprised a series of events during the Compliance Month to promote the "Honest and Open" value, including meetings with managements in the Open Dialog format, compliance quizzes, subject matter lectures and contests. We also launched an internal campaign (Dialogs on Compliance) in the form of video messages from the top managers to employees.

6. **Launching whistle-blowing channels for investigations**. The Company launched the Speak Up hotline and ensures the confidentiality of reports on violations. The hotline is accessible for VimpelCom employees, the Company's agents and business partners. The Company has a guaranteed protection of informers from any persecution, and takes measures to ensure confidentiality and anonymity. Penalties may be imposed following case investigations, as well as corrective measures to improve business processes.

7. **Motivation tools and disciplinary actions.** The Company introduces mechanisms of appropriate fulfillment of compliance policies and procedures including incentives and disciplinary actions. We set up the Committee for Investigations and Disciplinary Actions, which works to apply disciplinary actions to violators. One of the key initiatives included the introduction of the CEO award for compliance achievements. The award is given to employees nominated by the Compliance Unit and proposed by the expert team on an annual basis.

8. **Managing relationships with business partners**. VimpelCom uses internal guidelines to carefully select business partners. Prior to entering into new business relationships, we always assess the economic and reputational risks of a potential partnership.

9. **Integration of compliance programs at joint ventures, subsidiaries and associate companies**. The Company has implemented policies and procedures for merger and acquisition transactions to perform due diligence of new legal entities before they are set up, including anti-corruption assessment performed by legal and corporate finance divisions, the finance department and the compliance unit. The Company introduces anti-corruption compliance policies and procedures in all new or acquired legal entities.

10. **The testing and monitoring aimed to improve the compliance program and ethics practice**. The Company periodically reviews and tests the efficiency of the compliance program including the application of the Anti-Corruption Policy, the Code of Conduct, compliance policies and procedures in order to assess them and increase their efficiency.

The Group's Code of Conduct

Universal rules – adherence to the principles of professional ethics

The Group's Code of Conduct defines legal and ethical principles of conduct for employees in each of the Group's companies and the line of operations all of which must be complied with. The Code sets forth expectations for each employee of VimpelCom PJSC and VEON ltd. Group, irrespectively of the location or the position. The Code also defines obligations of all stakeholders.

The Code is updated on a regular basis, with the last update having taken place in 2018. The updates to the Code are communicated to employees through the internal communications system. In order to ensure that all employees comply with the document, they undergo mandatory training and subsequent certification. New employees must study the Code, which is available on the intranet.

In the reviewed period, 100 percent of employees underwent training courses on the Code of Conduct and passed knowledge checks.

Integrity Pulse is an annual survey aimed at a comprehensive assessment of the business ethics and compliance levels in the member companies. The survey is designed as anonymous responses of employees to questions that cover topics such as ethical behavior, comfort level when reporting breaches to the Speak Up hotline, as well as the clarity of directions relating to the implementation of ethics and compliance norms.

As a result of the assessment, an index was calculated to reflect the patterns of ethical behavior in the corporate culture. In 2017, VimpelCom's index exceeded the target level established by VEON Group.

Number of reports on the violation of internal policies (including the Code of Conduct and the Anti-Corruption Policy) submitted by employees

	2017	2016	2015
Number of cases submitted to law enforcement authorities	214	384	0
Number of cases* in which the Company's employees were held liable for breaching the Code of Conduct	583	798	738

* In the previous periods (2015-2016) we recorded the number of employees held liable for the Code of Conduct breaches, and since 2017 we have tracked the number of registered prosecution cases.

Cases of non-compliance with regulatory provisions covering marketing communications including advertisement, promotion and sponsorship

	2017	2016	2015
Non-compliance cases that resulted in fines	2	41	13
Non-compliance cases resulting in warnings	35	0	17

Anti-corruption practices

The Company attaches great importance to counteracting bribery and corruption. VimpelCom has approved its Anti-Corruption Policy, which meets the current legislative requirements and best practices in this field. This policy introduces a zero tolerance principle with respect to corruption-related violations, sets rules for interacting with public officials and business partners, as well as other rules aimed at counteracting corruption-related violations.

The Company's employees undergo both classroom and online training to learn about key anti-corruption requirements. In 2017, 100% of the Company's employees including top management successfully completed the training course. The completion of the training course by all of Beeline's officials and employees was confirmed in the process of an independent audit of anti-corruption measures in the Company.

PJSC VimpelCom became the first Russian legal entity to complete the voluntary certification and independent review of its anti-corruption policy and receive a high-level certificate of the ANO DPO (the autonomous non-commercial organization of extended professional education) Institute of State Procurement. In 2018, the Company became the first Russian entity to receive the public certificate of successful implementation of the Russian Business Anti-Corruption Charter based on the results of the independent review. The audit of anti-corruption practices is performed by the Center for Corporate Relations Development and Resolution of Economic Disputes (accredited as the authorized expert by the Charter Committee). The efficiency of anti-corruption measures is assessed based on the analysis of 166 criteria.

We realize that the violation of laws is highly likely to result in negative consequences. This is why our task is to create reliable systems for ensuring control based on the most rigorous global standards with the aim of preventing such cases in the future. In order to achieve the stated objectives and fulfill the recommendation of the Monitor, all employees are required to participate. Business ethics and compliance is a task for everybody.

Business partner and supplier relations

There is a direct link between trust and value creation. We always strive to act responsibly and exceed the expectations of our partners and suppliers. At the same time, we plan to continue working only with those partners who follow the standards of ethical behavior corresponding to our own requirements.

Business partners

When developing the Business Partner Code of Conduct we took into account best practices in the IT industry, as well as international law sources, such as the conventions of the International Labor Organization, in addition to other legislative and regulatory requirements. The Code covers over 30 compliance areas where business partners should meet our requirements, such as the prevention of conflicts of interests, money laundering, and child labor, etc.

The Code was updated with the new version approved on 30 November 2017. Key changes were introduced which relate to the scope of verification and screening as a part of the development of a comprehensive requirement verification procedure. In order to increase the efficiency and eliminate risks, the Company introduced the ongoing monitoring of all business partners on a regular basis. We are pleased to report that there have been no cases of denying the extension of business contracts to suppliers as a result of breaches of any of the Company's requirements.

Non-compliance with anti-monopoly and anti-competitive legislation

	2017	2016	2015
Non-monetary sanctions imposed on the Company (number of cases)	2	0	17
Number of cases brought through dispute resolution mechanisms	1	1	0

Suppliers

The Company applies the Supplier Conduct Code when dealing with suppliers. All suppliers are expected to comply with social responsibility principles, take the environmental aspects of their business into consideration, and respect human rights and business ethics.

Number of active suppliers, year-end

	2017	2016	2015
Number of suppliers (procurement categories)	8 465	8 513	10 930

Responsible supply chain management

We see our task as applying the requirements of our Business Partner Code of Conduct to all participants in the chain. In 2018, the Company plans to start auditing suppliers in order to improve the existing procedures. This right of the Company is fixed in the appendices to agreements signed with each of our suppliers.

Business partner and supplier relations

We worked to optimize the logistics and procurement processes in a comprehensive manner in the reporting period. As part of the optimization, we delivered the following projects:

1. 3PL software for internal optimization of logistics and implementation procedures (the outsourcing of comprehensive logistical services)

Positive effect:

- Reduction in total costs incurred to manage the supply chain (saving over RUB 200 mln) through the process automation and optimization.
- Threefold reduction of personnel in logistics and procurement.
- Around 15 percent of warehouses were switched to an autonomous mode (operating without permanent personnel)

2. Transformation of the procurement planning and supply chain management processes including:

- Approval of inventory disposal strategy aimed at minimizing losses;
- Stock Clearance initiative used to identify illiquid inventory and manage used defective inventory;
- Introduction of an Inventory Control Room (ICR) management system for monitoring and efficient handling of inventory levels;
- Launch of Supply and Operational Meeting (S&OP) for coordinating construction processes and procurement in order to implement mobile network construction plans
- Other initiatives.

Positive effect:

- Inventory optimization.
- Increased efficiency of supply chain management and goods turnover..

3. The re-engineering of the purchase to pay (P2P) process allowing for the automation of business processes including requests, procurement, ac-ceptance, payment, accounting for goods and services.

Positive effect:

The launch of the P2P project within the organization framework makes it possible to achieve the following goals:

- Timely record the Company's liabilities and costs in the financial reporting;
- Monitor the timely submission of source docu-ments by suppliers and subsequent payment;
- Minimize the resources required for preparing the financial statements;
- Enhance control over the implementation of suppliers' obligations including payment of fines and penalties;
- Increase the execution levels among the Com-pany's employees through implementing controls over the timely recording of source supplier documents in the system (currently, the targeted processing of pri-mary documents is being implemented in the regions);
- Efficiently plan payment execution and respec-tive cash flows.

4. Warehouse operations

Positive effect:

Around 15 percent of warehouses are operated auton-omously and without permanent staff.

5. A single electronic trading floor for receiving offers from suppliers

Positive effect:

Cost cutting and supplier interaction process acceleration.

6. Launch of electronic trading via the Oracle Sourcing platform

Positive effect:

- Receipt of one-off commercial offers from suppliers and the respective minimization of possible risks;
- A fourfold increase in the number of trading sessions in 2017 compared to 2015.

Open dialog with suppliers

In 2014, VimpelCom held the first conference for suppliers — an Open Dialog, which provided a floor for exchanging experience and developing partner relationships. The key topics of this conference included single ethical business standards and the development of a favorable business environment.

Over 250 representatives of supplier companies, consultants and procurement experts take part in each event. The continuation of the Open Dialog conference included segment conferences on some procurement categories, which enabled participants to discuss agenda items in more detail, attract a wide range of partners and initiate healthy competition.

The opportunity to conduct business negotiations and sign contracts in an online mode has been available since 2016.

December 2017

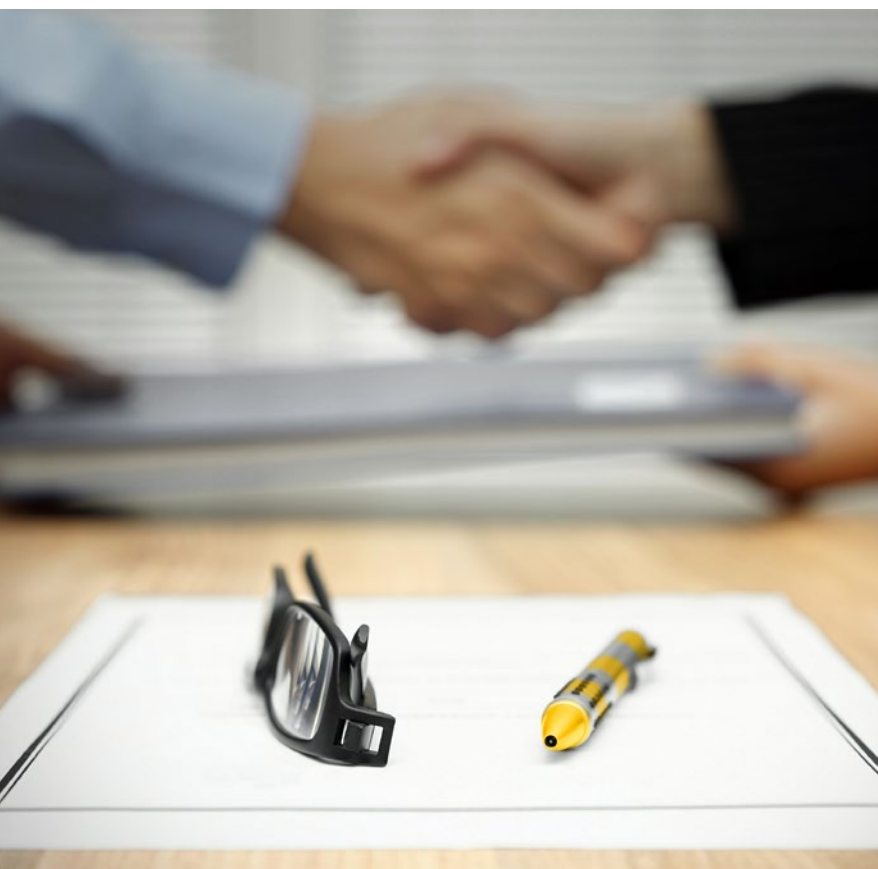|		
120 participants	**70** of the Company's initiatives discussed	**20** bln. RUB — contracts worth

Government relations

One of the principles of VimpelCom's operations is ensuring constructive dialog with government authorities. In addition to our responsible approach to compliance and strict responses to breaches, we aspire to assist the government in implementing strategic programs and local initiatives aimed at the social and economic development of the regions where the Company operates.

"The Information City". In 2016, VimpelCom became a partner of the Information City government program and deployed a Wi-Fi network at VDNKh (All-Russia Exhibition Center). As part of the initiative, the Company installed 143 wireless Internet access points enabling 7,000 VDNKh visitors to access the Web.

An agreement of 2017 with the Sakhalin Government on mobile network deployment along the island's highways. (*Goal 9: Build a resilient infrastructure, promote sustainable industrialization, and foster innovation; Goal 17: Revitalize the global partnership for sustainable development*). Under this project, the Company committed to constructing base stations along the roads leading to Nevelsk, Kholmsk, Makarov, and Korsakov and provide continuous communication to drivers commuting between these towns.

Digital economy. VimpelCom is a founder of the Autonomous Non-Commercial Entity (ANO) "Digital Economy" and participates in the implementation of Program No. 1632-r "The Digital Economy of the Russian Federation" approved by the Government of the Russian Federation on 28 July 2017.

The representatives of our Company are members of the ANO Digital Economy's Supervisory Board, the Working Groups within the program, including the Regulatory Control, Information Infrastructure, and Information Security groups (*Goal 9: Build a resilient infrastructure, promote sustainable industrialization, and foster innovation; Goal 17: Revitalize the global partnership for sustainable development*), as well as expert groups with the Expertise Centers. Our IT-experts actively contribute to the areas of FinTech, Cybernetics, Big Data technologies.

Customers and services

In this section you will learn about the following:

- The growth of our services in the reporting period.
- Why we are proud of our client service practice.
- The mechanisms that allow us to ensure IT security for our stakeholders.

Increase in the quality of communication services

The quality and accessibility of services provided to various groups of consumers on a national basis, as well as upgrading the existing technological solutions remain VimpelCom's key priorities.

The results of 2016-2017:
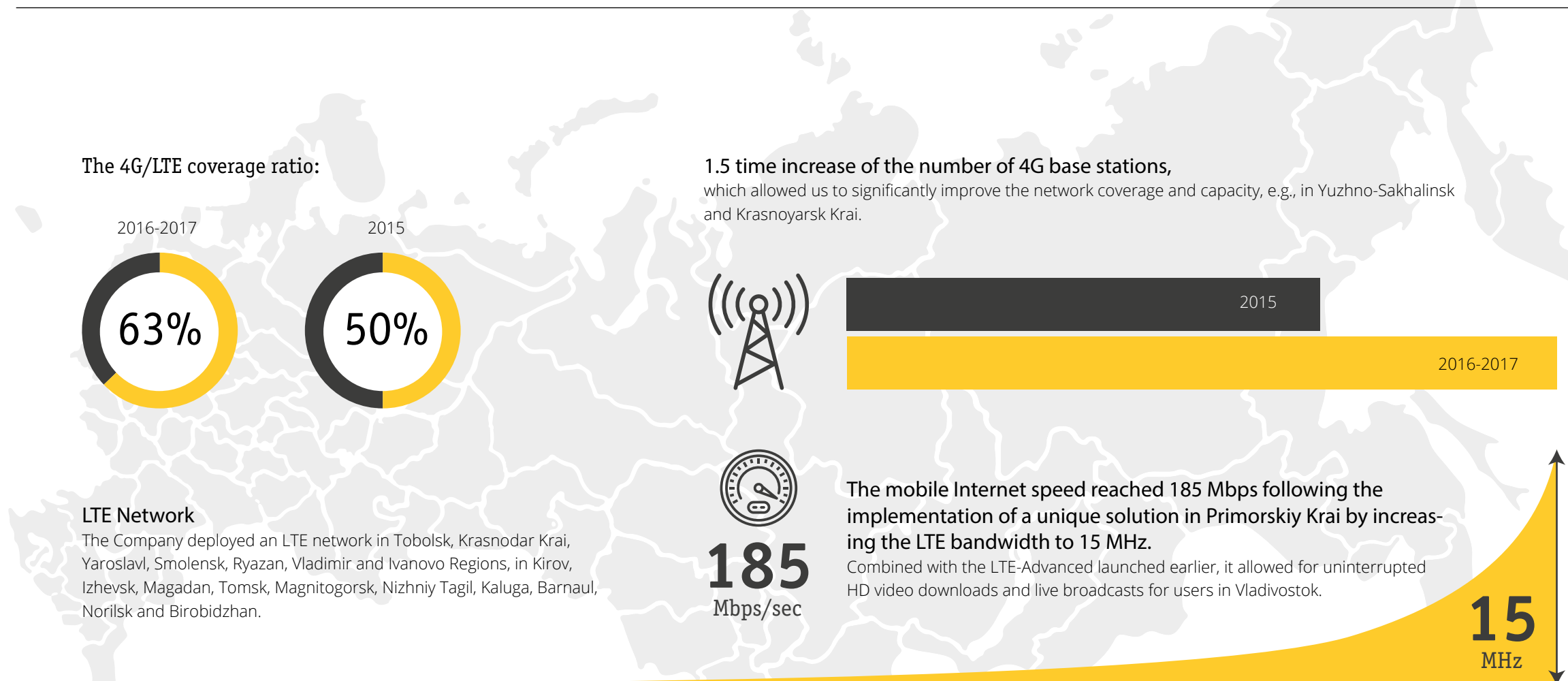
«Development of the 4G network is our key focus this year. We plan to drastically increase both the coverage and capacity of our network. We believe it is the future of our business. 4G, and later, 5G will allow us to provide all services that our clients need. The number of 4G devices used in our network increases at rates which exceed our expectations. Moving toward the future is our aim. And the future lies with 4G and 5G».

— Vasyl Latsanych, CEO, VimpelCom PJSC

The 4G/LTE coverage ratio:

2016-2017
63%

2015
50%

LTE Network
The Company deployed an LTE network in Tobolsk, Krasnodar Krai, Yaroslavl, Smolensk, Ryazan, Vladimir and Ivanovo Regions, in Kirov, Izhevsk, Magadan, Tomsk, Magnitogorsk, Nizhniy Tagil, Kaluga, Barnaul, Norilsk and Birobidzhan.

1.5 time increase of the number of 4G base stations,
which allowed us to significantly improve the network coverage and capacity, e.g., in Yuzhno-Sakhalinsk and Krasnoyarsk Krai.

2015

2016-2017

185
Mbps/sec

The mobile Internet speed reached 185 Mbps following the implementation of a unique solution in Primorskiy Krai by increasing the LTE bandwidth to 15 MHz.
Combined with the LTE-Advanced launched earlier, it allowed for uninterrupted HD video downloads and live broadcasts for users in Vladivostok.

15
MHz

HD Voice technology development

By mid-2016, the HD Voice technology was available to 90 percent of Beeline's users in 70 regions of the Russian Federation. By the end of the reporting period, this functionality was launched in 81 federal regions. The HD Voice technology provides an expanded audio-frequency range on phone lines, enables higher quality of voice transmission, and creates a presence effect for conversation participants. The improved voice communications enable people who are located far from each other to stay in touch and comfortably talk to each other.

Wi-Fi

Beeline runs the largest Wi-Fi network in Moscow. The company installed over 19,000 free Internet access points in various public locations (in parks, cafes, restaurants, cinemas, and malls).

Efficient cooperation

Accelerating 4G/LTE network coverage expansion

2016 Partnership with PJSC MegaFon to construct base stations in ten regions.

2017 Launched frequency aggregation in 31 regions jointly with PJSC MTS. The number of jointly used base stations in 31 regions exceeds 4,500 stations.

Launched strategic cooperation with Huawei to develop the 5G network by 2020

2020

Smart Managed Services — a new model for operational planning, construction monitoring, and network operation, implemented jointly with Nokia and Huawei.

LTE — roaming

Beeline tops the list of companies by the number of LTE roaming partner countries. In 2017, we signed LTE-roaming agreements with 192 operators globally, which allowed our partners to use the advantages of the 4G network in 100 tourist destinations all over the world.

Mobile finance

In 2016-2017, VimpelCom continued to develop its mobile finance technology and provide services simplifying the payment procedures and money transfers. Efforts in this area enable us to achieve *Goal 9 (Build resilient infrastructure, promote sustainable industrialization and foster innovation)* and *Goal 10 (Reduce inequality within and among countries).* We contribute to the development of a stable financial system, higher accessibility of the financial services for retail customers, and overall economic growth by implementing innovative solutions

Services for SMEs

As at year end-2017, the number of our SME customers accounted for over 255,000.

An important area of VimpelCom's operations comprises services to small and medium enterprises (SME). Developing entrepreneurship makes it possible to attract local resources, create new jobs and foster economic growth. These services directly contribute to achieving *Goal 8 (Promote inclusive and sustainable economic growth, employment and decent work for all).*

The specific feature of dealing with customers in this segment is the need to offer quick, relevant and optimal (in terms of the price) solutions, as well as promptly respond to customer requests. In the reporting period we focused on developing 'packaged solutions' allowing us to simultaneously meet several customer requirements while providing one service. Thus, in March 2017 we launched a new service for SMEs called the Mobile Enterprise application, which facilitates customer transaction management, carries out sale transactions, and monitors

advertisement efficiency and customer service quality.

Clients that have installed the Mobile Enterprise app are granted a "Welcome Call" service, which provides assistance with configuring the platform and its functional adaptation to meet client's business needs.

We also focused on improving the quality of services for corporate clients. Our services included delivery of documents, SIM-cards and equipment to clients.

VimpelCom's employees hold educational workshops where they tell customers about new business solutions and their advantages.

Dialog with clients

VimpelCom operates to ensure customer wealth and satisfaction: we aim to provide both quality services and ongoing support to every user irrespectively of the nature of her needs. In the reporting period, we made a great stride forward and attained a new level of customer service through eliminating the least efficient service channels and implementing new technology solutions.

We enabled our customers to quickly get in touch with the operator regarding any questions. The average standby time does not exceed 90 seconds..

Opportunities for all

(Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all, Goal 10: Reduce inequality within and among countries). Customer services are aligned with the strategy of creating jobs in the regions: an increasing number of call center operators work from small towns. In 2018, we plan to launch a long-distance hiring process for operators. This initiative launched by VimpelCom creates equal opportunities for talented and motivated specialists all over Russia: any competent candidate may become our operator irrespectively of gender, age, location and health. Such an approach allows for additional opportunities for women on maternity leave and disabled specialists.

In addition to traditional support channels, such as telephone communications and feedback via email, we actively implement the chat-bot service in the My Beeline mobile application. The online support service is available 24 hours per day and delivers quality services to our clients including people with mobility, visual and/or hearing impairments.

The average waiting time via online channels (in social networks and email) equals 15 minutes. In the past two years, the number of queries via these channels increased threefold.

High-quality customer service means providing quick responses to clients' questions and searching for solutions and preventive actions that allow for a reduction in the number of complaints. Monitoring is a key function in Beeline's Customer Service Department. The specialists from Beeline's Monitoring Division track queries received by the contact centers, analyze patterns, and promptly send requests to technical services in case a technical problem is identified. Additionally, the department includes a special unit called "Customer Happiness" that monitors the quality of work performed by our specialists and analyzes causes of queries. A detailed query analysis allows us to efficiently identify the parameters of our products and services that require improvement.

VimpelCom's team has been a multiple winner of the Chrystal Headset award given to the best contact centers in the industry. You can find more information on the recognition of our achievements and awards by following this **link**.

2016/2017:

- The Operating Development and Service Quality Management Department won the nomination for the "Best Quality Control and Assessment Team."
- The Self-Service Development Team won in the nomination "The Best Practice for Customer Self-Service" for implementing the Creative IVR project comprising Interactive Voice Response, an interactive voice menu, a self-service channel and a smart router for calls from our clients).
- VimpelCom's team in Saratov won an award for the Best Large Contact Center in the Telecommunications Industry.

2015/2016:

- Mass Market Service Department was highly evaluated by the jury in the "Best Contact Center in Servicing Customers" nomination.
- The jury gave a high mark to the Distributed Contact Center Monitoring Department in the "Best Quality Control and Assessment Team" nomination.
- The jury awarded our client service back-office as the "Best Contact Center Back Office Team."
- The jury also gave a high mark to the multimedia and automatic voice channel service for the Creative IVR (Interactive Voice Response) project, which was ranked as the best customer self-service practice.
- The supervisors of the contact center training group in Voronezh won the nomination for the "Best compact team."

Information security

Information security remains Beeline's key strategic priority in servicing its customers. The loss, late submission, distortion or unauthorized disclosure of user data all pose risks for our clients and negatively affects the company's reputation. Beeline has introduced an Information Security Policy that sets the following goals:

- Eliminate interruptions in the process of servicing clients;
- Prevent data distortion, locking and destruction;
- Ensure information confidentiality;
- Support the Digital Transformation strategy in order to guarantee the security of assets;
- Protect clients from cyber threats;

- Comply with the requirements of Russian and international legislation (SOX-404, PCI SS) and international standards (ISO 27001, COBIT, ISACA) in the area of information security;

In addition to the dedicated position of the Chief Information Officer, the Chief Economic Security Officer and the Chief Asset Security Officer are in charge of various aspects of information security as well. Additionally, the heads of divisions responsible for the procurement of new systems, products, system support and monitoring are accountable for information security. Compliance with legislative requirements relating to information security is ensured by the Legal Affairs and Corporate Relations Department.

Personal data protection

The Mobile Security application	Hotline	SecretNet data pro-tection system	Comprehensive DDoS-attack preventive solution
Free solution imple-mented by Beeline and ESET to protect An-droid smartphones of the Company's cus-tomers from virus at-tacks.	We successfully operate hotline 007, which can be used by Beeline' customers free of charge to forward suspicious SMS messages received by them. The Company's specialists promptly analyze such messages and block perpetrators' phone numbers if necessary.	Several years ago, the Company introduced the information protec-tion system SecretNet, which comprises a number of protective mechanisms securing information at the da-ta, application, net-work, operating sys-tem, and equipment levels.	A service that en-ables corporate clients to protect their information and prevent the widest spectrum of attacks known to the market in 18 seconds with-out affecting the internet traffic.

Information security

VimpelCom's Personal Data Processing Policy is an internal document that regulates the processing and safe-keeping of personal data inside the Company. We set up the Restricted Information Protection Committee and the Restricted Information and Personal Data Protection Commission responsible for the consistency of the following business processes:

- Restricted information exchange and protection;
- Protection of queries and information containing the personal data of the Company's employees, their relatives, the Company's subscribers and users, suppliers, partners and others.

In order to ensure the security of processed personal data, the Company implements required legal, organizational, and technical protection measures. Processed personal data is stored in a restricted data storage in Yaroslavl data center.

Beeline holds an ISO 9001 certificate attesting to the Company's compliance with quality requirements for business processes. Efficient quality management allows us to meet the needs of our clients and promptly respond to arising risks including information risks. We have been also certified for ISO 22301:2012 (Societal security – Business continuity management systems – Requirements) and ISO 27001:2013 (Information technology – Security techniques – Information security management systems – Requirements). In addition, the Company successfully underwent PCI DSS v3.2 payment security standard certification.
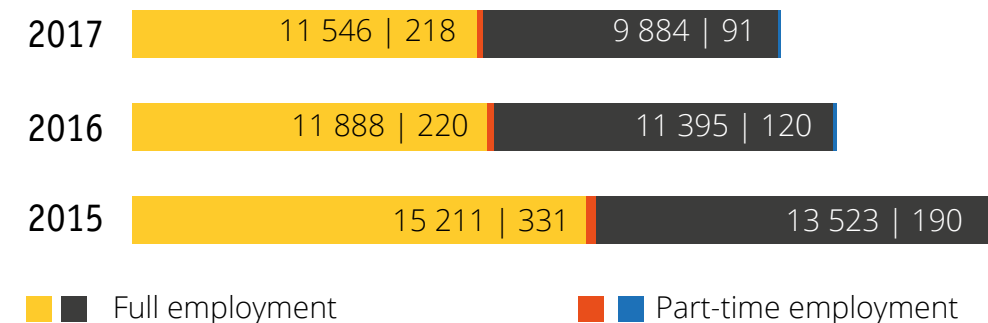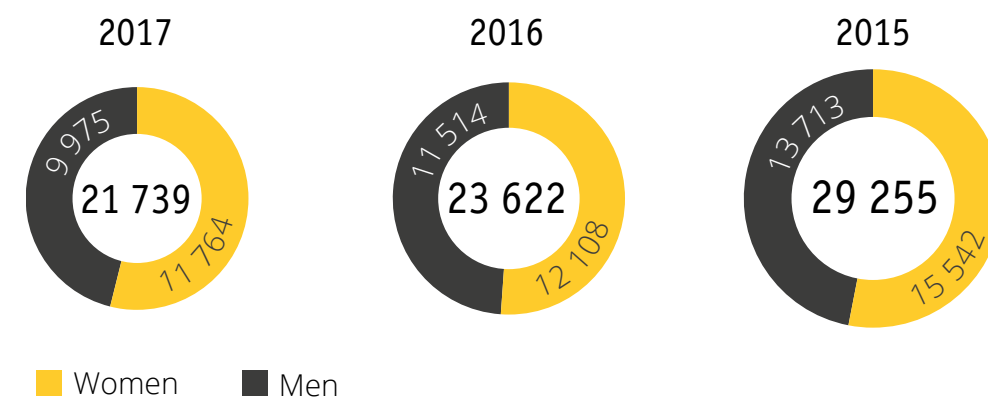
Talent

In this section you will learn about the following:

- What principles we use to manage our staff.
- What development and training opportunities exist for our employees.
- How we motivate our employees to reach excellent results.
- What internal communication channels we use for efficient interaction and strengthening our corporate culture.
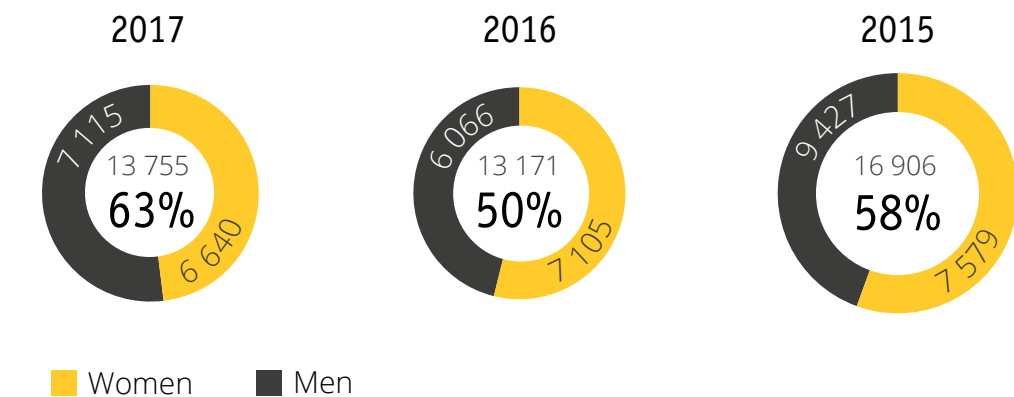
The principles of the HR policy

The headcount has been gradually decreasing starting from 2015 up till the end of the reporting period as a result of a full-scale transformation comprising a number of corporate change projects such as the revision of the corporate management model, outsourcing some operations and functions, and the centralization of operations in the Shared Services Center and Regional Centers of Expertise.

Number of employees

2017

9 975
21 739
11 764

2016

11 514
23 622
12 108

2015

13 713
29 255
15 542

🟨 Women ⬛ Men

The number of new employees (persons)

2017

7 115
13 755
63%
6 640

2016

6 066
13 171
50%
7 105

2015

9 427
16 906
58%
7 579

🟨 Women ⬛ Men

	2017		
2017	11 546 | 218	9 884 | 91	
2016	11 888 | 220	11 395 | 120	
2015	15 211 | 331	13 523 | 190	

🟨 ⬛ Full employment   🟥 🟦 Part-time employment

Number of members of most senior management committee*:

	2017	2016	2015
Women	1	1	3
Men	18	18	12
Over 50 years	3	2	1
30-50 years	16	17	14
Below 30 years	0	0	0

*CEO and direct subordinates. The indicator for 2015 has been changed as compared to the disclosure in the CSR report of 2014-2015 due to changed methodology of defining senior management committee members.

The principles
of the HR policy

Our HR policy is based on respect for the dignity, proficiency, and professional achievements and qualifications of our employees and candidates. According to the Code of Conduct of VimpelCom PJSC, race, religion, age, nationality, sexual orientation, family status, or impairments do not influence the decision making on hiring, developing and promoting the Company's employees.

The Company supports a number of initiatives aimed at fostering the successful professional development of women in the business environment, including the technology domain, and breaking stereotypes about so-called 'non-female professions.'

BEE Woman. *(Goal 5: Achieve gender equality and empower all women and girls).* In 2017, Beeline launched a new internal initiative — the BEE Woman Club aimed at developing women's leadership quality and innovative thinking, strengthening their role in business, and creating opportunities for applying their leadership skills within the current operations. Twenty-two female employees took part in the pilot version of this initiative. There were over 100 participants in 2018.

Women Leadership Forum. VimpelCom is partner of the program implemented by the Women in Leadership community. The aim of the program is to share experience, discuss pressing issues of women leadership and provide business support. Mentoring sessions are organized as a part of the program to discuss women's success stories (including top female managers) and provide valuable advice regarding further career development.

Woman&Tech. For two years in a row our Company has been a partner of the program dedicated to the development of the leadership potential and entrepreneurship skills in women. In 2016, approximately 20 startups founded by women submitted their business projects to the Eurasia Mobile Challenge contest, using support provided by VimpelCom during the first year of cooperation. One of those projects

(ConfBot) won first place in the final Eurasian Regional round of the contest in Armenia and received an opportunity to present their solution at the largest global contest — Global Mobile Challenge under the Global Mobile Congress auspices in Barcelona.

Creating non-discriminatory labor conditions is a priority for VimpelCom. Compensation for junior personnel is equal irrespective of gender. The 'gender factor' is ruled out in the calculation of the subsequent remuneration or adjustments in compensation that are based solely on the employee's performance.

The relationship between minimum annual compensation in the Company and in the region:

	2017	2016	2015
All employees	102,5%	106,7%	100%

Work-life balance

All employees who took parental leave returned to work for the Company after the termination of the leave in the reporting period. The flexibility of our working conditions allows young parents to balance work and family duties. On average, one third of the employees who came back to work after parental leave in the reporting period have been working for more than one year.

BeeFREE – to work feeling freedom. The opportunity to work remotely using flexible schedules is a wide-spread practice used by global technology companies. In 2016, the Company launched the BeeFREE program, which enabled VimpelCom's employees to work remotely and ensure the needed work-life balance. In 2017, the program was established in Beeline's offices located in 36 Russian cities. In 2017, the involvement of the Company's personnel in the BeeFREE program increased by 14 percent year-on-year and reached 61 percent of the Company's total workforce . In two years, the program yielded positive results. According to the results of the annual survey, there has been a 10 percent increase in the indicators of employee potential success and independence in selecting methods for achieving their goals. Furthermore, another corporate survey showed that our employees highly value the opportunity to plan their work schedules themselves and work from locations that are convenient for them.

36
cities

61%
of employees

>10%
increase rate
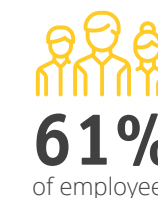
"The BeeFREE project allows our employees to work remotely and is designed to respond to HR challenges. In particular, to help attract millennials whose world is shaped by modern technologies and who have a different mental approach to work. This project is about fighting for talent. As soon as in three years, the number of employees with values different from those of the Generation X will significantly increase in any company."

— Natalia Albrecht,
Executive Vice-President for Human Resources,
Organization Development and Support, VimpelCom PJSC

Talent training and development

The development and ongoing improvement of the skillset and specialized knowledge of our employees are our key strategic priorities. VimpelCom is a knowledge incubator where exclusive competences are acquired through an extensive exchange of expertise, focused education programs, and other innovative opportunities for self-development. VimpelCom's personnel training and development strategy is implemented in accordance with best international practices and trends. The Company contributes to the potential growth and enhances the team's professional careers through implementing various life-long learning initiatives.

Our experience shows that the effective development and the successful application of employees' knowledge in key business areas are ensured through the use of the Company's focused and individual approach to the development and training of employees as whole people.

Focused training programs

- Are developed on the basis of business requirements;
- Increase the level of management and professional/technical skills of the employees;
- Contribute to achieving the Company's strategic goals and expanding knowledge in priority areas.

Individual development plans

- Aligned to research of future skills and competencies;
- The employees will be able to use the selected competencies in five, ten and twenty years;
- Development programs are implemented in the areas that are most relevant to our business.

We strongly believe that talent development should contribute to the achievement of the Company's strategic goals, the enhancement of the corporate culture, as well as the improvement of employees' quality of life through the unlocking of their talents.

VimpelCom employee training is divided into mandatory training and complementary training.

Mandatory training	(pursuant to Russian legislation and the Company's policies)
Complementary training	Directed at the development of specific hard and soft skills

Hard skills
- Development of specific professional skills

Soft skills
- Team work areas: constructive conflict, openness, personal vulnerability, building trust;
- Emotional intelligence and empathy;
- Stress management;
- Decision making under uncertainty;
- Awareness (Go Learn program);
- Skills of negotiating with business partners.

Talent training and development

BeeGuide platform. Each employee is connected to the BeeGuide's platform, which plays the role of an assistant for goal setting, individual development planning in the selected focus area through offering relevant informational resources for developing a given skill. The platform simplifies the search for quality resources that are suitable for focused self-education and helps the employees to save time.

Beeline-University is a multifunctional educational environment that provides a wide range of training opportunities to employees enabling them to choose suitable formats and training modes. Learning in a digital space allows us to develop digital skills among the Company's employees and increase the convenience of training, making it independent of territorial and time boundaries

Libraries

Our team enjoys unrestricted access to the Alpina Digital and MIF (Mann, Ivanov and Ferber) libraries, which provide relevant self-development resources in the business environment. Alpina Digital offers over 700 books, as well as regularly updated publications of more than 50 magazines and newspapers. The NIF library contains over 600 books. The Company's executives also have access to a Harvard Business Review subscription.

Decentralization of the management system

VimpelCom stopped using a centralized system for organizing employee development and training processes, and transferred the respective management functions to the regional level. Decision-making at the local level provides an opportunity to focus efforts on upgrading skills in the most critical and strategical spheres in accordance with the needs in each specific region. The Company provides all possible support to the regional representatives in advancing personnel development and training agendas.

Employees to employees

The unique competences and in-depth knowledge of our employees allow them to conduct internal training sessions on a self-sufficiency basis. The Company allows each employee to develop an e-course and act as a functional trainer and an internal coach.

Employees who complete a training course under the E-Course Development Program are invited to develop special education

courses for Beeline University. In the reporting period our employees have developed and launched e-courses taken 29,000 times in 2017 only. The most popular courses include the following:

- "Restricted information"
- "Purchase to Pay Process" (procurement process)
- "Your competencies of the future"
- "Economic Security"

The internal functional trainer is responsible for the development of employees' special skills, which requires high competence and practical experience from the trainer.

The Company launched a training program for internal coaching which will become an integral part of the corporate culture. Our coaches are specialists who assist employees in goal-setting and selecting the most efficient development trajectory. Presently, ten employees who represent various areas have undertaken training in coaching.

Motivation of talent and performance reviews

The efficiency of our team is a prerequisite for VimpelCom's success. This is why the Company implemented a comprehensive employee motivation and assessment framework which allows us to improve and achieve higher results. Employee performance assessments and the accrual of incentive bonuses are made after reaching three KPI levels: corporate KPIs, team KPIs, and individual KPIs.

- Starting from 2017, the Company introduced a global system of corporate KPIs. In accordance with the policy of the Company's global HQ, this framework was implemented in all national and regional offices. This new development makes it possible to compare employee scores by country and monitor the general efficiency trends.

- In addition to financial KPIs, corporate KPIs also include two non-monetary KPIs: contributions to strategic digital projects and employees' compliance with the values and basics of business behavior. Business behavior is evaluated via an anonymous survey where employees define the level of their colleagues' compliance with the Company's values.

- Collective KPIs are set in accordance with the goals of particular functions or regions.

- Individual KPIs are linked to an employee's function and their role in achieving specific strategic goals, which can be quantitative and qualitative. The goals can be quantitative and qualitative. Individual

KPIs are approved by management who are responsible for monitoring their achievement.

All our full-time employees are evaluated on an equal basis, irrespective of their functions performed. This helps to promote the principle of equality in the Company. The employees working in the sales department have additional KPIs related to the specific features of their tasks. .

In the reporting period, the evaluation process was automated, which enabled the Company to strengthen the controls and reduce the staff's involvement in the data processing.

Bonus payments

The Company has a bonus payment system in place that envisages annual bonus awards for each full-time employee based on their annual performance (the sales department and customer service employees may receive quarterly or monthly bonuses depending on their position). The bonus payment procedures are set out in the corporate policy specifying the formula for bonus calculation. A bonus is allocated upon the evaluation of an employee's KPI-linked performance.

Social benefits

Social benefits for Beeline employees include the following:

- Privileged use of telecommunication services;
- Voluntary medical insurance and travel insurance;
- Accident and life insurance;
- Financial assistance;
- Partial sick leave payments.

Innovations in internal communications

A high degree of awareness and involvement of employees underscores the core principles of VimpelCom's corporate culture. We aspire to continuously improve our internal communication channels in order to promptly disseminate key information about changes taking place in the Company, as well as strengthen inter-personal relations between employees. We use the latest technologies in our internal communications that offer innovative approaches to the working environment, which are considered to be an alternative to traditional approaches.

Engagement is characterized as an emotional and intellectual state of employees that allows them to perform their duties in the best manner. The involvement of Beeline's employees was rated at 61 percent in 2016 and at 70 percent in 2017.

The Company efficiently uses the following channels for internal communications:

- **The daily distribution** of news from the CEO and members of the Board.
- **We also actively use the Open Dialog** channel for communication between employees and top management with the aim of disclosing material information and obtaining timely feedback.
- **The internal portal** is part of the corporate intranet where news, announcements and other notifications are placed.
- **Internal messaging**: regular distribution of topical news on specific subjects or initiatives.
- **Uley (Beehive):** in 2014, the Company launched its own corporate social media platform. This is a convenient tool for connecting employees and speeding up responses about current work tasks. In the reporting period, the number of Beehive users increased from 12 percent in 2015 to 68 percent in 2017, which is a high participation level for a major company.
- **Incentivizing through acknowledgment.** In late 2016, the Company launched the SOTA (Cell) project aiming to enhance the corporate culture through the popularization of such values as mutual assistance and gratitude. Each employee may say thank you to a colleague by using the special software. Employees earn points for each received 'Thank you' that can be later exchanged for material prizes.
- **BeeBase mobile applications** are VimpelCom's know-how in the area of internal communications. The BeeBase mobile assistant has been developed for employees participating in the BeeFREE program. This application enables users to find co-working locations on city maps. Each employee may recommend his/her location, which will be shown on the map after the recommendation has been posted. Also, the application provides bot-generated answers to the most common questions related to work in BeeFREE.
- **Beeline.fm** application is a mobile version of the corporate radio.

Labor safety

VimpelCom realizes its responsibility for protecting the lives and health of its employees, and adheres to stringent safety rules. The Company's priorities comprise the safety of each employee, the continuous improvement of the labor safety system, and compliance with Russian legislation and international labor safety standards. The Company adopted the Labor Safety Policy which establishes key goals in this area.

In accordance with the legislation of the Russian Federation, VimpelCom's labor safety framework sets forth procedures for the creation and maintenance of the appropriate labor and health conditions for the Company's employees. Every person employed by VimpelCom must study internal labor safety guidelines, undergo safety training and pass a knowledge check assignment.

The Company regularly holds a comprehensive review of its labor safety framework in order to constantly improve the Company's performance in ensuring safe labor conditions for its employees. The review comprises an analysis of incident investigation results, corrective and preventive actions, as well as complaints received from stakeholders. A conclusion is prepared on the conformity of the current labor safety framework with the legislative requirements. Based on the results of the evaluation a decision is made on altering the current management system, and necessary steps are prepared to address inefficiencies.

Rate of injuries

2017 год	2016 год	2015 год
Total number of fatalities		
0	1	0
Number of fatalities, production and full-time personnel		
0	1	0
Total number of injuries		
0	0	7
Number of workplace injuries, production and full-time personnel		
0	0	7

Regretfully, in January 2016, one of our employees got into a fatal traffic accident in Murmansk. The traffic accident occurred as a result of a violation of the traffic rules by the driver of another vehicle, with no violation on the part of our employee. The Company conducted an investigation and communicated the results of the investigation to all employees. We organized a number of events in order to prevent such accidents and inform employees of the traffic safety rules. In 2017, the Company developed and distributed the updated labor safety rules, as well as the Regulations on Production Accident Investigations among its employees.

Society

In this section you will learn about the following:

- The criteria we apply to plan our social effort.
- How we use our business competencies to contribute to the development of society.
- What significant social projects we accomplished in the reporting period and what results we achieved.

The principles of a socially-minded business

Today, the economic model based on financial wealth is undergoing a drastic transformation. Society is entering a value-based marketing stage (Marketing 3.0) where company's clients, investors and partners 'buy' its responsibility, predictability and straightforward attitude toward working for the common good. The more value-oriented the Company is, the higher its profitability will be in the long term.

In the past two years, VimpelCom went through a large scale value transformation, which underlies our approach to the sustainability model. We strive to achieve purely pragmatic results, i.e., ensure financial success through building a trouble-free society in which we operate.

We believe that our technological capability is an essential tool for solving pressing social issues. Therefore, we use a structured approach to search for, create and implement word-class digital solutions aimed at increasing the quality of life for select communities and society as a whole. We see responsible business as a fundamental strategy that leads to financial success through ensuring the public good.

In 2015, the Company adopted a social investment strategy. We are implementing this strategy based on a set of internal guidelines including the Social Investment Policy and the Regulation on the Commission for Social Investments. These documents are designed to define and structure this area of the Company's operations, increase the transparency of the operations, and minimize risks arising from inappropriate use of charity channels. The documents adopted by the Company are aligned to the requirements of Russian anti-corruption legislation, they define the stages for selection and approval of beneficiaries, as well as introduce the principles for maximum transparency and openness when it comes to interacting with them. These documents are available on the Company's website in the Social Responsibility section.

In 2017, VimpelCom increased the focus on issues related to interaction with society and set up the Committee for Social Investments at the management board whose responsibility is to approve and update the social investment strategy, as well as approve the annual budget and final approval of the initiatives. The project acceptance procedures comprise receiving mandatory approval at the Group level and from the compliance employee.

When selecting projects aimed at addressing socially important issues, we use the following three key criteria:
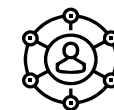
| Correlation between the projects and our core business | Significant future social impact as a result of the project | A focus on technologies capable of increasing social wealth on a systematic basis |

The social investments are aimed at developing assistive mobile technologies, support for youth entrepreneurship and innovations, digital technology promotion, competence enhancement through implementing digital projects and targeted education in the regions of the Company's presence.
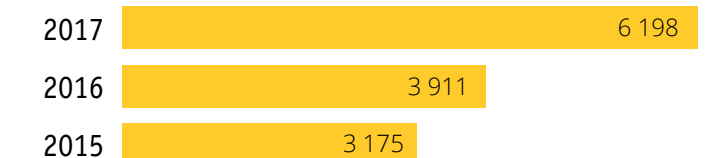
Social investments

Social investments, cash (RUB thousand)

Year	Value
2017	9 952
2016	17 486
2015	13 120
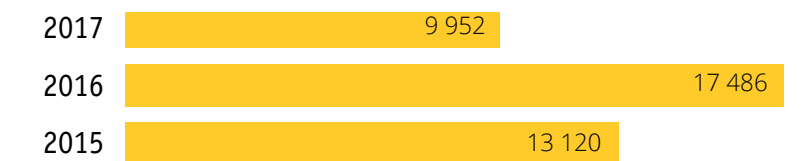
Employee volunteering during paid working hours (hours)

Year	Value
2017	3 840
2016	4800

In-kind giving (provision of equipment and services, RUB)

Year	Value
2017	6 198
2016	3 911
2015	3 175

Socially responsible operations and services

We selected four areas of social investment that we used to focus on developing products and services of long-term value for society, as well as supporting innovation potential to explore advanced solutions. Currently, we are developing a methodology for assessing the social impact and new formats of the corporate and social responsibility agenda for more transparent interactions with our stakeholders.

1. Search for missing people.

- Launched the first Russian hotline to search for missing children
- Use of SMS messaging to inform the public about current searches held in the cities where the Liza Alert search-and-rescue volunteer organization operates.
- Provision of services to Liza Alert's regional supervisors in Russia

- SMS-service and big data are VimpelCom's key competencies which allow for targeted mobilization of a wide range of volunteers.
- The Intranet is a B2B solution used to ensure the efficient operations of the distributed call-center and the hotline for receiving messages and alerts about missing people.

- The hotline for notifying the public about missing children became a catalyst for setting up regional branches of Liza Alert in more than 40 Russian cities.
- The prompt set up of search and rescue teams increases the chances of finding missing people alive. During the five months of the operations, over 100 alerts were issued. Ninety-six people were found alive during the first 24 hours of searches.
- Initiation of wide public discussions involving government structures and volunteer organizations with the aim of upgrading people search systems.

Starting from 2011, we have acted as a telecommunications partner of Liza Alert search-and-rescue volunteer organization that conducts searches for missing people. Presently, over 10,000 people participate in Liza-Alert's teams operating in more than 46 cities in Russia. The hotline facilitating the search for missing children became the first systematic solution. Over 80 volunteers operate the hotline around-the-clock in eight time zones. The main objective for the hotline is to collect reports or information about missing people, as well as advise on the first steps necessary for organizing searches in the regions where Liza-Alert has no permanent presence.

Today, the phone number 8 800 700 54 52 is the second most important channel of communications after 112 for processing information on people's disappearance.

Over 100 supervisors of Liza-Alert's regional branches use Beeline to set up search headquarters.
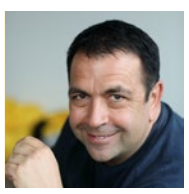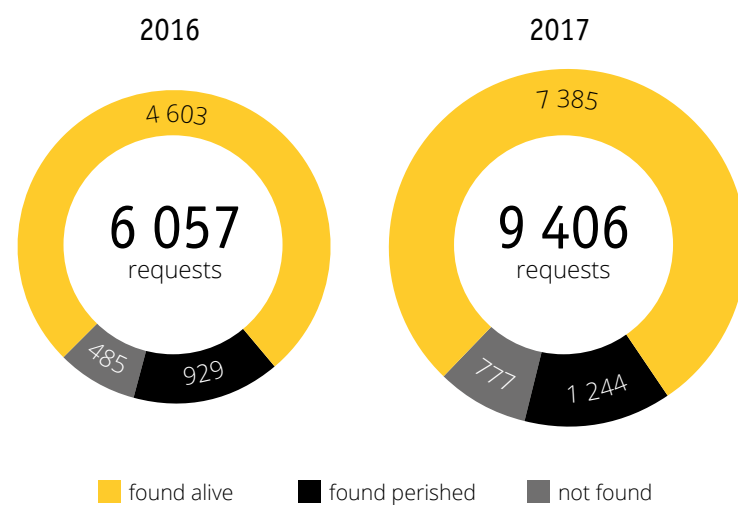
"New technology makes it possible for us to change lives for the better. For example, there is an organization called Liza-Alert, you know its history. It is a huge problem when people get lost in the forest. It is nearly impossible to succeed in finding people who get lost in the forest by using traditional means. Modern technology allows us to improve this process."

— George Held, Vice President,
VimpelCom PJSC

Socially responsible operations and services

Liza-Alert performed over 26,000 rescue operations in total

2016

4 603

6 057
requests

485   929

2017

7 385

9 406
requests

777   1 244

■ found alive   ■ found perished   ■ not found

"Getting Lost Does Not Mean Disappeared"

According to the statistical data, the chances of finding people alive increase to 95 percent if the search is initiated within the first three hours after a person's disappearance. We launched a large-scale project to perform a mass SMS notification of subscribers in geographic proximity to the disappearance location in order to increase the search speed and attract as many volunteers as possible.

The new service launched jointly by Beeline and Liza Alert allows subscribers to independently decide in which searches and when to participate using individual settings for the search view, geography, and notification frequency. We aspire to enable as many people as possible to take part in the project. Presently, there are 6,000 volunteers in the message distribution network.

By 31 December 2017, there have been 743 search requests since the start of the "Getting Lost Does Not Mean Disappeared" campaign, with 544 people found alive.

The most significant social effect results from the opportunity that we provide to any person who is willing and ready to participate in volunteering. This service contributes to the development of digital social innovations, as it is available both to Beeline subscribers and customers of other operators..

Our plans:

- Consolidation of local communities around VimpelCom's mobile socially-minded solutions;
- Use of quadcopters with SIM-cards in searches;
- Launch of the Safety Spot project for VimpelCom's retail clients: implementation of common standards of aid delivered to lost children and elderly people all over Russia;
- The launch of education campaign in the regions: open parent meetings held by Liza Alert and VimpelCom.
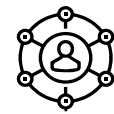
ИЩЕШЬ ЭКСТРЕМАЛЬНОЕ ХОББИ?

А МЫ ИЩЕМ ТЕБЯ!

LizaAlert   Билайн®

Socially responsible operations and services

2. 2. Assistive technologies

- Assistive technologies are services and digital solutions for disabled and impaired people which are developed through the use of VimpelCom's technical competences.

- The Company has developed special tariff plans taking into account the nuances of people with visual and/or hearing impairments.
- We use sign language interpretation and audio descriptive commentary applications that can be installed on consumer devices for an unlimited number of users.
- We develop and implement special standards for servicing clients with impairments

- The full-scale integration of people with a sensory impairment into society with the help of assistive technologies.
- Implementation of projects for setting up a single communication space and universal design standards

VimpelCom initiated effort in this area as early as in 2006, i.e., six years before the Russian Federation officially ratified the UN Convention on the Rights of Persons with Disabilities (CRPD). We traveled the path from developing special tariffs for customers with impairments to creating innovative mobile solutions that accompany our customers in their day-to-day life.

In 2016-2017, we employed the Simple. Convenient. For You. Strategy based on a detailed analysis of customer experience and client feedback, as we aimed to expand the capabilities of hearing-impaired people via the use of the latest advantages of mobile technologies. Our mission has not changed; we strive to provide equal opportunities to all users of our services irrespective of their individual and personal features. Our mission is the same – we strive to provide equal opportunities to all users of our services irrespectively of the individual and personal features.

Cloud-based Sign Language Interpretation

(*Goal 10: Reduce inequality within and among countries*). The Company launched an iCloud-based sign language interpretation application in ten "Know-How" mobile phone outlets to increase the level of comfort for hearing-impaired people using the retail services. The application helps to call for an assistant with skills of simultaneous translation from and into sign language, to provide help in the communication process.

Audio descriptive commentary tool

(*Goal 10: Reduce inequality within and among countries*). VimpelCom acted as a partner under a project to develop an audio descriptive commentary tool which enables people with sight-impairment to watch movies in the cinema. In addition, in 2017, VimpelCom partnered with the production company Volgafilm to produce a special audio descriptive commentary-enabled version of the movie Against All Odds, which could be watched in the cinemas of five Russian cities. Over one thousand people watched the film on the opening day.

In 2015, VimpelCom became a partner of **M-Enabling Summit's** first Russian conference dedicated to the development of mobile and digital solutions for disabled people. Since then, the Company has never stopped engaging in a public dialog and creating a universal and accessible online environment.

Festival: Peace and Love: the World of the Hearing Impaired in Sokolniki Park (Moscow). Beeline has been a partner of the Festival since 2010, with over 15,000 hearing-impaired people taking part in the event. The mission of the festival is to attract the attention of Russian society to the challenges faced by hearing-impaired people, assist them in adapting to life in modern cities, and eliminate communication barriers.

Our plans:

- Implement advanced solutions to create an accessible environment via Beeline's digital expertise center for assistive technologies;
- Launch pilot digital solutions for people with cognitive impairments in Russia aimed at increasing the quality of their lives and facilitating their adaptation into society.
- Expand the geographical reach of the Cloud-based sign language interpretation application: based on the recommendations of the All-Russia Society of Deaf People, the service is planned to be scheduled in 30 Russian cities while the number of offices is expected to be increased to 50.

Socially responsible operations and services

3. Innovations, support for talented youth
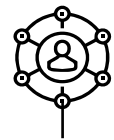
- The goal is to support talented youth, digital entrepreneurship and develop innovative solutions in the field of information technology that are of special value to the telecommunications industry.
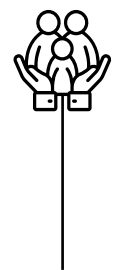
- An innovative format is used to achieve this goal including incubators, hackathons, IT-contests and specialized forums where students and young specialists from various digital industries meet to exchange experience and develop bold ideas. The participants can use all necessary means of communication, participate in coaching sessions conducted by market leaders and use technology testing zones to ensure the most efficient interaction.

- Such incubators generate innovative scalable ideas that can be implemented with the help of VimpelCom's solutions and expert experience, and can be used in long-term projects with a large-scale social impact

Make your Mark is VEON's international initiative aimed at providing support to talented youth and innovative digital solutions. The objective of the program is to ensure equal access to quality education, create conditions for entrepreneurship in the digital sphere and implement business ideas to resolve social and environmental issues *(Goals 8: Decent work an economic growth*, and *9: Industry, innovation and infrastructure)*.

The below listed initiatives became landmark events in 2016-2017:

Eurasia Mobile Challenge — the Eurasian round of Global Mobile Challenge, the world's largest mobile developer contest. The contest in the region has been sponsored by VimpelCom since 2015. Startups from Russia, Georgia, Armenia, Kyrgyzstan, Kazakhstan, Uzbekistan, Tajikistan, and Ukraine take part in the event. In 2017, Wings4All, a Russian startup, got second place at the international round of the contest. It developed an autonomous drone that can be used to find missing people. The key objective of the project is to provide technical assistance to a socially focused partnership between the Beeline brand and Liza Alert search and rescue volunteer organization. The indirect social impact came in the form of an increase in the number of technology startups resolving social issues during the contest.

Хакатон AngelHack в России — VimpelCom sponsored the hosting of rounds of AngelHack, a major global hackathon, in Russia. The event is held on an annual basis in 65 countries and provides a venue for programmers, web-designers, application developers, as well as representatives of leading international IT companies. The participants whose number at some points in time may reach 68,000 people are given 24 hours to develop a prototype of a unique functional mobile or web application. At the hackathon's stage held in Russia, VimpelCom set up its own nomination in which the winner was awarded a RUB 50,000 prize and an option to finalize the project in the Beeline Innovation Lab, which is the Company's innovation expertise center. The main prize was a trip to the hackathon main location in San Francisco where the winners take part in the Global Demo Day and present their solutions to public.

Women&Tech. *(Goal 5: Achieve gender equality and empower all women and girls)*. From 2016, we put a special focus on women's success stories in the IT industry. In 2016, Beeline provided support to the Women & Tech forum where more than 400 female representatives from IT and digital fields took part. We paid special attention to startup companies established by women. 20 startups were given a unique opportunity to present their projects, five startups were invited to participate in the Eurasia Mobile Challenge, one of which became its winner. The winner was invited to attend the GMC Barcelona event.

The Company also actively partners with universities and student centers. Thus, in the reporting period VimpelCom became a partner of the Software Programming World Champions Team from St. Petersburg State University. As part of the support for this initiative in 2017, we allocated one million rubles to prepare the team of programmers for the ACM-ICPC World Championship.

Our plans:

- Support social startups at 4YFN's largest 2018 site during the World Mobile Congress in Barcelona;

- Support the Russian stage of 201.8 AngelHack Global Hackathon;

- Support the GoTech Technology Startup Contest;

- Support the Big Data Division in Novosibirsk State University; continue partnering with St. Petersburg State University and Bauman Moscow State Technical University;

- Support the Software Programming World Champions Team from St. Petersburg State University.

Socially responsible operations and services

4. 4. Technology solutions for charity
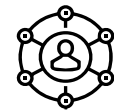
- Use of VimpelCom's key competences (mobile and digital solutions in-cluding mobile financial services) as an efficient mechanism for collect-ing donations.

- Use of communications and data transfer technology, as well as M-charity service (set up in 2012) for transferring cash for charity purposes from mobile accounts.

- The development of a new mechanism for making donations through the implementation of a simple and secure solution is expected to significantly increase the activity of private sponsors.

- The target-specific development of charity in Russia through ongoing assistance and use of stable communication channels between charity funds and their beneficiaries.

- Collection of significant funds for charity purposes significantly exceeding direct corporate donations: during the years of the service's existence the charities received around RUB 2.4 bln in private donations.

Systematic technological solutions for charity projects

In providing charity aid, VimpelCom focuses on the development and implementation of systematic approaches to improving the situation in selected areas. The Company cooperated with Gift of Life foundation (Podari Zhizn), Volunteers' Help to Orphans (Volontery v Pomoshch Detyam Sirotam) and Vera hospice charity fund.

Gift of Life. The key focus of cooperation with Gift of Life foundation is to collect money for the treatment and rehabilitation of children with cancer and hematologic diseases. For that purpose, the Company developed the M-charity service.

M-charity. In 2013, VimpelCom launched the M-charity service set up jointly with Gift of Life foundation. Through M-Charity customers may make one-time or regular donations from their mobile accounts. The service significantly increased in scale during the time of its existence: presently, over 80 foundations are connected to it. In 2016, the subscribers donated RUB 700 mln to charity purposes, while in 2017 the amount exceeded RUB 819 mln. The results of M-charity's operations show that systematic technology solutions may help to generate significant funds for charity purposes, thus exceeding the amounts of direct corporate donations and using relatively low-cost technology products.

Results of M-charity's operations

Amounts transferred by subscribers (RUB thousand)

2017	819 333
2016	698 732

Number of M-charity users (number of persons)

2017	2 275 411
2016	2 273 027

The average amount of donation (RUB)

2017	99,8
2016	94,6

Total donations since the launch of the service

2 500 000 000 ₽

Socially responsible operations and services

Volunteers' Help to Orphans. The foundation helps children without parents by providing the necessities, organizing volunteer aid, and communicating with children in hospitals, orphanages and hospices. In 2007, VimpelCom set up a hotline for the adoption of children, which became the first consulting service in this area.

Since the establishment of the hotline, around **20,000** consultations have been provided to potential adopters from **78** regions of Russia. During the 11-year existence of the fund, over **6,000** adoptions were arranged, **128** mothers received required support and did not leave their children in maternity clinics, over **1,000** orphans with serious diseases received the required treatment.

Vera hospice charity fund. The launch of the palliative care hotline became an important technology decision which drastically changed the system for providing assistance to terminally ill patients and their relatives. This solution was developed by specialists from Vera hospice charity fund and VimpelCom's technical specialists. All hotline operators were trained in the mobile service of the First Moscow Hospice named after Vera Millionshchikova and are currently providing professional consultations. In 2017, the hotline specialists processed 5,600 calls.

Yulia Matveeva, Vera hospice charity fund President, stated: "The hotline for terminally ill people, our joint project with VimpelCom, met our expectations. We received thousands of telephone calls on a monthly basis and solve hundreds of complex issues related to palliative care. Today, the hotline is operated mainly for adult patients in Moscow and the Moscow Region. In 2018, we plan to start helping children and patients from Russian regions. It is important to extend our aid to as many regions as possible and provide aid to those who needs it most."

The "Hotline for the terminally ill" project launched by the Fund is a vivid example of replicating the social impact.

The doctors and psychologists from the palliative care service responded to over 5,600 telephone calls:

- In the first months of the operation, we processes around 150 calls per month.
- A year later, over 1,000 calls per month were processed.

This number is expected to grow, as 1,300,000 people in Russia need palliative care on average, with only 14 percent of those in need receiving it.

Our plans:

- Implement products and services to get customers involved in CSR, charity and volunteering initiatives.
- Launch new digital customer service channels.
- Develop mobile and digital solutions enabling customers to donate money for charity purposes.
- Develop applications and services for people with cognitive impairments, as well as disabilities.
- Implement an intellectual volunteering platform for employees.

Environment

In this section you will learn about the following:

- Our objectives are in the area of environmental protection.
- Advanced solutions that increase the environmental responsibility of our business.

Environmental strategy

Caring about the environment provides an opportunity to ensure societal stability in the future and reduce current business risks.

As a leading Russian mobile operator, VimpelCom is a big electricity consumer. We are a responsible company and comply with all legislative requirements relating to environmental protection, as well as the principles of our corporate environmental protection concept taking the nature of our business into account.

Our concept comprises the following objectives:

1. Increase the energy efficiency of VimpelCom's operations.
2. Encourage our customers and partners to increase environmental efficiency via innovative technology solutions.

We aspire to make maximum use of mobile technology and the digital economy in order to reduce the consumption of natural resources within the existing business processes..

Penalties for non-compliance with environmental regulations

We are prepared to recognize the responsibility for incomplete conformity to legislative requirements that set out the environmental standards for the organization's operations. In 2016-2017, VimpelCom paid penalties of RUB 962,000 as a result of late submission of environmental reporting to the regulatory authorities and deviations from the approved procedure of forest protection management. We plan to undertake all necessary measures to prevent such cases in the future.

2017	2016
739 000 ₽	223 000 ₽

Electricity consumption

An increase in mobile traffic, growing demand for data transfer services, and the need for a more responsive client service led to a higher load on the Company's capacities, which, in turn, resulted in higher direct and indirect electricity consumption.

Our calculation of electricity consumption and energy efficiency is based on the following regulatory documents:

- GOST R P 54097-2010 standard;
- The Report on "Minimal standards for energy consumption for separate types of equipment as an efficient mechanism for ensuring energy efficiency in the industrial policy" prepared by the Research Center of the Russian Federation.

Environmental strategy

An increase in direct electricity consumption in 2017 was related to the implementation of the Company's plans for constructing new facilities and commissioning new equipment. The application of energy efficient technologies allowed us to significantly limit this growth.

Direct network energy consumed, total ('000 kW/hour)		
2017	2016	2015
Direct electricity consumption in networks, to-tal		
1 259	606	117
Including solar energy*		
27,6	16,2 1	8,7
Direct electricity consumption in offices		
1 881	993	3 086

* Solar energy is used at remote facilities that cannot be connected to electric networks or do not have infrastructure for delivering diesel fuel.

Indirect network energy consumed ('000 kW/hour)		
2017	2016	2015
Indirect electricity consumption in networks		
860	594	781
Indirect electricity consumption in offices		
162 146	2 131*	196 075

* Energy consumption in the retail business line was not included in the calculations in 2016.

The total amount of electricity spent to transport equipment and personnel ('000 kW/hour)		
2017	2016	2015
The total amount of electricity spent to transport equipment and personnel		
2 558*	4 048	6 431

* Excluding the energy consumed by transportation means rendered for outsourcing purposes in 2017.

Internal environmental initiatives

Inefficient use of natural resources negatively affects the environment and inevitably leads to a shortage of resources in the future. There is also a commercial component of the profligate use of resources, which is high operating expenses. Each successful company tries to reduce these costs. We realize all risks relating to the inefficient use of resources and aim to control the consumption.

VimpelCom's internal environmental initiatives are aimed at achieving two strategic goals:

1. Increasing the energy efficiency of our facilities through implementing innovative technologies;

2. Rational usage of resources, including green initiatives and distributed systems.

Increasing the energy efficiency of our facilities through implementing innovative technologies

Energy efficient data center *(Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all)* Starting from 2013, VimpelCom has operated the **modular data center** in Yaroslavl to perform centralized computing tasks for the Company. Currently, there are 152 server racks providing the necessary technical capacity required to enable a wide range of products and services all over the country. The data center's design is based on the premise that the stable operation of the data center components will result in intensive energy consumption. Therefore, the data center

became a site for implementing innovative energy saving technologies allowing the Company to optimize its energy consumption, as well as reduce its operating expenses.

The **Natural Free Cooling** is an advanced technology involving the use of filtered air from the external environment for cooling servers 9-10 months a year. This helps the Company to save a significant amount of energy consumed by air conditioning systems. The choice of the data center location in Yaroslavl was based on the favorable climatic conditions of the region, i.e., the stable, cool daily temperature is supportive for the cooling equipment's operation for 90 percent of the year. The technology makes it possible to save up to 19 percent of the energy.

The replacement of traditional batteries with **dynamic uninterrupted power supply units** allows for the accumulation of energy required for supporting the system in the event that the main power sources are switched off. Furthermore, the use of kinetic batteries instead of traditional batteries made it possible to optimize waste management owing to a decrease in the volumes of hazardous waste.

Almost 11,000 of our base stations are **distributed base stations (DBS).** These stations are exposed to air flow which facilitates the cooling. Some DBS's are equipped with special thermoboxes containing control equipment to ensure additional energy saving. The cooling of energy intensive equipment is implemented through zoning, which ensures lower energy consumption. This solution allows us to save up to 30 percent of the energy.

Over 13,000 base stations run on **BTS Power Saving** software used to optimize the network load by using working transmitters to the maximum extent possible and switching off unused transmitters. This solution makes it possible to save up to 3 percent of electricity consumed by electrical transmitters that are among the most power-intensive elements of the base stations.

Many base stations operated by us allow for the automatic regulation of air conditioning equipment, which results in a 3.5 percent decrease in power consumption.

Internal environmental initiatives

Power saving at base stations (BS)		
2017	**2016**	**2015**
Base stations running on Free Cooling technology, % of the total		
6.8%	6.5%	7.0%
Base stations exposed to open air, % of the total		
10.3%	9.4%	10.2%
Base stations employing energy saving equipment, % of the total		
12.4%	14.2%	15.6%

Some base stations employ several energy efficient technologies at once.

A decrease in the number of base stations employing energy efficient technologies compared to the previous reporting period resulted from a partial discontinuation of this service after identifying a negative impact on the quality of the communication services. The energy saving requirements are applied to all purchased equipment. Equipment specification must note energy saving when it comes to operation in order to reduce energy consumption.

Rational use of natural resources

Another area for applying effort in accordance with our environmental agenda is to reduce resource consumption in the wider network of our branches and sales offices. The Company has been applying measures that are designed to implement 'green technologies' in the day-to-day operations performed by employees. These measures are **aimed, among others**, at implementing energy saving technologies in offices and retail outlets, as well as increasing the environmental responsibility of employees. As part of the initiative, we have accomplished the following goals:

Water consumption

- Installed water meters and water saving technologies in some offices, which allowed for a 20 percent decrease in water consumption in 2017

Waste utilization

- Implemented the Eco-Print function on printers
- Launched an internal electronic document flow system
- Organized the disposal of used toner cartridges, fluorescent lamps and office equipment. In 2017, the Company cut the paper usage to 156.9 tonnes compared to 203.5 tonnes in 2016

Energy consumption

- Implemented heat control systems in some offices
- Switched to automated energy saving at working places

- Expanded the use of LED lighting in the offices
- Expanded the list of criteria for evaluating the procured equipment to include an energy consumption KPI
- Implemented the automated control and measurement system for commercial accounting for energy consumption (AIIS CUE)

Fuel consumption

- Changed the format of business meetings to video conferences (the number of the latter increased by 85 percent compared to 2015)
- Upgraded the car fleet to include more environmentally-friendly vehicles

In 2017, the Company significantly reduced the office space areas to implement the **BeeFREE** program (and, consequently, the amount of resources supplied) by allowing more than half of its employees to work remotely. We plan to continue applying new technologies in order to reduce the number of offices and shrinking our environmental footprint without decreasing the quality of our customer service.

Every year, the Company participates in the Bike-To-Work green initiative, with more and more employees of the Company joining this action.

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EVERLAND

The design of the Report has been prepared by the Everland team which consists of specialists with different disabilities.

Appendix

GRI Index Table

⚠ — the indicator required for disclosure to claim conformity with the GRI Standards, Core option.

Indicator		Reference/Commentary	Page
GRI 100 Standard reporting components			
⚠ 102-1	Name of the organization	**About the Report** VimpelCom PJSC (in the Report: Beeline)	5
⚠ 102-2	Activities, brands, products, and services	**About the Company — Overview of operations**	15
⚠ 102-3	Location of headquarters	Beeline's headquarters is located in Moscow.	
⚠ 102-4	Location of operations	As at 31 December 2017, the Company provided telecommunication services in Russia, Kazakhstan, Armenia, Uzbeki-stan, Georgia, Kyrgyzstan and Laos, operating mostly under the Beeline brand.	
⚠ 102-5	Ownership and legal form	Public Joint-Stock Company (PJSC)	
⚠ 102-6	Markets served	**About the Company — Overview of operations**	16
⚠ 102-7	Scale of the organization	**About the Company — Overview of operations**	16
⚠ 102-8	Information on employees and other workers	**Talent — The principles of the HR policy**	38

Indicator		Reference/Commentary	Page
⚠ 102-9	Supply chain	**Business reliability and fair practices — Business partner and supplier relations**	27
⚠ 102-10	Significant changes to the organization and its supply chain	**Business reliability and fair practices — Business partner and supplier relations**	27-28
⚠ 102-11	Precautionary Principle or approach	**About the Company — Risk manage-ment**	22
⚠ 102-12	External initiatives	**About the Report**	5-6
⚠ 102-13	Membership of associations	• Beeline is a member of the following associations, unions, organizations and partnerships: • Regional Communication Alli-ance (RCA); • Russian Union of Industrialists and Entrepreneurs; • Non-profit partnership Promo-tion of Competition in the CIS; • Non-profit partnership Promo-tion of Competition — Associa-tion of antimonopoly experts; • Public Government Association Russian Association for Net-works and Services; • LTE Union; • Media and Communication Un-ion; • National Radio Association; • European Business Association NP; • Russian Franchise Association NO (RAF); • Russian Corporate Counsel As-sociation NP (RCCA); • Non-commercial Partnership for Development and Use of Navi-gation Technologies; • Self-Regulatory Organization for Construction SRO NP StroySvyazTelecom; • SRO Union Pro-jectSvyazTelecom • IoT World Alliance; • ANO Digital Economy; • Ivanovo Region Telecom Opera-tor Union NP	
⚠ 102-14	Statement from a senior decision-maker	**CEO's Letter** **A word from the Corporate Social Responsibility leader**	3 4

Indicator		Reference/Commentary	Page
⚠ 102-16	Values, principles, standards, and norms of behavior	**About the Company — The Company's strategy** **About the Company — Corporate values** **Business reliability and fair practices — Compliance** **Business reliability and fair practices — the Code of Conduct** **Business reliability and fair practices — Anti-corruption practices** **Talent — The principles of the HR policy**	18-19 20 23-24 25 26 38-39
102-17	Mechanisms for advice and con-cerns about ethics	**Business reliability and fair practices — the Code of Conduct**	24-25
⚠ 102-18	Governance structure of the organization	**About the Company — The Company's structure**	17
102-22	Composition of the highest governance body and its committees	**About the Company — The Company's structure** Partial disclosure	17
⚠ 102-40	List of stakeholder groups	**Substantive topics**	11
⚠ 102-41	Collective bargaining agreements	Beeline has no previous experience entering into collective agreements	
⚠ 102-42	Identifying and selecting stakeholders	**Substantive topics**	11
⚠ 102-43	Approach to stakeholder engagement	**Substantive topics**	11
⚠ 102-44	Key topics and concerns that have been raised through stakeholder engagement	**Substantive topics**	12-13
⚠ 102-45	Entities included in the consolidated financial statements	**About the Report** The list of subsidiaries included in the consolidated financial statements for **2016** and **2017**, and disclosed in the consolidated financial statements of VimpelCom PJSC for the respective year.	5
⚠ 102-46	Defining report content and topic Boundaries	**About the Report — Report preparation principles** **Substantive topics**	5 10-13

Indicator			Reference/Commentary	Page
⚠	102-47	The list of material topics	**Material topics**	12-13
⚠	102-48	Restatements of information/new definitions	**Material topics**	10-14
⚠	102-49	Changes in reporting	**About the Report** The previous corporate and social responsibility report for 2014-2015 was prepared in accordance with GRI G4 Guidelines.	5
⚠	102-50	Reporting period	**About the Report** The report contains key performance indicators for the period from 1 January 2016 to 31 December 2017.	5
⚠	102-51	Date of most recent report	The previous report covered the period from 2014 to 2015.	
⚠	102-52	Reporting cycle	This is our third corporate social re-sponsibility report, which is published on a biennial basis.	
⚠	102-53	Contact point for questions regarding the report	**Contacts**	58
⚠	102-54	Claims of reporting in accordance with the GRI Standards	**About the Report**	5
⚠	102-55	GRI content index	**GRI standard indicators (Table)**	59-65
⚠	102-56	External assurance	This Report was not subject to a third-party assurance review	
⚠	103-1	Explanation of the material topic and its Boundary	**Material topics**	12-13
⚠	103-2	The management approach and its components	**Business reliability and fair practices** **Customers and services** **Talent**	22 31 37
⚠	103-3	Evaluation of the management approach	**Society** **Environment**	45 53

Indicator		Reference/Commentary	Page

GRI 200 Economic Category

202-1	Ratios of standard entry level wage by gender compared to the local minimum wage	Talent — The principles of the HR policy	39
203-1	Infrastructure investments and services supported	Society — Socially responsible opera-tions and services	46-52
205-2	Communication and training about anti-corruption policies and proce-dures	Business reliability and fair practices — Anti-corruption practices	26
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Business reliability and fair practices — Compliance	27

GRI 300 Ecology Category

302-1	Energy consumption within the organization	Environment — Environmental strategy	55
302-2	Energy consumption outside the organization	Environment — Environmental strategy	55
302-4	Reduction of energy consumption	Environment — Internal environmental initiatives	56-57
307-1	Non-compliance with environmental laws and regulations	Environment — Environmental strategy	54

GRI 400 Social topics

401-1	The total numbers and rates of new employee hires and employee turnover	Talent — The principles of the HR policy	38
401-2	Benefits provided to full-time employees, benefits that are not pro-vided to temporary or part-time employees	Talent — Talent motivation and perfor-mance reviews	42

Indicator		Reference/Commentary	Page
403-9	Work-related injuries	**Talent — Labor safety** Partial disclosure	44
404-2	Programs for updating employees' skills and transition assistance programs	**Talent — Training and development**	40-41
404-3	Percentage of employees receiving regular performance and career development reviews	**Talent — Talent motivation and perfor-mance reviews**	42
405-1	Diversity of governance bodies and employees	**Talent — The principles of the HR policy**	38
405-2	Ratio of basic salary and remuneration of women to men	**Talent — The principles of the HR policy** Partial disclosure	39
414-1	New suppliers that were screened using social criteria	**Business reliability and fair practices — Business partner and supplier relations** Partial disclosure	27
417-3	Incidents of non-compliance con-cerning marketing communications, including advertising, promotion, and sponsorship	**Business reliability and fair practices — Compliance**	25