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[ **VEON Ltd. (VEON).** (Mar. 14, 2019). FORM 20-F, Annual Report - foreign issuer, FY ending Dec. 31, 2018, re. **Michael Pompeo**, new director, 2023. SEC Edgar. Source: [https://www.sec.gov/Archives/edgar/data/1468091/000146809119000018/form20-f\\_fy2018march2019.htm](https://www.sec.gov/Archives/edgar/data/1468091/000146809119000018/form20-f_fy2018march2019.htm) ]

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 20-F**

- ☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018
- OR
- ☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- ☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-34694

VEON LTD.

(Exact name of Registrant as specified in its charter)

Bermuda

(Jurisdiction of incorporation or organization)

Claude Debussylaan 88, 1082 MD, Amsterdam, the Netherlands

(Address of principal executive offices)

Scott Dresser  
Group General Counsel  
Claude Debussylaan 88, 1082 MD, Amsterdam, the Netherlands  
Tel: +31 20 797 7200

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, or ADSs, each representing one common share	NASDAQ Global Select Market
Common shares, US\$0.001 nominal value	NASDAQ Global Select Market*

\* Listed, not for trading or quotation purposes, but only in connection with the registration of ADSs pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None.

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 1,756,731,135 common shares, US\$0.001 nominal value.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:

Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards<sup>†</sup> provided pursuant to Section 13(a) of the Exchange Act. ☐

<sup>†</sup> The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐

International Financial Reporting Standards as issued by the  
International Accounting Standards Board ☒

Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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## EXPLANATORY NOTE

This Annual Report on Form 20-F includes audited consolidated financial statements as of and for the years ended December 31, 2018, 2017 and 2016 prepared in accordance with International Financial Reporting Standards, or “IFRS,” as issued by the International Accounting Standards Board, or “IASB,” and presented in U.S. dollars. VEON Ltd. adopted IFRS as of January 1, 2009. All references to our audited consolidated financial statements appearing in this Annual Report on Form 20-F are to the audited consolidated financial statements included in this Annual Report on Form 20-F (the “Audited Consolidated Financial Statements”).

References in this Annual Report on Form 20-F to “VEON” as well as references to “our company,” “the company,” “our group,” “the group,” “we,” “us,” “our” and similar pronouns, are references to VEON Ltd., an exempted company limited by shares registered in Bermuda, and its consolidated subsidiaries. References to VEON Ltd. are to VEON Ltd. alone.

All section references appearing in this Annual Report on Form 20-F are to sections of this Annual Report on Form 20-F, unless otherwise indicated.

### Presentation of Financial Information of the Italy Joint Venture

Following the sale in September 2018 of our 50% stake in the joint venture holding company, VIP CKH Luxembourg S.à.r.l, comprised of CK Hutchison Holdings Limited’s former businesses in Italy and our historical business in Italy, WIND Telecomunicazioni S.p.A. (the “Historical Wind Business”, and together with CK Hutchison Holdings Limited’s former businesses, the “Italy Joint Venture”), the Italy Joint Venture is now classified as a discontinued operation and we no longer account for it using the equity method of accounting. The data for 2014 and 2015 reflects the classification of the Historical WIND Business as a discontinued operation. The data for 2016 reflects 10 months of our Historical WIND Business classified as a discontinued operation and 2 months of the Italy Joint Venture classified as a discontinued operation. The data for 2017 and 2018 reflects the classification of the Italy Joint Venture as a discontinued operation. For more information, see *Note 10 — Significant Transactions* to our Audited Consolidated Financial Statements.

### Non-IFRS Financial Measures

#### *Adjusted EBITDA*

Adjusted EBITDA is a non-IFRS financial measure. Adjusted EBITDA should not be considered in isolation or as a substitute for analyses of the results as reported under IFRS. We calculate Adjusted EBITDA as profit / (loss) before tax from continuing operations before tax before depreciation, amortization, loss from disposal of non-current assets and impairment loss, financial expenses and costs, net foreign exchange gain/(loss) and share of associates and joint ventures.

For a reconciliation of Adjusted EBITDA to (loss)/profit before tax, the most directly comparable IFRS financial measure, for the years ended December 31, 2018, 2017 and 2016, see *Note 2 — Segment Information* to our Audited Consolidated Financial Statements.

Our management uses Adjusted EBITDA as a supplemental performance measure and believes that Adjusted EBITDA provides useful information to investors because it is an indicator of the strength and performance of our business operations, our ability to fund discretionary spending and our ability to incur and service debt. In addition, the components of Adjusted EBITDA include the key revenue and expense items for which our operating managers are responsible and upon which their performance is evaluated. However, a limitation of Adjusted EBITDA’s use as a performance measure is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenue or the need to replace capital equipment over time.

Adjusted EBITDA also assists management and investors by increasing the comparability of our performance against the performance of other telecommunications companies that provide EBITDA (earnings before interest, taxes, depreciation and amortization) or OIBDA (operating income before depreciation and amortization) information. This increased comparability is achieved by excluding the potentially inconsistent effects between periods or companies of depreciation, amortization and impairment losses, which items may significantly affect operating profit between periods. However, our Adjusted EBITDA results may not be directly comparable to other companies’ reported EBITDA or OIBDA results due to variances and adjustments in the components of EBITDA (including our calculation of Adjusted EBITDA) or calculation measures.

[Table of Contents](#)*Adjusted EBITDA Margin*

Adjusted EBITDA Margin is a non-IFRS financial measure. Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by total operating revenue, expressed as a percentage. For a description of how we calculate Adjusted EBITDA and a discussion of its limitations in evaluating our performance, see “—*Adjusted EBITDA*”.

*Organic growth*

Organic growth is a non-IFRS measure and reflects changes in revenue and Adjusted EBITDA. Organic growth excludes the effect of foreign currency movements and other factors, such as businesses under liquidation, disposals, mergers and acquisitions and the impact of the introduction of IFRS 16 in FY 2019.

*Local currency financial measures*

In the discussion and analysis of our results of operations, we present certain financial measures in local currency terms. These non-IFRS financial measures present our results of operations in local currency amounts and thus exclude the impact of translating such local currency amounts to U.S. dollars, our reporting currency. We analyze the performance of our reportable segments on a local currency basis to increase the comparability of results between periods. Our management believes that evaluating their performance on a local currency basis provides an additional and meaningful assessment of performance to our management and to investors. For information regarding our translation of foreign currency-denominated amounts into U.S. dollars, see *Item 5 — Operating and Financial Review and Prospects — Factors Affecting Comparability and Results of Operations — Foreign Currency Translation*, — *Liquidity and Capital Resources — Quantitative and Qualitative Disclosure* and *Note 18 — Financial Risk Management* to our Audited Consolidated Financial Statements.

*Capital Expenditures excluding licenses*

In this Annual Report on Form 20-F, we present capital expenditures, which include equipment, new construction, upgrades, software, other long-lived assets and related reasonable costs incurred prior to intended use of the non-current assets, accounted for at the earliest event of advance payment or delivery and excludes expenditures directly related to acquiring telecommunication licenses. Long-lived assets acquired in business combinations are not included in capital expenditures. For more information on our capital expenditures, see *Item 5 — Operating and Financial Review and Prospects — Liquidity and Capital Resources — Future Liquidity and Capital Requirements* and *Note 2 — Segment Information* to our Audited Consolidated Financial Statements.

**Certain Performance Indicators**

In this Annual Report on Form 20-F, we present certain operating data, including number of mobile customers, mobile ARPU and number of mobile data customers, which our management believes is useful in evaluating our performance from period to period and in assessing the usage and acceptance of our mobile and broadband products and services. These operating metrics are not included in our financial statements. For more information on each of these metrics, see *Item 5 — Operating and Financial Review and Prospects — Certain Performance Indicators*.

**Market and Industry Data**

This Annual Report on Form 20-F contains industry, market and competitive position data that are based on the industry publications and studies conducted by third parties noted herein and therein, as well as our own internal estimates and research. These industry publications and third-party studies generally state that the information that they contain has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe that each of these publications and third-party studies is reliable, we have not independently verified the market and industry data obtained from these third-party sources. We also believe our internal research is reliable and the definition of our market and industry are appropriate, but neither such research nor these definitions have been verified by any independent source.

Certain market and industry data in this Annual Report on Form 20-F is sourced from the report of Analysys Mason, dated March 11, 2019. Mobile penetration rate is defined as mobile connections divided by population. Population figures for the mobile penetration rates provided by Analysys Mason are sourced from the Economist Intelligence Unit. Mobile connections are on a three-month active basis such that any SIM card that has not been used for more than three months is excluded. Certain data

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for the year ended December 31, 2017 sourced by Analysys Mason in our 2017 Annual Report on Form 20-F filed on March 15, 2018 could only be provided by Analysys Mason as estimates and have therefore been restated in this Annual Report on Form 20-F.

**Glossary of Telecommunications Terms**

The discussion of our business and the telecommunications industry in this Annual Report on Form 20-F contains references to certain terms specific to our business, including numerous technical and industry terms. Such terms are defined in “*Exhibit 99.1-Glossary of Telecommunications Terms*.”

**Trademarks**

We have proprietary rights to trademarks used in this Annual Report on Form 20-F which are important to our business, many of which are registered under applicable intellectual property laws. Solely for convenience, trademarks and trade names referred to in this Annual Report on Form 20-F may appear without the “®” or “TM” symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent possible under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names. We do not intend our use or display of other companies’ trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other companies. Each trademark, trade name or service mark of any other company appearing in this Annual Report on Form 20-F is the property of its respective holder.

**Other Information**

In this Annual Report on Form 20-F, references to (i) “U.S. dollars” and “US\$” are to the lawful currency of the United States of America, (ii) “Russian rubles” or “RUB” are to the lawful currency of the Russian Federation, (iii) “Pakistani rupees” or “PKR” are to the lawful currency of Pakistan, (iv) “Algerian dinar” or “DZD” are to the lawful currency of Algeria, (v) “Bangladeshi taka” or “BDT” are to the lawful currency of Bangladesh, (vi) “Ukrainian hryvnia” or “UAH” are to the lawful currency of Ukraine, (vii) “Uzbekistani som” or “UZS” are to the lawful currency of Uzbekistan, (viii) “Kazakh tenge” is to the lawful currency of the Republic of Kazakhstan and (viii) “€,” “EUR” or “euro” are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. In addition, references to “EU” are to the European Union, references to “LIBOR” are to the London Interbank Offered Rate, references to “EURIBOR” are to the Euro Interbank Offered Rate and references to “KIBOR” are to the Karachi Interbank Offered Rate.

This Annual Report on Form 20-F contains translations of certain non-U.S. currency amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the relevant non-U.S. currency amounts actually represent such U.S. dollar amounts or could be converted, were converted or will be converted into U.S. dollars at the rates indicated. Unless otherwise indicated, U.S. dollar amounts have been translated from euro, Pakistani rupee, Algerian dinar and Bangladeshi taka amounts at the exchange rates provided by Bloomberg Finance L.P. and from Russian ruble, Ukrainian hryvnia, Kazakh tenge and Uzbekistani som amounts at official exchange rates, as described in more detail in *Item 5 — Operating and Financial Review and Prospects — Factors Affecting Comparability and Results of Operations — Foreign Currency Translation*, — *Liquidity and Capital Resources — Quantitative and Qualitative Disclosure* and *Note 18 — Financial Risk Management* to our Audited Consolidated Financial Statements.

**Rounding**

Certain amounts and percentages that appear in this Annual Report on Form 20-F have been subject to rounding adjustments. As a result, certain numerical figures shown as totals, including in tables, may not be exact arithmetic aggregations of the figures that precede or follow them.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 20-F contains estimates and forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”). Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends, which affect or may affect our businesses and operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to numerous risks and uncertainties and are made in light of information currently available to us. Many important factors, in addition to the factors described in this Annual Report on Form 20-F, may adversely affect our results as indicated in forward-looking statements. You should read this Annual Report on Form 20-F completely and with the understanding that our actual future results may be materially different and worse from what we expect.

All statements other than statements of historical fact are forward-looking statements. The words “may,” “might,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “intend,” “seek,” “believe,” “estimate,” “predict,” “potential,” “continue,” “contemplate,” “possible” and similar words are intended to identify estimates and forward-looking statements.

Our estimates and forward-looking statements may be influenced by various factors, including without limitation:

- our ability to implement and execute our strategic priorities successfully and to achieve the expected benefits from, our existing and future transactions;
- our targets and strategic initiatives in the various countries in which we operate;
- our ability to develop new revenue streams and achieve portfolio and asset optimizations, improve customer experience and optimize our capital structure;
- our ability to generate sufficient cash flow to meet our debt service obligations, our expectations regarding working capital and the repayment of our debt and our projected capital requirements;
- our plans regarding our dividend payments and policies, as well as our ability to receive dividends, distributions, loans, transfers or other payments or guarantees from our subsidiaries;
- our expectations regarding our capital and operational expenditures in and after 2019;
- our goals regarding value, experience and service for our customers, as well as our ability to retain and attract customers and to maintain and expand our market share positions;
- our plans to develop, provide and expand our products and services, including operational and network development, optimization and investment, such as expectations regarding the expansion or roll-out and benefits of 3G, 4G/LTE and 5G networks or other networks, broadband services and integrated products and services, such as fixed-mobile convergence;
- our expectations as to pricing for our products and services in the future, improving our ARPU and our future costs and operating results;
- our ability to meet license requirements, to obtain, maintain, renew or extend licenses, frequency allocations and frequency channels and to obtain related regulatory approvals;
- our plans regarding marketing and distribution of our products and services, including customer loyalty programs;
- our expectations regarding our competitive strengths, customer demands, market trends and future developments in the industry and markets in which we operate;
- our expectations regarding management changes;
- possible adverse consequences resulting from our agreements announced on February 18, 2016 with the U.S. Securities and Exchange Commission (“SEC”), the U.S. Department of Justice (“DOJ”), and the Dutch Public Prosecution Service (Openbaar Ministerie) (“OM”), as well as any litigation or additional investigations related to or resulting from the agreements, any changes in company policy or procedure resulting from the review by the independent compliance

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monitor, the duration of the independent compliance monitor's review, and VEON Ltd.'s compliance with the terms of its resolutions with the DOJ, SEC, and OM; and

- other statements regarding matters that are not historical facts.

These statements are management's best assessment of our strategic and financial position and of future market conditions, trends and other potential developments. While they are based on sources believed to be reliable and on our management's current knowledge and best belief, they are merely estimates or predictions and cannot be relied upon. We cannot assure you that future results will be achieved. The risks and uncertainties that may cause our actual results to differ materially from the results indicated, expressed or implied in the forward-looking statements used in this Annual Report on Form 20-F include:

- risks relating to changes in political, economic and social conditions in each of the countries in which we operate and where laws are applicable to us (including as a result of armed conflict) such as any harm, reputational or otherwise, that may arise due to changing social norms, our business involvement in a particular jurisdiction or an otherwise unforeseen development in science or technology;
- in each of the countries in which we operate and where laws are applicable to us, risks relating to legislation, regulation, taxation and currency, including costs of compliance, currency and exchange controls, currency fluctuations, and abrupt changes to laws, regulations, decrees and decisions governing the telecommunications industry and the taxation thereof, laws on foreign investment, anti-corruption and anti-terror laws, economic sanctions and their official interpretation by governmental and other regulatory bodies and courts;
- risks related to the impact of export and re-export restrictions on our and our suppliers' ability to procure products, technology, or software necessary for the service, production and satisfactory delivery of supplies, support services, software, and equipment that we source from them — for example, in April 2018, the U.S. Department of Commerce issued, under the Export Administration Regulations, a Denial Order to ZTE Corporation ("ZTE"), an important third-party supplier, which prohibited, among other things, exports and re-exports of U.S. products, technology and software to and from ZTE and restricted our ability to receive certain services from ZTE, each of which could have led to service degradation and disruptions in certain markets, and in January 2019, the U.S. Department of Justice brought criminal charges against Huawei, another third-party supplier, alleging theft of trade secrets, violations of U.S. sanctions on Iran, and related bank and wire fraud;
- risks relating to a failure to meet expectations regarding various strategic initiatives, including, but not limited to, changes to our portfolio;
- risks related to solvency and other cash flow issues, including our ability to raise the necessary additional capital and incur additional indebtedness, the ability of our subsidiaries to make dividend payments, our ability to develop additional sources of revenue and unforeseen disruptions in our revenue streams;
- risks that the adjudications by the various regulatory agencies or other parties with whom we are involved in legal challenges, tax disputes or appeals may not result in a final resolution in our favor or that we are unsuccessful in our defense of material litigation claims or are unable to settle such claims;
- risks relating to our company and its operations in each of the countries in which we operate and where laws are applicable to us, including demand for and market acceptance of our products and services, regulatory uncertainty regarding our licenses, frequency allocations and numbering capacity, constraints on our spectrum capacity, availability of line capacity, intellectual property rights protection, labor issues, interconnection agreements, equipment failures and competitive product and pricing pressures;
- risks related to developments from competition, unforeseen or otherwise, in each of the countries in which we operate and where laws are applicable to us, including our ability to keep pace with technological change and evolving industry standards;
- risks associated with developments in the investigations by, and the agreements with, the DOJ, SEC and OM and any additional investigations or litigation that may be initiated relating to or arising out of any of the foregoing, and the costs associated therewith, including relating to remediation efforts and enhancements to our compliance programs, and the review by the independent compliance monitor;
- risks related to the activities of our strategic shareholders, lenders, employees, joint venture partners, representatives, agents, suppliers, customers and other third parties;



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- risks associated with our existing and future transactions, including with respect to realizing the expected synergies of closed transactions, satisfying closing conditions for new transactions, obtaining regulatory approvals and implementing remedies;
- risks associated with data protection, cyber-attacks or systems and network disruptions, or the perception of such attacks or failures in each of the countries in which we operate, including the costs associated with such events and the reputational harm that could arise therefrom;
- risks related to the ownership of our American Depositary Receipts, including those associated with VEON Ltd.'s status as a Bermuda company and a foreign private issuer; and
- other risks and uncertainties as set forth in *Item 3D. Risk Factors*.

These factors and the other risk factors described in *Item 3D. Risk Factors* are not necessarily all of the factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our future results. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Under no circumstances should the inclusion of such forward-looking statements in this Annual Report on Form 20-F be regarded as a representation or warranty by us or any other person with respect to the achievement of results set out in such statements or that the underlying assumptions used will in fact be the case. Therefore, you are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included in this Annual Report on Form 20-F are made only as of the date of this Annual Report on Form 20-F. We cannot assure you that any projected results or events will be achieved. Except to the extent required by law, we disclaim any obligation to update or revise any of these forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

[Table of Contents](#)**PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS**

Not required.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not required.

**ITEM 3. KEY INFORMATION****A. Selected Financial Data**

The following selected consolidated financial data as of and for each of the five years ended December 31, 2018, has been derived from our historical consolidated financial statements, which as of and for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 have been audited by PricewaterhouseCoopers Accountants N.V., an independent registered public accounting firm. The data should be read in conjunction with our Audited Consolidated Financial Statements and related Notes and the financial information in *Item 5 — Operating and Financial Review and Prospects*.

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	Year ended December 31,				
	2018	2017	2016	2015	2014
	(in millions of U.S. dollars, except per share amounts and as indicated)				
Consolidated income statements data:					
Service revenue	8,526	9,105	8,553	9,313	13,200
Sale of equipment and accessories	427	244	184	190	218
Other revenue	133	125	148	103	68
Total operating revenue	9,086	9,474	8,885	9,606	13,486
Operating expenses					
Service costs	(1,701)	(1,879)	(1,769)	(1,937)	(2,931)
Cost of equipment and accessories	(415)	(260)	(216)	(231)	(252)
Selling, general and administrative expenses	(3,697)	(3,748)	(3,668)	(4,563)	(4,743)
Depreciation	(1,339)	(1,491)	(1,439)	(1,550)	(1,996)
Amortization	(495)	(537)	(497)	(517)	(647)
Impairment loss	(858)	(66)	(192)	(245)	(976)
Gain / (loss) on disposal of non-current assets	(57)	(26)	(20)	(39)	(68)
Gain / (loss) on sale of subsidiaries	30	—	—	—	—
Total operating expenses	(8,532)	(8,007)	(7,801)	(9,082)	(11,613)
Operating profit	554	1,467	1,084	524	1,873
Finance costs	(816)	(935)	(830)	(829)	(1,077)
Finance income	67	95	69	52	52
Other non-operating gain / (loss), net	(68)	(97)	(82)	(42)	121
Share of profit / (loss) of joint ventures and associates	—	(22)	(11)	14	(38)
Impairment of joint ventures and associates	—	(110)	(99)	—	—
Net foreign exchange gain / (loss)	15	(70)	157	(314)	(556)
Profit / (loss) before tax from continuing operations	(248)	328	288	(595)	375
Income tax expense	(369)	(472)	(635)	(220)	(598)
Profit / (loss) from continuing operations	(617)	(144)	(347)	(815)	(223)
Profit/(loss) after tax for the period from discontinued operations	(300)	(390)	979	262	(680)
Gain / (loss) on disposal of discontinued operations	1,279	—	1,788	—	—
Profit for the period from discontinued operations	979	(390)	2,767	262	(680)
Profit/(loss) for the year	362	(534)	2,420	(553)	(903)
Attributable to:					
The owners of the parent (continuing operations)	(397)	(115)	(439)	(917)	33
The owners of the parent (discontinued operations)	979	(390)	2,767	262	(680)
Non-controlling interest	(220)	(29)	92	102	(256)
Basic and diluted gain / (loss) per share attributable to ordinary equity holders of the parent:					
From continued operations	(\$0.23)	(\$0.07)	(\$0.25)	(\$0.52)	\$0.02
From discontinued operations	\$0.56	(\$0.22)	\$1.58	(\$0.52)	\$0.02
Dividends declared per share	0.29	0.28	0.23	0.035	0.035

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	As of December 31,				
	2018	2017	2016	2015	2014
	(in millions of U.S. dollars)				
Consolidated balance sheet data:					
Cash and cash equivalents	1,808	1,314	2,942	3,614	6,342
Working capital (deficit) <sup>(1)</sup>	(1,316)	(716)	(2,007)	(156)	(938)
Property and equipment, net	4,932	6,237	6,719	6,239	11,849
Intangible assets and goodwill	5,670	6,786	6,953	6,447	18,002
Total assets	14,102	19,484	21,193	33,854	41,042
Total liabilities	11,323	15,594	15,150	29,960	37,066
Total equity	2,779	3,890	6,043	3,894	3,976

(1) Working capital (deficit) is calculated as current assets less current liabilities and is equivalent to net current assets.

## SELECTED OPERATING DATA

The following selected company operating data as of and for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 has been derived from internal company sources. The selected company operating data set forth below should be read in conjunction with our Audited Consolidated Financial Statements and their related Notes. For information on how we calculate mobile customers, mobile data customers, and mobile ARPU, see *Item 5 — Operating and Financial Review and Prospects — Certain Performance Indicators*.

	As of and for the year ended December 31,				
	2018	2017	2016	2015	2014
<b>Mobile customers in millions</b>					
Russia	55.3	58.2	58.3	59.8	57.2
Pakistan	56.2	53.6	51.6	36.2	38.5
Algeria	15.8	15.0	16.3	17.0	17.7
Bangladesh	32.3	31.3	30.4	32.3	30.8
Ukraine	26.4	26.5	26.1	25.4	26.2
Uzbekistan	9.1	9.7	9.5	9.9	10.6
<b>Mobile data customers in millions</b>					
Russia	36.8	38.4	36.6	34.3	31.9
Pakistan	33.0	28.5	25.1	16.8	14.4
Algeria	9.2	7.2	7.0	4.1	1.3
Bangladesh	19.6	16.9	14.9	14.0	12.2
Ukraine	14.8	12.5	11.2	12.0	11.1
Uzbekistan	5.5	5.0	4.6	4.7	5.4
<b>Mobile ARPU (in U.S. dollars)</b>					
Russia	5.4	5.5	4.6	5.1	8.6
Pakistan	2.1	2.2	2.3	2.1	2.1
Algeria	4.3	4.8	5.1	6.0	7.9
Bangladesh	1.3	1.5	1.6	1.6	1.6
Ukraine	2.0	1.8	1.7	1.8	3.1
Uzbekistan	2.8	4.4	5.6	5.7	5.6

## B. Capitalization and Indebtedness

Not required.

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Not required.

**D. Risk Factors**

The risks below relate to our company and our American Depositary Shares (“ADSs”). Before purchasing our ADSs, you should carefully consider all of the information set forth in this Annual Report on Form 20-F including, but not limited to, these risks.

In addition to those risk factors, there may be additional risks and uncertainties of which management is not aware or focused on or that management deems immaterial. Our business, financial condition or results of operations or prospects could be materially adversely affected by any of these risks. The trading price of our securities could decline due to any of these risks, and you may lose all or part of your investment.

**Market Risks****We are exposed to foreign currency exchange loss and currency fluctuation and translation risks.**

A significant amount of our costs, expenditures and liabilities are denominated in U.S. dollars and Russian rubles, including capital expenditures and borrowings, while a proportion of our revenue is denominated in currencies other than U.S. dollars and Russian rubles. Thus, declining values of local currencies against the U.S. dollar could make it more difficult for us to repay or refinance our debt, make dividend payments, purchase equipment or services denominated in U.S. dollars or Russian rubles. For example, the values of the Russian, Algerian, Ukrainian, Uzbek, Pakistani, Bangladeshi and Kazakh currencies have experienced significant volatility in recent years in response to certain political and economic issues, and may continue to decline. Our operating metrics, debt coverage metrics, as well as the value of our investments in U.S. dollar terms were negatively impacted in 2018 from foreign currency transactions and translations, and future currency fluctuations and volatility may result in additional losses or otherwise negatively impact our results of operations. In addition, changes in exchange rates could also impact our ability to comply with covenants under our debt agreements.

We cannot ensure that our existing or future hedging strategies will sufficiently hedge against exchange rate risks. Exchange rates may fluctuate if a government takes legislative or regulatory action with respect to its currency. Our exposure to exchange rate risks could lead to adverse developments which harm our business, financial condition, results of operations or prospects. For more information about foreign currency translation, see *Item 5 — Operating and Financial Review and Prospects, Item 11 — Quantitative and Qualitative Disclosures About Market Risk* and *Note 18 — Financial Risk Management* to our Audited Consolidated Financial Statements.

The countries in which we operate have also experienced periods of high levels of inflation, including certain cases of hyperinflation. Our profit margins could be harmed if we are unable to sufficiently increase our prices to offset any significant future increase in the inflation rate, which may be difficult with our mass market customers and our price sensitive customer base. Inflationary pressure in the countries where we have operations could materially harm our business, financial condition, results of operations, cash flows or prospects.

**We may be unable to develop additional revenue market share in markets where the potential for additional growth of our customer base is limited.**

Increasing competition, market saturation and technological development have led to the increased importance of data services in the markets in which we operate, including Russia, Commonwealth of Independent States (“CIS”) countries, Pakistan and Bangladesh. The mobile markets in Russia, Algeria, Ukraine, Kazakhstan, Kyrgyzstan, Armenia, and Georgia have each reached mobile penetration rates exceeding 100%, according to Analysys Mason. As a result, we are focusing increasingly on revenue market share growth in each of these markets. The key components of this growth strategy will be to increase our revenue market share by increasing data usage and improving customer loyalty. Failure to develop additional revenue market share could materially harm our business, financial condition, results of operations, cash flows or prospects. For more information on the competition we face in our markets, see “— *We operate in highly competitive markets, which we expect to only become more competitive, and as a result may have difficulty expanding our customer base or retaining existing customers.*” For more information on our growth strategy, see *Item 4 — Information on the Company*.

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**Our revenue is often unpredictable, and our revenue sources are short-term in nature.**

Our primary source of revenue is from prepaid mobile customers who we do not require to enter into long-term contracts. Therefore, we cannot be certain these customers will continue to use our services in the future. Revenue from postpaid mobile customers represents a small percentage of our total operating revenue and the contracts that are required to be signed by such customers can be canceled with limited advance notice and without significant penalty. Because we incur costs based on our expectations of future revenue, the sudden loss of a large number of customers or a failure to accurately predict revenue could harm our business, financial condition, results of operations, cash flows or prospects. For a description of the key trends and developments with respect to our business, see *Item 5 — Operating and Financial Review and Prospects — Key Developments During 2018*.

**We operate in highly competitive markets, which we expect to only become more competitive, and as a result may have difficulty expanding our customer base or retaining existing customers.**

The markets in which we operate are highly competitive in nature, and we expect that competition will continue to increase. Our financial performance has been and will continue to be significantly determined by our success in adding, retaining and engaging our customers. As penetration rates increase in the markets in which we operate, we may have difficulty expanding our customer base. If customers find our connectivity and internet services not to be valuable, reliable or trustworthy or otherwise believe competitors in our markets can offer better services, we may have difficulty retaining customers. In addition, as new players enter our markets or existing competitors combine operations, maintaining our market positions will become even more difficult. For more information on the competition in our markets, see *Item 4.B — Business Overview*.

Each of the items discussed immediately below regarding increased competition could materially harm our business, financial condition, results of operations, cash flows or prospects:

- we cannot assure you that our revenue will grow in the future, as competition puts pressure on our prices;
- with the increasing pace of technological developments, including new digital technologies and regulatory changes impacting our industry, we cannot predict with certainty future business drivers and we cannot assure you that we will adapt to these changes at a competitive pace;
- we may be forced to utilize more aggressive marketing schemes to retain existing customers and attract new ones that may include lower tariffs, handset subsidies or increased dealer commissions;
- in more mature or saturated markets, such as Russia, there are limits on the extent to which we can continue to grow our customer base, and the continued growth in our business and results of operations will depend, in part, on our ability to extract greater revenue from our existing customers, including through the expansion of data services and the introduction of next generation technologies, which may prove difficult to accomplish;
- we may be unable to deliver superior customer experience relative to our competitors or our competitors may reach customers more effectively through a better use of digital and physical distribution channels, which may negatively impact our revenue and market share;
- as we expand the scope of our services, such as new networks, fixed-line residential and commercial broadband, digital financial and other services, we may encounter a greater number of competitors that provide similar services;
- the liberalization of the regulations in certain markets in which we operate could greatly increase competition;
- competitors may operate more cost effectively or have other competitive advantages such as greater financial resources, market presence and network coverage, stronger brand name recognition, higher customer loyalty and goodwill, and more control over domestic transmission lines;
- competitors, particularly current and former state-controlled telecommunications service providers, may receive preferential treatment from the regulatory authorities and benefit from the resources of their shareholders;
- current or future relationships among our competitors and third parties may restrict our access to critical systems and resources;
- new competitors or alliances among competitors could rapidly acquire significant market share, and we cannot assure you that we will be able to forge similar relationships;

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- reduced demand for our core services of voice, messaging and data and the development of services by application developers (commonly referred to as OTT players) could significantly impact our future profitability;
- competitors may partner with OTT players to provide integrated customer experiences, and we may be unable to implement offers, products and technology to support our commercial partnerships; and
- in markets where we do not have bundled offerings, our existing service offerings could become disadvantaged as compared to those offered by competitors who can offer bundled combinations of fixed-line, broadband, public Wi-Fi, TV and mobile.

**Our failure to keep pace with technological changes and evolving industry standards could harm our competitive position and, in turn, materially harm our business.**

The telecommunications industry is characterized by rapidly evolving technology, industry standards and service demands, which may vary by country or geographic region. Accordingly, our future success will depend on our ability to adapt to the changing technological landscape and the regulation of standards utilizing these technologies. It is possible that the technologies or equipment we utilize today will become obsolete or subject to competition from new technologies in the future for which we may be unable to obtain the appropriate license in a timely manner or at all. We may not be able to meet all of these challenges in a timely and cost-effective manner.

For example, with respect to our mobile services, while we continue deploying 2G, 3G and 4G/LTE networks, the industry is already well advanced in planning for the future deployment of 5G, which is expected to drive continued demand for data in the future. We may require additional or supplemental licenses and spectrum to implement 5G technology or to upgrade our existing 2G, 3G and 4G/LTE networks to remain competitive, and we may be unable to acquire such licenses and spectrum on reasonable terms or at all. We may need to incur significant capital expenditures to acquire licenses, spectrum or infrastructure to offer new services to our customers or improve our current services. In particular, the introduction of 5G services into our markets may draw additional entrants and require infrastructure capital expenditures for providers seeking to gain or maintain a competitive advantage. As new technologies are developed or upgraded, such as advanced 4G and 5G systems, our equipment may need to be replaced or upgraded or we may need to rebuild our mobile network, in whole or in part. Technological change is also impacting the capabilities of the equipment our customers use, such as mobile handsets, and potential changes in this area may impact demand for our services in the future. Implementing new technologies requires substantial investment. However, there can be no guarantee that we will generate our expected return on any such investments.

If we experience substantial problems keeping pace with technological changes and evolving industry standards, it may impair our success with the provision of related services, or delay or decrease revenue and profits and therefore hinder recovery of any significant capital investments in such services, as well as our growth.

**The international economic environment could cause our business to decline.**

Our operations are subject to macro-economic and political risks that are outside of our control. The current macro-economic environment is highly volatile, and continuing instability in global markets has contributed to a challenging global economic environment in which we operate. As future developments are dependent upon a number of political and economic factors, we cannot accurately predict how long challenging conditions will exist or the extent to which the markets in which we operate may deteriorate. Unfavorable economic conditions may impact a significant number of our customers, including their spending patterns, both in terms of the products they subscribe for and usage levels. As a result, it may be more difficult for us to attract new customers, more likely that customers will downgrade or disconnect their services and more difficult for us to maintain ARPUs at existing levels. A difficult economic environment and any future downturns in the economies of markets in which we operate or may operate in the future could also increase our costs, including higher levels of taxation, prevent us from executing our strategies, hurt our liquidity, impair our ability to take advantage of future opportunities or to respond to competitive pressures, to refinance existing indebtedness or to meet unexpected financial requirements, all of which could harm our business, financial condition, results of operations, cash flows or prospects.

As a global telecommunications company with operations in multiple markets, we may be adversely affected by a broad range of adverse economic developments specific to a particular market in which we operate. For example, our operations in Pakistan may be impaired by the July 27, 2018 European Union listing of Pakistan as a "high risk third country" identified as presenting strategic deficiencies in its anti-money laundering and counter-terrorist financing regimes, and by the July 23, 2018 Financial Action Task Force listing of Pakistan as a jurisdiction requiring monitoring (so called "gray list") for strategic anti-money laundering and counter-terrorist financing deficiencies. In addition, our financial performance may be affected by ongoing issues in the European Union relating to risks of deflation, sovereign debt levels, the suitability and stability of the euro, and the planned exit of the United Kingdom from the European Union. Additionally, in Russia, the impact of economic sanctions and the significant devaluation of the Russian ruble, have negatively impacted the Russian economy and economic outlook, and may also negatively

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impact our ability to raise external financing, particularly if sanctions are broadened. Economic sanctions in the current macro-economic environment may also adversely affect our ability to operate. For instance, our key vendors and suppliers may be sanctioned themselves which could restrict our ability to process voice and data communications or mobile financial services. For more on sanctions affecting Russia and how they may affect our operations, see *Geopolitical Risks — "Our operations may be adversely affected by ongoing developments in Russia and Ukraine."*

Deterioration of macro-economic conditions in the countries in which we operate may also have certain accounting ramifications. For example, a significant difference between the performance of an acquired company and the business case assumed at the time of acquisition could require us to write down the value of the goodwill. In addition, the possible developments as a result of a financial and economic crisis related to, in particular, customer behavior, the reactions of our competitors in terms of offers, pricing or their response to new entrants, regulatory adjustments in relation to reductions in consumer prices and our ability to adjust costs and investments in keeping with possible changes in revenue may adversely affect our forecasts and lead to a write-down in tangible and intangible assets. A write-down recorded for tangible and intangible assets lowering their book values could impact certain covenants and provisions under our debt agreements, which could result in a deterioration of our financial condition, results of operations or cash flows. For further information on the impairment of tangible and intangible assets and recoverable amounts (particularly key assumptions and sensitivities), see *Note 11 — Impairment of Assets* to our Audited Consolidated Financial Statements. For a discussion of the risks associated with the market where we operate, see *Geopolitical Risks — "Investors in emerging markets, where our operations are located, are subject to greater risks than investors in more developed markets, including significant political, legal and economic risks and risks related to fluctuations in the global economy."*

### Liquidity and Capital Risks

#### **Substantial amounts of indebtedness and debt service obligations could materially decrease our cash flow, adversely affect our business and financial condition and prevent us from raising additional capital.**

We have substantial amounts of indebtedness and debt service obligations. As of December 31, 2018, the outstanding principal amount of our external debt for bonds, bank loans, and other borrowings amounted to approximately US\$7.3 billion. For more information regarding our outstanding indebtedness and debt agreements, see *Item 5 — Operating and Financial Review and Prospects — Liquidity and Capital Resources — Consolidated Cash Flow Summary — Financing Activities*.

Agreements under which we borrow funds contain obligations, which include covenants or provisions that impose on us certain operating and financial restrictions. Some of these covenants relate to our financial performance or financial condition, such as levels or ratios of earnings, debt, equity and assets and may prevent us or our subsidiaries from incurring additional debt. Failure to comply with these covenants or provisions may result in a default, which could increase the cost of securing additional capital, lead to acceleration repayment of our indebtedness or result in the loss of any assets that secure the defaulted indebtedness or to which our creditors otherwise have recourse. Such a default or acceleration of the obligations under one or more of these agreements (including as a result of cross-default or cross-acceleration) could have a material adverse effect on our business, financial condition, results of operations or prospects, and in particular on our liquidity and our shareholders' equity. In addition, covenants in our debt agreements could impair our liquidity and our ability to expand or finance our future operations. For a discussion of agreements under which we borrow funds, see *Note 16 — Financial Assets and Liabilities* to our Audited Consolidated Financial Statements.

Aside from the risk of default, given our substantial amounts of indebtedness and limits imposed by our debt obligations, our business could suffer significant negative consequences such as the need to dedicate a substantial portion of our cash flows from operations to repayments of our debt, thereby reducing funds available for paying dividends, working capital, capital expenditures, acquisitions, joint ventures and other purposes necessary for us to maintain our competitive position and to maintain flexibility and resiliency in the face of general adverse economic or industry conditions.

#### **We may not be able to raise additional capital, or we may only be able to raise additional capital at significantly increased costs.**

We may need to raise additional capital in the future, including through debt financing. If we incur additional indebtedness, the risks that we now face related to our indebtedness and debt service obligations could increase. Specifically, we may not be able to generate enough cash to pay the principal, interest and other amounts due under our indebtedness or we may not be able to borrow money within local or international capital markets on acceptable terms, or at all. We may also be impacted by conditions or local legal requirements in local or international markets that make it difficult to raise capital or refinance existing debt. The departure of the United Kingdom from the European Union may cause disruption in our access to United Kingdom based lenders or increase the cost of capital available to us if our lenders have not completed their own restructurings in light of this.



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Our ability to raise additional capital may also be restricted by covenants in our financing agreements and our ability to raise additional capital or the cost of raising additional capital may be affected by any downgrade of our credit ratings, including for reasons outside our control, which may materially harm our business, financial condition, results of operations and prospects. In addition, economic sanctions which may be imposed in the future by the United States, the United Nations, the European Union, and other countries, including in connection with developments in Russia and Ukraine, may also negatively affect our existing financing and our ability to raise future external financing, particularly if the sanctions are broadened. For more information on the sanctions imposed against Russia and Ukraine, see *Exhibit 99.2 — Regulation of Telecommunications — Sanctions Regimes*.

If we are unable to raise additional capital or if the cost of raising additional capital significantly increases, we may be unable to make necessary or desired capital expenditures, take advantage of investment opportunities, refinance existing indebtedness or meet unexpected financial requirements, and our growth strategy and liquidity may be negatively affected. This could cause us to be unable to repay indebtedness as it comes due, to delay or abandon anticipated expenditures and investments or otherwise limit operations, which could materially harm our business, financial condition, results of operations or prospects.

#### **A change in control of VEON Ltd. could harm our business.**

Our financing agreements across the VEON group generally have “change of control” provisions that may require us to make a prepayment if a person or group of persons (with limited exclusions) acquire beneficial or legal ownership of or control over more than 50.0% of our share capital. If such a change of control provision is triggered and we fail to agree with lenders on the necessary amendments to the loan documentation and then fail to make any required prepayment, it could trigger cross-default or cross-acceleration provisions of our other financing agreements, which could lead to our obligations being declared immediately due and payable. This could harm our business, financial condition, results of operations, cash flows or prospects.

### **Operational Risks**

#### **Our strategic initiatives may not be successfully implemented and the benefits we expect to achieve may not be realized.**

We continue to transform our business with the aim of improving our operations across all markets in which we operate. This transformation is working to revitalize the business and implement new digital services. We are also implementing various other initiatives to technologically and operationally modernize our core telecommunications business, including: developing new IT capabilities, capacities enabling customers to manage their accounts and services independently (“self-care”), billing systems, customer relationship management systems, enterprise resource management systems, human capital management systems and enterprise performance management systems; and reducing and simplifying our IT cost base. There can be no assurance that this strategy will generate the results we expect. We may experience implementation issues due to a lack of coordination or cooperation with our operating companies or third parties or otherwise encounter unforeseen issues, such as technological limitations, regulatory constraints or lack of customer engagement, which could frustrate our expectations regarding cost-optimization and process redesign or otherwise delay execution of these initiatives. As a result, these directional improvements may not be successful, which could adversely affect our business, financial condition, results of operations, cash flows or prospects.

#### **As a holding company, VEON Ltd. depends on the performance of its subsidiaries and their ability to pay dividends and may therefore be affected by changes in exchange controls and currency restrictions in the countries in which its subsidiaries operate.**

VEON Ltd. is a holding company and does not conduct any revenue-generating business operations of its own. Its principal assets are the direct and indirect equity interests it owns in its operating subsidiaries, and thus VEON Ltd. depends on cash dividends, distributions, loans or other transfers received from its subsidiaries to make dividend payments to its shareholders, including holders of ADSs and ordinary shares, to service debt, and to meet other obligations. The ability of its subsidiaries to pay dividends and make other transfers to VEON Ltd. depends on the success of their businesses and is not guaranteed.

VEON Ltd.’s subsidiaries are separate and distinct legal entities. Any right that VEON Ltd. has to receive any assets of, or distributions from, any subsidiary upon its bankruptcy, dissolution, liquidation or reorganization, or to realize proceeds from the sale of the assets of any subsidiary, may be junior to the claims of that subsidiary’s creditors, including trade creditors. Furthermore, our ability to withdraw funds and dividends from our subsidiaries and operating companies may depend on the consent of our strategic partners where applicable.

The ability of VEON Ltd.’s subsidiaries to pay dividends and make payments or loans to VEON Ltd., and to guarantee VEON Ltd.’s debt, will depend on their operating results and may be restricted by applicable corporate, tax and other laws and regulations, including restrictions on dividends, limitations on repatriation of cash and earnings and on the making of loans and repayment of debts, monetary transfer restrictions, covenants in debt agreements, and foreign currency exchange and related restrictions in certain agreements or certain jurisdictions in which VEON Ltd.’s subsidiaries operate or both. For more information on the legal and regulatory risks associated with our markets, see *Regulatory, Compliance and Legal Risks — “We operate in uncertain judicial and regulatory environments.”*

For more information on the restrictions on dividend payments, see *Note 18 — Financial Risk Management — Liquidity Risks — Currency Control Risks, Item 5 — Operating and Financial Review — Factors Affecting Comparability and Results of Operations — Foreign Currency Controls and Currency Restrictions, and Geopolitical Risks — “The banking systems in many countries in which we operate remain underdeveloped, there are a limited number of creditworthy banks in these countries with which we can conduct business and currency control requirements restrict activities in certain markets in which we have operations.”*

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**Efforts to merge with or acquire other companies or businesses, divest our companies, businesses or assets or to otherwise invest into or form strategic partnerships with third parties may divert management attention and resources away from our business operations and success with such efforts may subject us to additional liabilities or experience integration problems.**

We seek from time to time to merge with or acquire other companies or businesses, divest our companies or businesses or form strategic partnerships through the formation of joint ventures, investments or otherwise, for various strategic reasons, including to: simplify our corporate structure; pursue optimal competitive positions in markets in which we have operations; outsource the management of our telecommunications tower sites; acquire more frequency spectrum; acquire new technologies and service capabilities; network share; add new customers; increase market penetration; expand into new or enhance “non-telecommunications” services such as digital financial services; or expand into new markets.

Our ability to successfully grow through mergers, acquisitions, strategic partnerships or investments depends upon our ability to identify, negotiate the terms of, complete and integrate suitable businesses and to obtain any necessary financing and the prior approval of any relevant regulatory bodies. These efforts could divert the attention of our management and key personnel from our core business operations. As a result of any such merger, acquisition, strategic partnerships or investment or failure of any such transaction to materialize (including any such failure caused by regulatory or third-party challenges), we may also experience:

- difficulties in realizing expected synergies or integrating acquired companies, joint ventures, investments or other forms of strategic partnerships, personnel, products, property and technologies into our existing business;
- higher or unforeseen costs of integration or capital expenditure;
- difficulties relating to the acquired or formed companies’ or our partnerships’ compliance with telecommunications licenses and permissions, compliance with laws, regulations and contractual obligations, ability to obtain and maintain favorable interconnect terms, frequencies and numbering capacity and ability to protect our intellectual property;
- adverse market reactions stemming from competitive and other pressures;
- difficulties in retaining key employees of the merged or acquired business or strategic partnerships who are necessary to manage the relevant businesses;
- difficulties in maintaining uniform standards, controls, procedures and policies throughout our businesses;
- other risks related to loss of full control of a merged business, or not having the ability to fully control an acquired business, strategic partnership or investment;
- risks that different geographic regions present, such as currency exchange risks, competition, regulatory, political, economic and social developments, which may, among other things, restrict our ability to maintain such strategic partnerships;
- adverse customer reaction to the business combination or divestiture; and
- increased liability and exposure to contingencies that we did not contemplate at the time of the merger, acquisition, strategic partnership or investment, including tax liabilities.

In addition, a merger, acquisition, strategic partnership or investment could materially impair our operating results by causing us to incur debt or requiring us to amortize merger or acquisition expenses and merged or acquired assets. We may not be able to assess ongoing profitability and identify all actual or potential liabilities or issues of a business prior to a merger, acquisition, strategic partnership or investment. If we merge with, acquire, form strategic partnerships with, or invest into businesses or assets, which result in assuming unforeseen liabilities or which we have not obtained contractual protections or for which protection is not available, our business, financial condition, results of operations, cash flows or prospects could be adversely affected. As we investigate industry consolidation, our risks may increase. Our integration and consolidation of such businesses may also lead to changes in our operational efficiencies or structure. For more information about our recent transactions, see *Note 10 — Significant Transactions* to our Audited Consolidated Financial Statements.

From time to time, we may seek to divest some of our businesses, including divestitures of our tower businesses, but such divestitures may take longer than anticipated or may not happen at all. If these or other divestitures do not occur, close later than expected or do not deliver expected benefits, this may result in decreased cash proceeds to the group and continued operations

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of non-core businesses that divert the attention of our management. Further, our success with any divestiture is dependent on effectively and efficiently separating the divested asset or business and reducing or eliminating associated overhead costs. In some cases, we may agree to indemnify acquiring parties for certain liabilities arising from our former businesses. Failure to successfully implement or complete a divestiture could materially harm our business, financial condition, results of operations, cash flows or prospects.

**Our strategic partnerships and relationships carry inherent business risks.**

We participate in strategic partnerships and joint ventures in a number of countries, including in Pakistan (Pakistan Mobile Communications Limited, "PMCL"), Kazakhstan (KaR-Tel LLP and TNS-Plus LLP), Algeria (Omnium Telecom Algérie S.p.A., "OTA"), Uzbekistan (Joint Venture Buzton LLC), Kyrgyzstan ("Sky Mobile" LLC and Terra LLC), and Georgia ("VEON Georgia" LLC). In addition, in Algeria, our local partner is a government institution, which could increase our exposure to the risks discussed in — *Geopolitical Risks*.

We do not always have a controlling stake in our affiliated companies and even when we do, our actions with respect to these affiliated companies may be restricted to some degree by shareholders' agreements entered into with our strategic partners. If disagreements develop with our partners, or any existing disagreements are exacerbated, our business, financial condition, results of operations, cash flows or prospects may be harmed. Our ability to withdraw funds and dividends from these entities may depend on the consent of partners. Agreements with some of these partners include change of control provisions, put and call options and similar provisions, which could give other participants in these investments the ability to purchase our interests, compel us to purchase their interests or enact other penalties.

For example, in Algeria, our partner can acquire the shares held by GTH at fair market value in various circumstances (including, generally, change in VEON's indirect control of OTA, insolvency of GTH or VEON or material breach of the shareholders' agreement by GTH), as well as under call option arrangements exercisable solely at its discretion between October 1, 2021 and December 31, 2021. Concurrently, GTH has a right to require our partner in Algeria to acquire its shares in various circumstances (including, generally, change of control of the Algerian National Investment Fund, material breach of the shareholders' agreement by the Algerian National Investment Fund, loss of VEON's ability to consolidate OTA, the taking of certain actions in Algeria against GTH or OTA, failure by OTA to pay a minimum dividend or imposition of certain tax assessments), as well as under put option arrangements exercisable solely at its discretion between July 1, 2021 and September 30, 2021. In Pakistan, we can potentially acquire the shares held by our partner in PMCL at fair market value with effect from July 1, 2020 (our partner has no corresponding right to acquire our shares).

If one of our strategic partners becomes subject to investigation, sanctions or liability, we might be adversely affected. Furthermore, strategic partnerships in emerging markets are accompanied by risks inherent to those markets, such as an increased possibility of a partner defaulting on obligations or losing a partner with important insights in that region.

If any of the above circumstances occur, or we otherwise determine that a partnership or joint venture is no longer yielding the benefits we expect to achieve, we may decide to unwind such initiative, which may result in significant transaction costs or an inferior outcome than was expected when we entered into such partnership or joint venture.

**The telecommunications industry is highly capital intensive and requires substantial and ongoing expenditures of capital.**

The telecommunications industry is highly capital intensive, as our success depends to a significant degree on our ability to keep pace with new developments in technology, to develop and market innovative products and to update our facilities and process technology, which will require additional capital expenditures in the future. The amount and timing of our capital requirements will depend on many factors, including acceptance of and demand for our products and services, the extent to which we invest in new technology and research and development projects, the status and timing of competitive developments, and certain regulatory requirements.

Although we regularly consider and take measures to improve our capital efficiency, including selling capital intensive segments of our business and entering into managed services and network sharing agreements with respect to towers and other assets, our levels of capital expenditure will remain significant. In addition, we may not be able to divest some of our businesses

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or assets as planned and the divestitures we carry out could negatively impact our business. There could also be transitional or business continuity risks or both associated with these divestitures that may impact our service levels and business targets. If we do not have sufficient resources from our operations to finance necessary capital expenditures, we may be required to raise additional debt or equity financing, which may not be available when needed or on terms favorable to us or at all. If we are unable to obtain adequate funds on acceptable terms, or at all, we may be unable to develop or enhance our products, take advantage of future opportunities or respond to competitive pressures, which could harm our business, financial condition, results of operations, cash flows or prospects. For more information on our future liquidity needs, see *Item 5 — Operating and Financial Review and Prospects — Liquidity and Capital Resources — Future Liquidity and Capital Requirements*.

**Our brand, business, financial condition, results of operations and prospects may be harmed in the event of cyber-attacks or severe systems and network failures, or the perception of such attacks or failures, leading to the loss of integrity and availability of our telecommunications, digital and financial services and/or leaks of confidential information, including customer information.**

Our operations and business continuity depend on how well we protect and maintain our network equipment, information technology (“IT”) systems and other assets. Due to the nature of the services we offer across our geographical footprint, we are exposed to cybersecurity threats that could negatively impact our business activities through service degradation, alteration or disruption. Cybersecurity threats could also lead to the compromise of our physical assets dedicated to processing or storing customer and employee information, financial data and strategic business information, exposing this information to possible leakage, unauthorized dissemination and loss of confidentiality. These events could result in reputational harm, lawsuits against us by customers, employees or other third parties, violations of data protection and telecommunications laws, adverse actions by telecommunications regulators and other authorities, an inability to operate our digital services or our wireless or fixed-line networks, loss of revenue from business interruption, loss of market share and significant additional costs. In addition, the potential liabilities associated with these events could exceed the cyber insurance coverage we maintain and certain violations of data protection and telecommunications laws (including as a result of data leakage) are administrative or criminal offenses in some countries, and can result in suspension of license, imprisonment or fines for the entity and/or the individuals.

Although we devote significant resources to the development and improvement of our IT and security systems, we remain vulnerable to cyber-attacks and IT and network failures and outages, due to factors including:

- unauthorized usage of customer and business information performed by authorized users;
- unauthorized access to customer and business information;
- accidental alteration or destruction of information during processing due to human errors;
- the spread of malicious software that compromises the confidentiality, integrity or availability of technology assets;
- alteration of technology assets caused, accidentally or voluntarily, by employees or third parties;
- accidental misuse of assets by users with possible degradation of both network services and available computing resources, such as denial-of-service;
- malfunction of technology assets or services caused by obsolescence, wear or defects in design or manufacturing;
- faults during standard or extraordinary maintenance procedures; and
- unforeseen absence of key personnel.

Although we have a structured vulnerability scanning process in place within our security operations centers, there is also a possibility that we are not currently aware of certain undisclosed vulnerabilities in our IT systems and other assets. In such an event, hackers or other cybercrime groups may exploit such vulnerabilities or may be able to cause harm more quickly than we are able to mitigate (zero-day exploits).

From time to time we have experienced cyber-attacks of varying degrees to gain access to our computer systems and networks. As of the date of this Annual Report on Form 20-F, we have suffered minor cybersecurity incidents targeting our internal infrastructure that have been contained by the response teams, generating limited or negligible impacts, including WannaCry and NotPetya. In addition, we have identified unauthorized access to some of our network systems, possibly with the intention to capture information or manipulate the communications. Although we found no evidence that any such capture or manipulation

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was performed, we cannot guarantee that they did not take place, all such attempts will be successfully thwarted in the future or the impact of such attempts, if successful, would not be material to our business.

We have also suffered service disruption affecting some of our fixed-line DSL services, caused by botnets that compromised vulnerable customer equipment. Such attacks may be more successful in the future or may be persistent over long periods of time during which damage can remain undetected.

If our services are affected by such attacks and this degrades our services, our products and services may be perceived as being vulnerable to cyber risk and the integrity of our data protection systems may be questioned. As a result, users and customers may curtail or stop using our products and services, and we may incur litigation exposure, regulatory fines, penalties, reimbursement or other compensatory costs.

In general, mobile operators are directly liable for actions of third parties to whom they forward personal data for processing. If severe customer data security breaches are detected, regulatory authorities could sanction our company, including suspending our operations for some time and levying fines and penalties. In some jurisdictions in which we operate, such as Russia, legislation is being implemented to establish a legal framework for preventing cyber-attacks and protecting critical information infrastructure. For example, Russian telecommunications operators are obliged to take various measures to protect their information infrastructure, provide reliable data transmission channels and inform government agencies and partners about incidents on critical information infrastructure. In addition, a draft law (No. 608767-7) has been proposed in Russia and considered by the lower chamber of the Russian parliament aimed at preventing foreign cyber-attacks. If such draft law is adopted, Russian telecommunications operators may be required to adopt certain technological measures to ensure centralized management of internet traffic, the implications of which could have a material adverse effect on the functioning of our infrastructure, our business operations and costs.

Violation of these laws by an operator may lead to a seizure of the operator's database and equipment, imposition of administrative sanctions (including in the form of fines, suspension of activities or revocation of license) or result in a ban on the processing of personal data by such operator, which, in turn, could lead to the inability to provide services to our customers. These events, individually or in the aggregate, could harm our brand, business, financial condition, results of operations or prospects.

**Our ability to profitably provide telecommunications services depends in part on the terms of our interconnection agreements.**

Our ability to secure and maintain interconnection agreements with other wireless and local, domestic and international fixed-line operators on cost-effective terms is critical to the economic viability of our operations. Interconnection is required to complete calls that originate on our respective networks but terminate outside our respective networks, or that originate from outside our respective networks and terminate on our respective networks. A significant increase in our interconnection costs, or decrease in our interconnection rates, as a result of new regulations, commercial decisions by other fixed-line operators, increased inflation rates in the countries in which we operate or a lack of available line capacity for interconnection could harm our ability to provide services, which could in turn harm our business, financial condition, results of operations, cash flows or prospects.

In certain jurisdictions in which we operate, the relevant regulator sets mobile termination rates ("MTRs"). If any such regulator sets MTRs that are lower for us than the MTRs of our competitors, our interconnection costs may be higher and our interconnection revenues may be lower, relative to our competitors. For example, in 2017 in Algeria the regulator set MTRs that were lower for our subsidiary Optimum Telecom Algeria S.p.A. than for one of its competitors, a situation which remained in place until November 1, 2018 when full MTR symmetry was introduced. For more information on our interconnection agreements, see *Item 4.B — Business Overview*.

**Our existing equipment and systems may be subject to disruption and failure for various reasons, including the threat of terrorism, which could cause us to lose customers, limit our growth or violate our licenses.**

Our business depends on providing customers with reliability, capacity and security. Our technological infrastructure is vulnerable to damage or disruptions from other events, including natural disasters, military conflicts, power outages, terrorist acts, government shutdown orders, changes in government regulation, equipment or system failures or an inability to access or operate such equipment or systems, human error or intentional wrongdoings, such as breaches of our network or information technology security. In addition, we operate in countries which may have an increased threat of terrorism. An attack on or near our premises, equipment or points of sale could result in casualties, property damage, business interruption, legal liability and damage to our brand or reputation.

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Our business may also be disrupted by computer malware or other technical or operational issues. While we have implemented a cyber-security strategy for mitigating these risks, we cannot be sure that our network and information technology systems will not be subject to such issues, or, if they are, that we will be able to maintain the integrity of our customers' data or that malware or other technical or operational issues will not disrupt our network or systems and cause significant harm to our operations. For example, in recent years, we have experienced network service interruptions during installations of new software. In some regions, our equipment for the provision of mobile services resides in a limited number of locations or buildings. Disruption to the security or operation of these locations or buildings could result in disruption of our mobile services in those regions. Moreover, the implementation of our transformation strategies may result in under-investments or failures in internal business processes, which may in turn result in greater vulnerability to technical or operational issues, including harm from failure to detect malware.

Interruptions of services could harm our business reputation and reduce the confidence of our customers and consequently impair our ability to obtain and retain customers and could lead to a violation of the terms of our licenses, each of which could materially harm our business. In addition, the potential liabilities associated with these events could exceed the business interruption insurance we maintain.

**We depend on third parties for certain services and products important to our business.**

We rely on third parties for services and products important for our operations. We currently purchase the majority of our network-related equipment from a core number of suppliers, principally Ericsson, ZTE, Huawei, Nokia Solutions and Networks, and Cisco Systems although some of the equipment that we use is available from other suppliers. The successful build-out and operation of our networks depends heavily on obtaining adequate supplies of switching equipment, radio access network solutions, base stations and other equipment on a timely basis. From time to time, we have experienced delays in receiving equipment. In addition, our business could be materially harmed due to export and re-export restrictions on our and our suppliers' ability to procure products, technology, or software necessary for the service, production and satisfactory delivery of supplies, support services, and equipment that we source from them. For example, in April 2018, the U.S. Department of Commerce issued, under the Export Administration Regulations, a Denial Order to ZTE, an important third-party supplier, which prohibited, among other things, exports and re-exports of U.S. products, technology and software to and from ZTE and restricted our ability to receive certain services from ZTE; each of which could have led to service degradation and disruptions in certain markets. Also, in January 2019, the U.S. Department of Justice brought criminal charges against Huawei, alleging theft of trade secrets, violations of U.S. sanctions on Iran, and related bank and wire fraud. The repercussions of these indictments and any associated actions that the United States or other governments may take against Huawei could potentially have a material adverse impact on our operations in certain markets where we are reliant on Huawei equipment or services. Specifically, any restriction on Huawei's ability to deliver equipment or services, or on our ability to receive such equipment or services, could adversely impact our business, the operation of our networks and our ability to comply with the terms of our operating licenses and local laws and regulations.

We also may outsource all or a portion of construction, maintenance services, IT infrastructure hosting and network capabilities in certain markets in which we operate, as we have partially done in Russia and Kazakhstan. For more information, see *Item 4.D — Property, Plants and Equipment*. As a result, the implementation of such initiatives, including our digital stack and data management platform, is dependent on third parties.

Our business could be materially harmed if our agreements with third parties were to terminate or if negative developments (financial, legal, regulatory or otherwise) regarding such parties, or a dispute between us and such parties, causes the parties to no longer be able to deliver the required services on a timely basis or at all or otherwise fulfill their obligations under our agreements with them. If such events occur, we may attempt to renegotiate the terms of such agreements with the third parties. For example, in February 2019, we announced a revised agreement with Ericsson to upgrade core IT systems in several countries with new digital business support systems (DBSS). For more information on this revised agreement, see *Item 4.B — Business Overview — Information Technology*. There can be no assurance that the terms of such amended agreements will be more favorable to us than those of the original agreements.

We rely on roaming partners to provide services to our customers while they are outside the countries in which we operate and on interconnect providers to complete calls that originate on our networks but terminate outside our networks, or that originate outside our networks and terminate on our networks. We also rely on handset providers to provide the equipment used on our networks. In addition, many of our mobile products and services are sold to customers through third party channels. The third-party retailers, agents and dealers that we use to distribute and sell products are not under our control and may stop distributing or selling our products at any time or may more actively promote the products and services of our competitors. Should this occur with particularly important retailers, agents or dealers, we may face difficulty in finding new retailers, sales agents or dealers that can generate the same level of revenue. Any negative developments regarding the third parties on which we depend could materially harm our business, financial condition, results of operations, cash flows or prospects.

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**Our intellectual property rights are costly and difficult to protect, and we cannot guarantee that the steps we have taken to protect our intellectual property rights will be adequate.**

We regard our copyrights, service marks, trademarks, trade names, trade secrets and similar intellectual property, including our rights to certain domain names, as important to our continued success. For example, our widely recognized logos, such as “Beeline” (Russia, Kazakhstan, Uzbekistan, Armenia, Georgia and Kyrgyzstan), “Kyivstar” (Ukraine), “Jazz” (Pakistan), “Djezzy” (Algeria) and “banglalink” (Bangladesh), have played an important role in building brand awareness for our services and products. We rely upon trademark and copyright law, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our proprietary rights. However, intellectual property rights are especially difficult to protect in many of the markets in which we operate. In these markets, the regulatory agencies charged to protect intellectual property rights are inadequately funded, legislation is underdeveloped, piracy is commonplace and enforcement of court decisions is difficult.

We are in the process of registering the VEON name and logo as trademarks in the jurisdictions in which we operate and other key territories. As of the date of this Annual Report on Form 20-F, we have achieved registration of the VEON name in thirteen of the seventeen jurisdictions sought (although in the European Union only in some classes), with the remainder pending. With respect to the logo, we have achieved registration in eleven of the seventeen jurisdictions sought (although in Bermuda only in some classes), with the remainder pending. The timeline and process required to obtain trademark registration can vary widely between jurisdictions.

As we continue our investment into a growing ecosystem of local digital services, we will need to ensure that we have adequate legal rights to the ownership or use of necessary source code and other intellectual property rights associated with our systems, products and services. For example, a number of platforms and non-connectivity services offered by VEON and its operations are developed using source code created in conjunction with third parties. We rely on a combination of contractual provisions and intellectual property law to protect our proprietary technology and software, access to and use of source code and other necessary intellectual property. Although we endeavor to protect our rights, third parties may infringe or misappropriate our intellectual property. As the number of convergent product offerings and overlapping product functions increase, the possibility of intellectual property infringement claims against us may increase. Any such litigation may result in substantial costs and diversion of resources, and adverse litigation outcomes could harm our business, financial condition, results of operations, cash flows or prospects. We may have to litigate to enforce and protect our copyrights, trademarks, trade names, trade secrets and know-how or to determine their scope, validity or enforceability. In that event, we may be required to incur significant costs, and our efforts may not prove successful. The inability to secure or protect our intellectual property assets could have a material adverse effect on our business and our ability to compete.

For more information, see *Regulatory, Compliance and Legal Risks* — “*New intellectual property laws or regulations may require us to invest substantial resources in compliance or may be unclear.*”

**We depend on our senior management and highly skilled personnel, and, if we are unable to retain or motivate key personnel, hire qualified personnel, or implement our strategic goals or corporate culture through our personnel, we may not be able to maintain our competitive position or to implement our business strategy.**

Our performance and ability to maintain our competitive position and to implement our business strategy is dependent in certain important respects on our global senior management team, highly skilled personnel and the level of continuity. In the markets in which we operate, competition for qualified personnel with relevant expertise is intense. There is sometimes limited availability of individuals with the requisite knowledge of the telecommunications industry, the relevant experience and, in the case of expatriates, the ability or willingness to accept work assignments in certain of these jurisdictions. We have experienced certain changes in key management positions in recent years.

In addition, our compensation schemes may not always be successful in attracting new qualified employees and retaining and motivating our existing employees. The loss of any key personnel or an inability to attract, train, retain and motivate qualified members of senior management or highly skilled personnel could have an adverse impact on our ability to compete and to implement new business models and could harm our business, financial condition, results of operations, cash flows or prospects. In addition, we may not succeed in instilling our corporate culture and values in new or existing employees, which could delay or hamper the implementation of our strategic priorities.

Our continued success is also dependent on our personnel’s ability to adapt to rapidly changing environments and to perform in pace with our continuous innovations and industry developments. Although we devote significant attention to recruiting and training, there can be no assurance that our existing personnel will successfully be able to adapt to and support our strategic



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priorities. There is also a possibility that we are unable to attract qualified individuals with the requisite skills to implement our digital initiatives or other business strategies.

**We face uncertainty regarding our frequency allocations and may experience limited spectrum capacity for providing wireless services.**

To establish and commercially launch mobile and fixed wireless telecommunications networks, we need to receive frequency allocations for bandwidths within the frequency bands in the regions in which we operate. The availability of spectrum is limited, closely regulated and can be expensive, and we may not be able to obtain it from the regulator or third parties at all or at a price that we deem to be commercially acceptable given competitive conditions. There are a limited number of frequencies available for mobile operators in each of the regions in which we operate or hold licenses to operate. We are dependent on access to adequate frequency allocation in each such market in order to maintain and expand our customer base. For instance, in Russia, we have previously been unable to obtain frequency allocations in an assigned frequency band for LTE network development and, in Bangladesh, currently we are one of the largest operators, but until recently held a small amount of the frequency spectrum. In addition, frequency allocations may be issued for periods that are shorter than the terms of our licenses, and such allocations may not be renewed in a timely manner, or at all. For example, in Pakistan, in May 2019 our licenses covering 8.8MHz (paired) in 1800MHz band and 4.8MHz (paired) in the 900MHz band will be up for renewal which is subject to the successful completion of the renewal process under a forthcoming PTA policy directive and license renewal framework.

We are also subject to the risk that government action impairs our frequency allocations or spectrum capacity. For example, in 2017, the government of Uzbekistan published a decision ordering the equitable reallocation amongst all telecommunications providers in the market, which has affected approximately half of the 900 MHz and 1800 MHz radio frequencies of our Uzbek subsidiary, Unitel LLC. The decision, which also granted tech neutrality in the 900 MHz and 1800 MHz bands, came into force on March 31, 2018. In addition, the Ministry of Digital Development, Communications and Mass Media of the Russian Federation (formerly, the Ministry of Telecom and Mass Communications of the Russian Federation) has published a number of regulations regarding frequency allocation, consolidation and conversation, and increase of spectrum fees.

If our frequencies are revoked or we are unable to renew our frequency allocations or obtain new frequencies to allow us to provide mobile or fixed wireless services on a commercially feasible basis, our network capacity and our ability to provide these services would be constrained and our ability to expand would be limited, which could harm our business, financial condition, results of operations, cash flows or prospects.

**Our licenses are granted for specified periods and they may not be extended or replaced upon expiration.**

The success of our operations is dependent on the maintenance of our licenses to provide telecommunications services in the jurisdictions in which we operate. Most of our licenses are granted for specified terms, and there can be no assurance that any license will be renewed upon expiration. Some of our licenses will expire in the near term. For more information about our licenses, including their expiration dates, see *Item 4.B — Business Overview*.

These licenses and the frameworks governing their renewals are also subject to ongoing review by the relevant regulatory authorities. If renewed, our licenses may contain additional obligations, including payment obligations (which may involve a substantial renewal or extension fee), or may cover reduced service areas or scope of service. Furthermore, the governments in certain jurisdictions in which we operate may hold auctions (including auctions of spectrum for the 4G/LTE or more advanced services such as 5G) in the future. If we are unable to maintain or obtain licenses for the provision of telecommunications services or more advanced services or if our licenses are not renewed or are renewed on less favorable terms, our business and results of operations could be materially harmed.

**We may be subject to increases in payments for frequency allocations under the terms of some of our licenses.**

Legislation in many countries in which we operate, including Russia and Pakistan, requires that we make payments for frequency spectrum usage. As a whole, the fees for all available frequency assignments, as well as allotted frequency bands for different mobile communications technologies, have been significant. Any significant increase in the fees payable for the frequencies that we use or for additional frequencies that we need could have a negative effect on our financial results. We expect that the fees we pay for radio-frequency spectrum, including radio-frequency spectrum renewals, could substantially increase in some or all of the countries in which we operate, and any such increase could harm our business, financial condition, results of operations, cash flows or prospects.



## Regulatory, Compliance and Legal Risks

### New or proposed changes to laws or new interpretations of existing laws in the markets in which we operate may harm our business.

We are subject to a variety of national and local laws and regulations in the countries in which we do business. These laws and regulations apply to many aspects of our business. Violations of applicable laws or regulations could damage our reputation or result in regulatory or private actions with substantial penalties or damages, including the revocation of our licenses. In addition, any significant changes in such laws or regulations or their interpretation, or the introduction of higher standards, additional obligations or more stringent laws or regulations, including revision in regulations for license/frequency allocation, could have an adverse impact on our business, financial condition, results of operations and prospects.

For example, in some of the markets in which we operate, SIM verification and re-verification initiatives have been implemented. In Pakistan, our subsidiary had to re-verify more than 38 million SIM cards in 2016, with operators blocking all SIM cards that could not be verified, and which resulted in a loss of customers representing approximately 13% of its customer base. Similar actions may be contemplated or introduced in other markets in which we operate. In addition to customer losses, such requirements can result in claims from legitimate customers that are incorrectly blocked, fines, license suspensions and other liabilities for failure to comply with the requirements. To the extent re-verification and/or new verification requirements are imposed in the jurisdictions in which we operate, it could have an adverse impact on our business, financial condition, results of operations and prospects.

In many jurisdictions in which we operate, data localization laws have been adopted which prohibit the collection of certain personal data through servers located outside of the respective jurisdictions. For example, in Russia, telecommunications operators are required to provide information to Russian investigative authorities and gradually install pre-approved equipment to ensure storage of metadata for six months and contents of communications for three years pursuant to Federal Law No 374-FZ (commonly referred to as the Yarovaya laws). Violation of these laws by an operator may result in fines, suspension of activities or license revocation. For more information on the Yarovaya laws, see — “*Anti-terror legislation passed in Russia and other jurisdictions could result in additional operating costs and capital expenditures and may harm our business.*”

For a discussion of certain regulatory developments and trends and the impact on our business, see *Exhibit 99.2 — Regulation of Telecommunications*.

### We operate in uncertain judicial and regulatory environments.

In many of the emerging market countries where we operate, the application of the laws and regulations of any particular country is frequently unclear and may result in unpredictable outcomes, including:

- restrictions or delays in obtaining additional numbering capacity, receiving new licenses and frequencies, receiving regulatory approvals for rolling out our networks in the regions for which we have licenses, receiving regulatory approvals for the use of /change to our frequency, receiving regulatory approvals of our tariffs plans and importing and certifying our equipment;
- difficulty in complying with new or existing legislation and the terms of any notices or warnings received from the regulatory authorities in a timely manner;
- adverse rulings by courts or government authorities resulting from a change in interpretation or inconsistent application of existing law;
- significant additional costs and operational burdens that we are ordered to comply with on short notice;
- delays in implementing our global strategies and business plans; and
- a more challenging operating environment.

If we are found to be involved in practices that do not comply with applicable laws or regulations, we may be exposed to significant fines, the risk of prosecution or the suspension or loss of our licenses, frequency allocations, authorizations or various permissions, any of which could harm our business, financial condition, results of operations, cash flows or prospects.

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**We are, and may in the future be, involved in, associated with, or otherwise subject to legal liability in connection with disputes and litigation with regulators, competitors and third parties.**

We are party to lawsuits and other legal, regulatory or antitrust proceedings and commercial disputes, the final outcome of which is uncertain and there can be no assurance that we will not be a party to additional proceedings in the future. Litigation and regulatory proceedings are inherently unpredictable. An adverse outcome in, or any disposition of, these or other proceedings (including any that may be asserted in the future) could harm our reputation and harm our business, financial condition, results of operations, cash flows or prospects. For more information on these disputes, see *Note 8 — Provisions and Contingent Liabilities* to our Audited Consolidated Financial Statements.

In addition, we currently host and provide a wide variety of services and products that enable users to engage in various online activities. The law relating to the liability of providers of these online services and products for the activities of their users is still unsettled in some jurisdictions. Claims may be threatened or brought against us for defamation, negligence, breaches of contract, copyright or trademark infringement, unfair competition, tort, including personal injury, fraud, or other grounds based on the nature and content of information that we use and store. In addition, we may be subject to domestic or international actions alleging that certain content we have generated, user generated content or third-party content that we have made available within our services violates applicable law.

We also offer third-party products, services and content. We may be subject to claims concerning these products, services or content by virtue of our involvement in marketing, branding, broadcasting, or providing access to them, even if we do not ourselves host, operate, provide, or provide access to, these products, services or content. Defense of any such actions could be costly and involve significant time and attention of our management and other resources, may result in monetary liabilities or penalties, and may require us to change our business in an adverse manner.

**We have incurred and are continuing to incur costs and related management oversight obligations in connection with our obligations under the DPA, the SEC Judgment and the Dutch Settlement Agreement, which may be significant.**

VEON Ltd. is subject to a deferred prosecution agreement ("DPA") with the U.S. Department of Justice ("DOJ"), a judgment entered by the United States District Court for the Southern District of New York related to an agreement with the SEC (the "SEC Judgment") and a settlement agreement with the OM (the "Dutch Settlement Agreement"). For more information, see *Note 8 — Provisions and Contingent Liabilities* to our Audited Consolidated Financial Statements. In conjunction with the DPA and pursuant to the SEC Judgment, VEON Ltd. is required to retain, at its own expense, an independent compliance monitor. The independent compliance monitor was appointed in 2016. Pursuant to the DPA and the SEC Judgment, the term of the monitorship will continue into 2019, but may be terminated early or extended, as ultimately determined and approved by the DOJ and the SEC. The monitor will assess and monitor our implementation of an effective compliance program and compliance with the terms of the DPA and the SEC Judgment by evaluating factors such as our corporate compliance program, internal controls, recordkeeping and financial reporting policies and procedures. The monitor may recommend changes to our compliance program, policies, procedures, or internal controls that we must adopt unless they are unduly burdensome or otherwise inadvisable, in which case we may propose alternatives, which the DOJ and the SEC may or may not accept.

VEON Ltd. continues to incur costs in connection with compliance with the DPA, the SEC Judgment and the Dutch Settlement Agreement, including the ongoing obligations relating to the monitorship, costs of legal representation, our obligations to cooperate with the agencies regarding their investigations of other parties and the implementation of changes, if any, to our compliance program, internal controls, policies and procedures required by the monitor. We cannot fully predict the costs that we will incur associated with these matters, which could be significant.

Under the DPA and pursuant to the SEC Judgment, VEON Ltd. has obligations to implement and maintain across its operations a compliance and ethics program designed to prevent and detect violations of the U.S. Foreign Corrupt Practices Act (the "FCPA") and other applicable anti-corruption laws. As part of its efforts, VEON Ltd. has adopted new or modified existing internal controls, policies, and procedures and must undertake ongoing review of its existing internal controls, policies, and procedures regarding compliance with the FCPA and other applicable anti-corruption laws. Implementation of its compliance and ethics program is ongoing, may continue to take significant management time and resources and remains subject to ongoing internal and external review.

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**We could be subject to criminal prosecution or civil sanction if we breach the DPA with the DOJ, the SEC Judgment or the Dutch Settlement Agreement, and we may face other potentially negative consequences relating to the investigations by, and agreements with, the DOJ, SEC and OM, including additional investigations and litigation.**

Failure to comply with the terms of the DPA, whether such failure relates to alleged further improper payments, internal controls failures, or other matters of non-compliance, could result in criminal prosecution by the DOJ, including, but not limited to, for the charged conspiracy to violate the anti-bribery and the books and records provisions of the FCPA and violation of the internal controls provisions of the FCPA that were included in the information that was filed in connection with the DPA. Under such circumstances, the DOJ would be permitted to rely upon the admissions we made in the DPA and would benefit from our waiver of certain procedural and evidentiary defenses.

Pursuant to the SEC Judgment, VEON Ltd. is permanently enjoined from committing or aiding and abetting any future violations of the anti-fraud, corrupt payments, books and records, reporting and internal control provisions of the federal securities laws and related SEC rules. Failure to comply with this injunction could result in the imposition of civil penalties, a new SEC enforcement action or referral to the DOJ for criminal prosecution, which could result in additional criminal penalties.

Any criminal prosecution by the DOJ as a result of a breach of the DPA or civil or criminal penalties imposed as a result of noncompliance with the SEC Judgment could subject us to penalties and other costs, as well as third party and shareholder actions, that could have a material adverse effect on our business, financial condition, results of operations, cash flows or prospects.

We may also face other potentially negative consequences relating to the investigations by and agreements with the DOJ, SEC and OM. The DPA, the SEC Judgment or the Dutch Settlement Agreement do not prevent these authorities from carrying out certain additional investigations with respect to the facts not covered in the agreements or in other jurisdictions, or do not prevent authorities in other jurisdictions from carrying out investigations into, or taking actions with respect to the issuance or renewal of our licenses or otherwise in relation to, these or other matters. Furthermore, the Norwegian Government has held parliamentary hearings concerning the investigations in the past, but further hearings are not scheduled or currently anticipated.

Similarly, the agreements do not foreclose potential third party or additional shareholder litigation related to these matters. For example, a consolidated class action lawsuit has been filed in a U.S. district court against VEON Ltd. in relation to our prior disclosure regarding our operations in Uzbekistan and relies upon the investigations by the DOJ, SEC and OM. We may incur significant costs in connection with this or future lawsuits. Any collateral investigations, litigation or other government or third party actions resulting from these or other matters could have a material adverse effect on our business, financial condition, results of operations, cash flows or prospects.

In addition, any ongoing media and governmental interest in the prior investigations, the agreements and lawsuits, and any announced investigations and/or arrests of our former executive officers, could affect the perception of us and result in reputational harm to our company.

**We may not be able to detect and prevent fraud or other misconduct by our employees, joint venture partners, representatives, agents, suppliers, customers or other third parties.**

We may be exposed to fraud or other misconduct committed by our employees, joint venture partners, representatives, agents, suppliers, customers or other third parties that could subject us to litigation, financial losses and fines or penalties imposed by governmental authorities, as well as affect our reputation. Such misconduct could include, but is not limited to, misappropriating funds, conducting transactions that are outside of authorized limits, engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities, including in exchange for personal benefit or gain or otherwise not complying with applicable laws or our internal policies and procedures. The risk of fraud or other misconduct could increase as we expand certain areas of our business.

We regularly review and update our policies and procedures and internal controls, which are designed to provide reasonable assurance that we and our employees comply with applicable laws and our internal policies. VEON Ltd. issued a Supplier Code of Conduct that we expect our representatives, agents, suppliers and other third parties to follow. In addition, we conduct risk-based training for our employees. However, there can be no assurance that such policies, procedures, internal controls and training will at all times prevent or detect misconduct and protect us from liability for actions of our employees, representatives, agents, suppliers, customers or other third parties.

In addition to legal and financial liability, our reputation may be adversely impacted by association, action or inaction that is perceived by stakeholders or customers to be inappropriate or unethical and not in keeping with the group's stated purposes and values. This reputational risk may arise in many different ways, including, but not limited to:

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- failure to act in good faith and in accordance with the group's values, Code of Conduct, other policies and internal standards;
- failure, real or perceived, to comply with applicable laws or regulations, or association, real or perceived, with illegal activity;
- failures in corporate governance, management or systems;
- association with controversial practices, customers, transactions, projects, countries or governments;
- association with controversial business decisions, including but not limited to, those relating to existing or new products, delivery channels, promotions/advertising, acquisitions, representation, sourcing/supply chain relationships, locations, or treatment of financial transactions; and
- association with poor employment or human rights practices.

**Our Mobile Financial Services ("MFS") offerings are complex and increase our exposure to fraud, money laundering and reputational risk.**

The provision of MFS is complex and involves regulatory and compliance requirements. It may involve cash handling, exposing us to risk that our customers engage in fraudulent activities, money laundering or terrorism financing, which in turn could result in potential legal and financial liability and reputational damage. Violations of anti-money laundering laws, know-your-customer requirements or other regulations on our MFS networks could have material adverse effects on our financial condition and results of operations. The regulations governing these services are evolving and, as they develop, regulations could become more onerous, impose additional reporting or controls or limit our flexibility to rapidly deploy new products, which may limit our ability to provide our services efficiently or in the way originally envisioned.

In addition, MFS requires us to process personal consumer data (including, in certain instances, consumer names, addresses, credit and debit card numbers and bank account details) as part of our business, and therefore we must comply with strict data protection and privacy laws. For more information on risks associated with possible unauthorized disclosure of such personal data, see — *"We collect and process sensitive customer data, and are therefore subject to an increasing amount of data privacy laws and regulations that may require us to incur substantial costs and implement certain changes to our business practices that may adversely affect our results of operations."*

Our MFS business requires us to maintain a certain level of systems availability, and failure to maintain agreed levels of service availability or to reliably process our customers' transactions due to performance, administrative or technical issues, system interruptions or other failures could result in a loss of revenue, violation of certain local banking regulations, payment of contractual or consequential damages, reputational harm, additional operating expenses to remediate any failures, and exposure to other losses and liabilities.

**Our majority stake in an Egyptian public company may expose us to legal and political risk and reputational harm.**

Our subsidiary in Egypt, Global Telecom Holding S.A.E. ("GTH"), is a public company listed on the Egyptian Stock Exchange and is therefore subject to corresponding laws and regulations, including laws and regulations for the protection of minority shareholder rights.

GTH is the holding company for our assets in Algeria, Bangladesh and Pakistan. We have experienced and expect to continue to experience the risk of unpredictable and adverse government action and severe delays in obtaining necessary government approvals stemming from the political and economic conditions in Egypt and the inconsistent and unpredictable application of laws and regulations. Furthermore, GTH is, and may in the future be, subject to significant tax claims under existing or new Egyptian tax law and this could expose GTH to increased tax liability, including unfounded or unfair tax claims. For more information on tax claims of the Egyptian authorities, see *Note 8 — Provisions and Contingent Liabilities* to our Audited Consolidated Financial Statements.

On February 10, 2019, we submitted an application to the Egyptian Financial Regulatory Authority to approve a mandatory tender offer ("MTO") by VEON Holdings B.V. for the purchase of up to 1,997,639,608 shares of GTH, representing approximately 42.31% of GTH's issued shares, at a price of EGP 5.30 per share. The MTO will be funded by cash on hand and/or the utilization of undrawn credit facilities.

[Table of Contents](#)**We operate in a highly regulated industry and are subject to a large variety of laws and extensive regulatory requirements.**

As a global telecommunications company that operates in a number of markets, we are subject to different and occasionally conflicting laws and regulations in each of and between the jurisdictions in which we provide services. Mobile, internet, fixed-line, voice, content and data markets are all generally subject to extensive regulatory requirements, including strict licensing regimes, as well as anti-monopoly and consumer protection regulations. The applicable rules are generally subject to different interpretations and the relevant authorities may challenge the positions that we take. As we expand certain areas of our business and provide new services, such as MFS and non-connectivity services, value-added and internet-based services, we may be subject to additional laws and regulations. For more on risks related to MFS, see — "Our Mobile Financial Services ("MFS") offerings are complex and increase our exposure to fraud, money laundering and reputational risk." Regulatory compliance may be costly and involve a significant expenditure of resources, thus negatively affecting our financial condition and results of operations.

Regulations may be especially strict in the markets of those countries in which we are considered to hold a significant market position (Ukraine, Pakistan and Uzbekistan), a dominant market position (Russia and Kazakhstan) or are considered a dominant company (Kyrgyzstan). Our operations in Algeria previously held a significant market player position. In addition, certain of our practices may become subject to regulatory scrutiny from competition or data protection authorities, which may result in fines or other administrative penalties.

Certain regulations may require us to reduce roaming prices and mobile and/or fixed-line termination rates, require us to offer access to our network to other operators, and result in the imposition of fines if we fail to fulfill our service commitments. For example, a regulation in the European Union has decreased end-user roaming charges there. In Russia, the legislator and regulators have compelled operators to reduce roaming prices in Russia and the CIS, and other jurisdictions in which we operate (including Russia, Kyrgyzstan, Kazakhstan, Armenia, Ukraine and Georgia) are considering the regulation of roaming prices, which could negatively impact our roaming margins.

In some countries, we are required to obtain approval for offers and advertising campaigns, which can delay our marketing campaigns and require restructuring of business initiatives. We may also be required to obtain approvals for certain acquisitions, reorganizations or other transactions, and failure to obtain such approvals may impede or harm our business and our ability to expand our operations or divest of non-strategic businesses or assets. Laws and regulations in certain of the jurisdictions in which we operate oblige us to install surveillance, interception and data retention equipment to ensure that our networks are capable of allowing the government to monitor data and voice traffic on our networks. The nature of our business also subjects us to certain regulations regarding open internet access, or net neutrality.

We face risks and costs in each of the markets in which we operate and may be subject to additional regulations. Any failure on our part to comply with these laws and regulations can result in negative publicity, diversion of management time and effort, increased competitive and pricing pressure on our operations, significant liabilities, third party civil claims and other penalties or otherwise harm our business, financial condition, results of operations, cash flows or prospects.

For more information on the regulatory environment in which we operate, see *Exhibit 99.2 — Regulation of Telecommunications*.

**We are subject to anti-corruption laws in multiple jurisdictions.**

We are subject to a number of anti-corruption laws, including the FCPA in the United States, the Bribery Act in the United Kingdom and the anti-corruption provisions of the Dutch Criminal Code in the Netherlands. Our failure to comply with anti-corruption laws applicable to us could result in penalties, which could harm our reputation and our business, financial condition, results of operations, cash flows or prospects. In addition to other provisions, the FCPA prohibits companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business and/or other benefits. The FCPA also requires public companies to maintain accurate books and records and devise a system of sufficient internal controls. We regularly review and update our policies and procedures and internal controls designed to provide reasonable assurance that we and our employees comply with the anti-corruption laws to which we are subject. We attempt to obtain assurances from distributors and other intermediaries, through contractual and other legal obligations, that they also will comply with anti-corruption laws applicable to us. However, these efforts to secure legal commitments are not always successful. There are inherent limitations to the effectiveness of any policies, procedures and internal controls, including the possibility of human error and the circumvention or overriding of the policies, procedures and internal controls. There can be no assurance that such policies or procedures or internal controls will work effectively at all times or protect us against liability under anti-corruption or other laws for actions taken by our employees, distributors and other intermediaries with respect to our business or any businesses that we may acquire.

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We operate in countries which pose elevated risks of corruption. An investigation into allegations of non-compliance or a finding of non-compliance with anti-corruption laws or other laws governing the conduct of business may subject us to administrative and other financial costs, reputational damage, criminal or civil penalties or other remedial measures, which could harm our business, financial condition, results of operations, cash flows or prospects, and may implicate the provisions of the DPA, the SEC Judgment, and the Dutch Settlement Agreement. For additional detail, see *"— We have incurred and are continuing to incur costs and related management oversight obligations in connection with our obligations under the DPA, the SEC Judgment and the Dutch Settlement Agreement, which may be significant."*

**New intellectual property laws or regulations may require us to invest substantial resources in compliance or may be unclear.**

Current and new intellectual property laws may affect the ability of companies, including us, to protect their innovations and defend against claims of intellectual property rights infringement. The costs of compliance with these laws and regulations are high and are likely to increase in the future. Claims have been, or may be threatened and/or filed against us for intellectual property infringement based on the nature and content in our products and services, or content generated by our users.

**Anti-terror legislation passed in Russia and other jurisdictions could result in additional operating costs and capital expenditures and may harm our business.**

Federal Law No 374-FZ (commonly referred to as the Yarovaya laws) amended anti-terrorism legislation and imposed certain obligations on communication providers, including, among others, the obligation to store information confirming the fact of receipt, transmission, delivery and/or processing of voice data, text messages, pictures, sounds, video or other communications (i.e., meta-data reflecting these communications) for a period of three years, as well as to store the contents of communications, including voice data, text messages, pictures, sounds, video or other communications for a period of up to six months. This requirement came into force on July 1, 2018. In addition, in accordance with Federal Law No 374-FZ, communication providers are obliged to supply information to the investigation and prosecution authorities about users and any other information "which is necessary for these authorities to achieve their statutory goals," and to provide to the investigation and prosecution authorities any information and codes necessary to decode the information. In addition, under local law, operators are required to block services for users whose personal data does not correspond to the data registered and stored by the operator. Failure to comply may lead to administrative fines and could impact the effectiveness of our licenses. Most of the provisions of Federal Law No 374-FZ entered into force on July 20, 2016. However, the practical effects of Federal Law No 374-FZ are still unclear, since the implementing legislation does not provide sufficient detail. The implementation and support of measures to comply with the legislation led to substantial investments for the design of our IT systems in Russia, and the purchase of specialized equipment and tools. The Russian authorities require, among other things, the use of specific storage equipment (such as data storage, interception devices, fiberoptic cables and technical platforms). Total expenses may be quantifiable after all technical and administrative measures are completed. Government Decree No 445, dated April 12, 2018, established the progressive order of installation of required storage capacity under the new law. Technical requirements for the data storage systems under the new law are not fully clear and often subject to agreement with the authorities, so in the near future these requirements could necessitate additional investments to be compliant.

Similar legislation has been implemented, or is being contemplated, in other markets in which we operate. Compliance with such measures may require substantial costs and management resources and conflict with our legal obligations in other countries. Failure to comply may lead to administrative fines, impair our ability to operate or cause reputational damage. In addition, compliance with any such obligations may prompt allegations related to data privacy or human rights concerns, which could in turn result in reputational harm or otherwise impact our ability to operate or our results of operations.

**Laws restricting foreign investment could materially harm our business.**

We could be materially harmed by existing laws restricting foreign investment or the adoption of new laws or regulations restricting foreign investment, including foreign investment in the telecommunications industry in Russia, Kazakhstan or other markets in which we operate.

In Russia, there are a number of laws regulating foreign investment. For example, the Federal Law No. 57-FZ "On the Procedure for Foreign Investments in Business Entities of Strategic Importance for National Defense and State Security" (the "Russian Foreign Investment Law") limits foreign investment in companies that are deemed to be strategic. Our subsidiary PJSC VimpelCom is deemed to be a strategic enterprise under the Russian Foreign Investment Law. As a result, any acquisition by a foreign investor of direct or indirect control over more than 50% of its voting shares, or 25% in the case of a company controlled by a foreign government and 5% in case the acquirer is from a jurisdiction that does not provide tax information, requires the prior approval of the Government Commission on Control of Foreign Investment in the Russian Federation pursuant to the Russian Foreign Investment Law. The Federal Antimonopoly Service of the Russian Federation, the "FAS", which administers the application of the Russian Foreign Investment Law, has in the past challenged acquisitions of our shares by foreign investors. In addition, the restrictions stipulated by the Federal Law dated July 27, 2006 No 149-FZ "On the Information, Information Technology and Protection of Information" affect the provision of audio-visual services by foreign entities and local companies with more than 20% of foreign investments or shares. Finally, initial drafts of the implementing regulation for Federal Law 187-FZ "On the security of Russia's critical information infrastructure" contained provisions limiting the use of foreign contractors. While the final adopted version of this regulation does not contain such limitations, we cannot guarantee that such limitations will not be introduced in the future.

In Kazakhstan, according to the national security law, a foreign company or individuals cannot directly or indirectly own more than a 49% stake in an entity that carries out telecommunications activities as an operator of long-distance or international communications or owns fixed communication lines without the consent of the Kazakhstan government, based on the opinion of Ministry of Information and Communication, as well as the consent of national security authorities. As a result, our ability to obtain financing from foreign investors may be limited, should prior approval be refused, delayed or require foreign investors to comply with certain conditions, which could materially harm our business, financial condition, results of operations, cash flows or prospects. Such laws may also hinder potential business combinations or transactions resulting in a change of control.

**Our licenses may be suspended or revoked and we may be fined or penalized for alleged violations of law, regulations or license terms.**

We are required to meet certain terms and conditions under our licenses (such as nationwide coverage, quality of service parameters and capital expenditure, including network build-out requirements), including meeting certain conditions established by the legislation regulating the communications industry. From time to time, we may be in breach of such terms and conditions. If we fail to comply with the conditions of our licenses or with the requirements established by the legislation regulating the communications industry, or if we do not obtain or comply with permits for the operation of our equipment, use of frequencies or additional licenses for broadcasting directly or through agreements with broadcasting companies, the applicable regulator could decide to levy fines, suspend, terminate or refuse to renew the license or permit. Such regulatory actions could adversely impact our ability to carry out divestitures in the relevant jurisdictions.

The occurrence of any of these events could materially harm our ability to build out our networks in accordance with our plans, our ability to retain and attract customers, our reputation and our business, financial condition, results of operations, cash flows or prospects. For more information on our licenses and their related requirements, see *Item 4.B — Business Overview*.

**It may not be possible for us to procure in a timely manner, or at all, the permissions and registrations required for our base stations.**

The laws of the countries in which we operate generally prohibit the operation of telecommunications equipment without a relevant permit from the appropriate regulatory body. Due to complex regulatory procedures, it is frequently not possible for us to procure in a timely manner, or at all, the permissions and registrations required for our base stations, including construction permits and registration of our title to land plots underlying our base stations, or other aspects of our network before we put the

base stations into operation, or to amend or maintain the permissions in a timely manner when it is necessary to change the location or technical specifications of our base stations. At times, there can be a number of base stations or other communications facilities and other aspects of our networks for which we are awaiting final permission to operate for indeterminate periods. This problem may be exacerbated if there are delays in issuing necessary permits.

We also regularly receive notices from regulatory authorities in countries in which we operate warning us that we are not in compliance with aspects of our licenses and permits and requiring us to cure the violations within a certain time period. We have closed base stations on several occasions in order to comply with regulations and notices from regulatory authorities. Any failure by our company to cure such violations could result in the applicable license being suspended and subsequently revoked through court action. Although we look to take all necessary steps to comply with any license violations within the stated time periods, including by switching off base stations that do not have all necessary permits until such permits are obtained, we cannot assure you that our licenses or permits will not be suspended and not subsequently be revoked in the future. If we are found to operate telecommunications equipment without an applicable license or permit, we could experience a significant disruption in our service or network operation, which could harm our business, financial condition, results of operations, cash flows or prospects.



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**We collect and process sensitive customer data, and are therefore subject to an increasing amount of data privacy laws and regulations that may require us to incur substantial costs and implement certain changes to our business practices that may adversely affect our results of operations.**

We are subject to various, and at times conflicting, data privacy laws and regulations that apply to the collection, use, storage, disclosure and security of personal information that identifies or may be used to identify an individual, such as names and contact information. Many countries have additional laws that regulate the processing, retention and use of communications data (both content and metadata). These laws and regulations are subject to frequent revisions and differing interpretations and are becoming more stringent over time. Many of the jurisdictions where we operate have laws that restrict cross border data transfers unless certain criteria are met and/or are developing or implementing laws on data localization requiring data to be stored locally. These laws may restrict our flexibility to leverage our data and build new, or consolidate existing, technologies, databases and IT systems, limit our ability to use and share personal data, cause us to incur costs or require us to change our business practices in a manner adverse to our business, or conflict with other laws we are subject to, exposing us to regulatory risk. The stringent cross-border transfer rules in certain jurisdictions may also prohibit us from disclosing data to foreign authorities upon their request, which may generate conflicts with foreign authorities in a conflict of law scenario. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices or in conflict with laws applicable to us in other countries in which we operate. If so, in addition to the possibility of fines, this could result in an order requiring that we change our data practices, which could have an adverse effect on our business and results of operations.

For example, in recent years, U.S. and European lawmakers and regulators have expressed heightened concern over the retention and interception of telecommunications data. The European Union has introduced a new data protection framework, the General Data Protection Regulation (GDPR), which came into effect on May 25, 2018. The GDPR implements more stringent operational requirements for processors and controllers of personal data, including, for example, requiring expanded disclosures about how personal data is processed, certain mandatory contractual provisions, stronger rights for data subjects, mandatory data breach notification requirements, and higher standards for data controllers to demonstrate that they have obtained valid consent or have another legal basis in place to justify their data processing activities. The GDPR is applicable to companies that are established in the European Union, or companies that offer goods and services to, or monitor the behavior of, individuals within the European Union. While we believe that the processing of personal data by only a limited number of entities, including our Amsterdam and London offices and central operating entities within the European Union, are subject to GDPR, our operations in other markets may also become subject to this regulation, under certain circumstances, e.g. if such operations involve the offering of goods or services to, or monitoring the behavior of, individuals in the European Union. Our operations in other markets may also become subject to this law, under certain circumstances, if such operations involve the offering of goods or services to, or monitoring the behavior of, individuals in the European Union. There is also a possibility that the law will apply to a larger range of activities than we anticipate, impose more onerous compliance obligations or otherwise have a larger impact on our operations than we expect.

The European Commission has also proposed a draft of the new ePrivacy Regulation on January 10, 2017. The current draft of the ePrivacy Regulation is going through the EU legislative process and is intended to replace the 2002/58 e-Privacy Directive. When it comes into effect, it is expected to regulate the processing of electronic communications data carried out in connection with the provision and the use of publicly available electronic communications services to users in the European Union, regardless of whether the processing itself takes place in the European Union. Unlike the current ePrivacy Directive, the draft ePrivacy Regulation will likely apply to over-the-top service providers as well as traditional telecommunications service providers (including the requirements on data retention and interception and changes to restrictions on the use of traffic and location data). VEON entities established in the European Union which process such electronic communications data are likely to be subject to this regime. The current draft of the ePrivacy Regulation also regulates the retention and interception of communications data as well as the use of location and traffic data for value added services, imposes stricter requirements on electronic marketing, and changes to the requirements for use of tracking technologies like cookies. This could broaden the exposure of our business lines based in the European Union to data protection liability, restrict our ability to leverage our data and increase the costs of running those businesses. The draft also significantly increases penalties.

Any failure or perceived failure by us to comply with privacy or security laws, policies, legal obligations or industry standards may result in governmental enforcement actions and investigations, blockage or limitation of our services in the European Union or offered to EU individuals, fines and penalties (for example, of up to 20,000,000 euro or up to 4% of the total worldwide annual turnover of the preceding financial year (whichever is higher) under the GDPR and draft ePrivacy Regulation) and litigation, including third party civil claims. If the third parties we work with violate applicable laws, contractual obligations or suffer a security breach, such violations may also put us in breach of our obligations under privacy laws and regulations and/or could in turn have a material adverse effect on our business. In addition, concerns regarding our practices with regard to the collection, use, disclosure or security of personal information or other privacy-related matters could result in negative publicity and have an adverse effect on our reputation and business.



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In addition, in Russia, we are subject to certain data protection and other laws and regulations that establish different categories of information with different corresponding levels of protection, permitted registration, disclosure and required safeguards. These categories include state secret information and other data, including personal data of our customers and of other persons (such as our employees and third-party supplies and other counter-parties), privacy of communications and information on rendered telecommunications services. In each case, the operators must implement the required level of data protection and cooperate with government authorities on law enforcement disclosures for state secrets and personal data of customers. The ability to disclose certain types of data to affiliates or governmental authorities may be substantially restricted. For a discussion of other telecommunications related data protection related laws and regulations to which we are subject, see *Exhibit 99.2 — Regulation of Telecommunications — Sanctions Regimes*.

**We could be subject to tax claims that could harm our business.**

Tax audits in the countries in which we operate are conducted regularly, and the outcomes of which may not be fair or predictable. We have been subject to substantial claims by tax authorities in Russia, Algeria, Egypt, Pakistan, Bangladesh, Ukraine, Kazakhstan, Armenia, Georgia, Uzbekistan, and Kyrgyzstan. These claims have resulted, and future claims may result, in additional payments, including interest, fines and other penalties, to the tax authorities.

Although we are permitted to challenge, in court, the decisions of tax inspectorates, there can be no assurance that we will prevail in our litigation with tax authorities. In addition, there can be no assurance that the tax authorities will not claim on the basis of the same asserted tax principles they have claimed against us for prior tax years, or on the basis of different or inconsistent tax principles, that additional taxes, interest, fines and other penalties are owed by us for prior or future tax years, or that the relevant governmental authorities will not decide to initiate a criminal investigation or prosecution, or expand existing criminal investigations or prosecutions, in connection with claims by tax inspectorates, including with respect to individual employees and for prior tax years.

The adverse resolution of these or other tax matters that may arise could harm our business, financial condition and results of operations. For more information regarding tax claims and tax provisions and liabilities and their effects on our financial statements, see *Note 8 — Provisions and Contingent Liabilities* to our Audited Consolidated Financial Statements.

**Unpredictable tax systems give rise to significant uncertainties and risks that could complicate our tax planning and business decisions.**

The tax systems in the markets in which we operate may be unpredictable and give rise to significant uncertainties, which could complicate our tax planning and business decisions, especially in emerging markets in which we operate, where there is significant uncertainty relating to the interpretation and enforcement of tax laws. Any additional tax liability imposed on us by tax authorities in this manner, as well as any unforeseen changes in applicable tax laws or changes in the tax authorities' interpretations of the respective double tax treaties in effect, could harm our future results of operations, cash flows or the amounts of dividends available for distribution to shareholders in a particular period. For example, Russia has increased value-added tax from 18% to 20% as of January 1, 2019 and introduced a new set of tax rules concerning so called "electronic services" that potentially could affect the tax burden of telecommunications companies. In addition, we may be required to accrue substantial amounts for contingent tax liabilities and the amounts accrued for tax contingencies may not be sufficient to meet any liability we may ultimately face. From time to time, we may also identify tax contingencies for which we have not recorded an accrual. Such unaccrued tax contingencies could materialize and require us to pay additional amounts of tax.

The introduction of new tax laws or the amendment of existing tax laws, such as those relating to transfer pricing rules or the deduction of interest expenses in the markets in which we operate, may also increase the risk of adjustments being made by the tax authorities and, as a result, could have a material impact on our business, financial performance and results of operations.

**Adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on our business, results of operations, financial conditions or cash flows.**

The tax laws and regulations in the Netherlands, our current resident state for tax purposes, may be subject to change and there may be changes in the enforcement of tax law. Additionally, European and other tax laws and regulations are complex and subject to varying interpretations. We cannot be sure that our interpretations are accurate or that the responsible tax authority agrees with our views. If our tax positions are challenged by the tax authorities, we could incur additional tax liabilities, which could increase our costs of operations and have a material adverse effect on our business, financial condition or results of operations.

Within the Organisation for Economic Co-operation and Development ("OECD") there is an initiative aimed at avoiding base erosion and profit shifting ("BEPS") for tax purposes. This OECD BEPS project has resulted in further developments in other

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countries and in particular in the European Union. One of the developments is the agreement on the EU Anti-Tax Avoidance Directive ("ATAD"). All EU Member States must implement the minimum standards as set out in the ATAD. The implementation of these measures against tax avoidance in the legislation of the jurisdictions in which we do business could have a material adverse effect on us.

**Repeated tax audits and extension of liability beyond the limitation period may result in additional tax assessments.**

Tax declarations together with related documentation are subject to review and investigation by a number of authorities in many of the jurisdictions in which we operate, which are empowered to impose fines and penalties on taxpayers. Tax audits may result in additional costs to our group if the relevant tax authorities conclude that entities of the group did not satisfy their tax obligations in any given year. Such audits may also impose additional burdens on our group by diverting the attention of management resources.

In Russia, for example, tax returns remain open and subject to inspection by tax or customs authorities for three calendar years immediately preceding the year in which the decision to conduct an audit is taken. Laws enacted in Russia in recent years increase the likelihood that our tax returns that were reviewed by tax authorities could be subject to further review or audit during or beyond the eligible three-year limitation period by a superior tax authority. In addition, in recent years, the Russian tax authorities have aggressively brought tax evasion claims relating to Russian companies' use of tax-optimization schemes, and press reports have speculated that these enforcement actions have been selective and politically motivated. We have also been the subject of repeat complex and thematic tax audits in Kazakhstan and Kyrgyzstan which, in some instances, have resulted in payments made under protest pending legal challenges and/or to avoid the initiation or continuation of associated criminal proceedings. The outcome of these audits, including where the relevant tax authorities may conclude that we had significantly underpaid taxes relating to earlier periods, could harm our business, financial condition, results of operations, cash flows or prospects.

**Geopolitical Risks**

**Violations of and changes to applicable sanctions and embargo laws may harm our business.**

Authorities have imposed significant penalties for companies that fail to comply with the requirements of applicable sanctions and embargo laws and regulations. We are subject to certain sanctions and embargo laws and regulations of the United States, the United Nations, the European Union, and in certain other jurisdictions where we operate. Sanctions and embargo laws and regulations generally establish the scope of their own application, and applications can arise for a number of reasons and can differ greatly by jurisdiction. Such laws and regulations may be expanded, sometimes without notice, in a manner that could materially adversely affect our business, financial condition, results of operations, cash flows or prospects. Notwithstanding our policies and compliance controls, we may be found in the future to be in violation of applicable sanctions and embargo laws, particularly as the scope of such laws may be unclear and subject to discretionary interpretations by regulators, which may change over time. If we fail to comply with applicable sanctions or embargo laws and regulations, we could suffer severe operational, financial or reputational consequences. Moreover, certain of our financing arrangements include representations and covenants requiring compliance with or limitation of activities under sanctions and embargo laws and regulations of additional jurisdictions enumerated in the financing arrangements, as well as mandatory prepayment requirements in the event of a breach thereof. For a discussion of risks related to export and re-export restrictions, see *Operational Risks* — "We depend on third parties for certain services and products important to our business." For more information on sanctions and embargo laws and regulations applicable to us, see *Exhibit 99.2 — Regulation of Telecommunications*.

**Our operations may be adversely affected by ongoing developments in Russia and Ukraine.**

The current situation in Russia and Ukraine, and the related responses of the United States, member states of the European Union, the European Union itself and certain other nations, have the potential to materially adversely affect our business in Russia and Ukraine where we have significant operations, which in turn could materially harm our financial condition, results of operations, cash flows or prospects.

Beginning in 2014, in connection with the situation in Russia and Ukraine, the United States, the European Union, and a number of countries have imposed (i) sanctions that block the property of certain designated businesses, organizations and individuals, (ii) sectoral sanctions that prohibit certain types of transactions with specifically designated businesses operating in certain sectors of the Russian economy, currently including the financial services, energy, and defense sectors, and (iii) territorial sanctions restricting investment in and trade with Crimea. The U.S. and EU sanctions target entities owned and/or controlled by designated entities and individuals. Further, under the U.S. sanctions regime, even non-U.S. persons who engage in certain prohibited transactions may be exposed to secondary sanctions, such as the denial of certain privileges, including financing and contracting with U.S. persons or within the United States. In addition, the United States and the European Union have implemented

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certain export control restrictions related to Russia's energy sector and military capabilities. Ukraine has also enacted sanctions with respect to certain Russian entities and individuals. Russia has responded with countermeasures to such international and Ukrainian restrictions and sanctions, currently including enacting sanctions with respect to certain Ukrainian individuals and entities, limiting the import of certain goods from the United States, the European Union, Ukraine and other countries, imposing visa bans on certain persons, and imposing restrictions on the ability of Russian companies to comply with sanctions imposed by other countries.

Such sanctions, export controls and/or other measures, including sanctions on additional persons or businesses (including vendors, joint venture and business partners, affiliates and financial institutions) imposed by the United States, the European Union, Ukraine, Russia, and/or other countries, could materially adversely affect our business, financial condition, results of operations, cash flows or prospects. We are not able to predict further developments on this issue, including when these measures will cease to be in effect. There also may be additions to the designated persons or business lists or other expansions of the U.S., EU and/or other sanctions that target Russia and restrict dealings related to Crimea in the future. The U.S. government indicated in late 2017 that Crimea-related sanctions will remain in place until Ukraine has full control of the Crimean peninsula; it is possible that these sanctions will be in effect for the foreseeable future. The European Union also has twice extended its sanctions regime related to Crimea, first in June 2018 and then in December 2018.

Additionally, Ukraine assigned a "temporary occupied territories" status to Crimea and a "united forces operation" zone status to certain Eastern Ukraine regions which are currently not under the Ukrainian government's control, and imposed certain restrictions and prohibitions on trade in goods and services in such territories. Our Ukrainian subsidiary, Kyivstar JSC ("Kyivstar"), shut down its network in Crimea in 2014 as well as its network in certain parts of Eastern Ukraine in 2015 and, in each case, has written off the relevant assets. Under terms of its telecommunications licenses, Kyivstar is obliged to provide services throughout Ukraine. Kyivstar has notified the regulatory authorities that Kyivstar has stopped providing services in these areas and has requested clarification from such authorities regarding telecommunications operations in such areas. Since September 2014, legislation has been in effect in Ukraine that authorizes the cancellation of telecommunications licenses for sanctioned parties. There can be no assurance that the escalation of the current situation will not lead to the cancellation or suspension of, or other actions under, certain or all of our Ukrainian telecommunications licenses, or other sanctions.

Tensions elevated between Russia and Ukraine when a coast guard incident occurred in the Kerch Strait on November 25, 2018. The day after the incident, the Ukrainian Parliament introduced martial law through three steps: (i) declared in 10 regions of the Ukraine bordering Russia, Belarus, and Moldova, (ii) in force for a period of 30 days, and (iii) possible introduction of restricting measuring of certain rights and freedoms of individuals and companies. In response, the United Nations and the European Union called for maximum restraint and de-escalation to reduce tensions through all available peaceful means. Martial law subsequently ended on December 26, 2018. The incident in the Kerch Strait and Ukrainian martial law did not have an immediate effect on the ordinary course of business of Kyivstar, but increased tensions between Russia and Ukraine and the continued imposition of sanctions, including prohibitions and restrictions on conducting business with certain individuals and entities, could have a material adverse effect on our businesses in Ukraine and Russia, which in turn could harm our business, financial condition, results of operations, cash flows or prospects.

The situation in Crimea, the Kerch Strait and Eastern Ukraine has resulted, and may in the future result, in damage or loss of assets, disruption of services, and regulatory issues which has, and may in the future, adversely impact our group. In addition, if there were an extended continuation or further increase in conflict in Crimea, the Kerch Strait and Eastern Ukraine or in the region, it could result in further instability and/or worsening of the overall political and economic situation in Ukraine, Russia, Europe and/or in the global capital markets generally, which could adversely impact our group. Moreover, the instability in Crimea and Eastern Ukraine specifically, and in the region more generally, economic sanctions and related measures, and other geopolitical developments could harm our business, financial condition, results of operations, cash flows or prospects. We could be materially adversely impacted by a decline of the Russian ruble against the U.S. dollar or the euro and the general economic performance of Russia. For example, the Russian ruble could decline against the U.S. dollar and euro, investment in Russia or trade with Russian companies may decrease substantially and the Russian government may experience difficulty raising money through the issuance of debt in the global capital markets. As we derive a significant portion of our revenue from our Russian operations, such measures, if enacted, could have a material adverse impact on our group. For a discussion of our foreign currency risk, see *Market Risks* — "We are exposed to foreign currency exchange loss and currency fluctuation and translation risks."

Our operations may be adversely affected by potential future sanctions both by the United States and by Russia, fueled by broader foreign policy considerations (e.g., increased tensions related to sanctions in Syria and Venezuela). In Russia, Draft Law No. 464757-7 was adopted in the first reading by the State Duma, but it is expected to undergo significant revision before the second reading is scheduled and following input from industry and business representatives. The draft law imposes two types of crimes: (i) criminal penalties on complying with sanctions against Russia if these actions (or inaction) result in restrictive measures on ordinary economic transactions or transactions by Russian citizens or by the Russian Federation, and (ii) criminal

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penalties for contributing to the imposition of sanctions against Russian private and public entities. In the United States, if it is determined that the Russian government interfered with a U.S. federal election, the Defending Elections from Threats by Establishing Redlines Act (the “DETER ACT”) of 2018, the Defending American Security from Kremlin Aggression Act (“DASKAA”) of 2018, and other draft bills like it, would impose sanctions on a range of Russian persons and entities, including banks, energy companies, defense companies and entities in the intelligence sector, state-owned enterprises, Russian energy projects and sovereign debt, oligarchs, and senior government officials. We could be materially adversely impacted by the imposition of further sanctions. If further restrictions are levied on Russian banks, our existing and future ruble loans could be blocked and may require a change in our repayment terms. The sanctions imposed by the United States and the European Union in connection with the Ukraine crisis so far have had an adverse effect on the Russian economy. Tensions between Russia, the European Union and the United States have further increased recently, and there can be no assurance that the governments of the European Union and United States or other countries will not impose further sanctions on Russia.

Further confrontation in Ukraine and any escalation of tensions between Russia and the United States and/or the European Union related to the imposition of further sanctions, or continued uncertainty regarding the scope thereof, could have a prolonged adverse impact on the Russian economy. These impacts could be more severe than those experienced to date. In particular, should either the United States or the European Union expand their respective sanctions to include our suppliers or other counterparties, such an expansion could result in substantial legal and other compliance costs and risks on our business operations and could have a material adverse impact on our business, financial condition, results of operations or prospects.

For more information on sanctions regimes applicable to us, see *Exhibit 99.2 — Regulation of Telecommunications — Sanctions Regimes*.

**Investors in emerging markets, where our operations are located, are subject to greater risks than investors in more developed markets, including significant political, legal and economic risks and risks related to fluctuations in the global economy.**

Our operations are in emerging markets. Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including in some cases significant political, legal and economic risks. Emerging market governments and judiciaries often exercise broad, unchecked discretion and are susceptible to abuse and corruption and rapid reversal of political and economic policies on which we depend. Political and economic relations among the countries in which we operate are often complex and have resulted, and may in the future result, in conflicts, which could materially harm our business, financial condition, results of operations, cash flows or prospects. The economies of emerging markets are vulnerable to market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in these markets and materially adversely affect their economies. Turnover of political leaders or parties in emerging markets as a result of a scheduled election upon the end of a term of service or in other circumstances may also affect the legal and regulatory regime in those markets to a greater extent than turnover in established countries. These developments could severely limit our access to capital and could materially harm the purchasing power of our customers and, consequently, our business.

Further, the nature of much of the legislation in emerging markets, the lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of the legal and regulatory systems in emerging markets, place the enforceability and, possibly, the constitutionality of laws and regulations in doubt and result in ambiguities, inconsistencies and anomalies. The legislation often contemplates implementing regulations that have not yet been promulgated, leaving substantial gaps in the regulatory infrastructure. Any of these factors could affect our ability to enforce our rights under our licenses or our contracts, or to defend our company against claims by other parties.

Many of the emerging markets in which we operate are susceptible to significant social unrest or military conflicts. Such events may create uncertain regulatory environments, which in turn could impact our compliance with license obligations and other regulatory approvals. In addition, in some of the countries in which we operate, the local authorities may order our subsidiaries to temporarily shut down their entire network or part or all of our networks may be shut down due to actions relating to military conflicts or nationwide strikes. For example, our subsidiary in Pakistan is ordered to shut down parts of its mobile network and services from time to time due to the security situation in the country. Governments or other factions, including those asserting authority over specific territories in areas of conflict, could make inappropriate use of the network, attempt to compel us to operate our network in conflict zones or disputed territories and/or force us to broadcast propaganda or illegal instructions to our customers or others (or face consequences for failure to do so). Forced shutdowns, inappropriate use of our network, compelling us to operate our network, or broadcast propaganda or illegal instructions could materially harm our business, financial condition, results of operations, cash flows or prospects.

Investors should fully appreciate the significance of the risks involved in investing in an emerging markets company and are urged to consult with their own legal, financial and tax advisors.

[Table of Contents](#)**Social instability in the countries in which we operate could lead to increased support for centralized authority and a rise in nationalism, which could harm our business.**

Social instability in the countries in which we operate, coupled with difficult economic conditions, could lead to increased support for centralized authority and a rise in nationalism. These sentiments could lead to restrictions on foreign ownership of companies in the telecommunications industry or nationalization, expropriation or other seizure of certain assets or businesses. In most of the countries in which we operate, there is relatively little experience in enforcing legislation enacted to protect private property against nationalization or expropriation. As a result, we may not be able to obtain proper redress in the courts, and we may not receive adequate compensation if in the future the governments decide to nationalize or expropriate some or all of our assets. If this occurs, our business could be harmed.

In addition, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, military conflict. The spread of violence, or its intensification, could have significant political consequences, including the imposition of a state of emergency, which could materially adversely affect the investment environment in the countries in which we operate.

**The physical infrastructure in many countries in which we operate is in poor condition and further deterioration in the physical infrastructure could harm our business.**

In many countries in which we operate, the physical infrastructure, including transportation networks, power generation and transmission and communications systems, is in poor condition. In some of the countries in which we operate, such as Russia, the public switched telephone networks have reached capacity limits and need modernization, which may inconvenience our customers and will require us to make additional capital expenditures. In addition, some of the markets in which we operate are vulnerable to extreme weather, the occurrence of which could result in disruptions or damage to our networks, or to military conflict that could damage our physical infrastructure, which has occurred for example in Ukraine.

Continued growth in local, long distance and international traffic, including that generated by our customers, and development in the types of services provided may require substantial investment in public switched telephone networks. Any efforts to modernize infrastructure may result in increased charges and tariffs, potentially adding costs to our business. The deterioration of the physical infrastructure harms the economies of these countries, disrupts the transportation of goods and supplies, adds costs to doing business and can interrupt business operations. Further deterioration in the physical infrastructure in many of the countries in which we operate could harm our business, financial condition, results of operations, cash flows or prospects.

**The banking systems in many countries in which we operate remain underdeveloped, there are a limited number of creditworthy banks in these countries with which we can conduct business and currency control requirements restrict activities in certain markets in which we have operations.**

The banking and other financial systems in many countries in which we operate are not well developed or regulated, and laws relating to banks and bank accounts are subject to varying interpretations and inconsistent applications. Such banking risk cannot be completely eliminated by diversified borrowing and conducting credit analyses. Uncertain banking laws may also limit our ability to attract future investment. A banking crisis in any of these countries affecting the capacity for financial institutions to lend or fulfill their existing obligations or the bankruptcy or insolvency of the banks from which we receive, or with which we hold, our funds could result in the loss of our deposits, the inability to borrow or refinance existing borrowings or otherwise negatively affect our ability to complete banking transactions in these countries, which could harm our business, financial condition and results of operations.

In addition, central banks and governments in the markets in which we operate may restrict or prevent international transfers or impose foreign exchange controls or other currency restrictions, which could prevent us from making payments, including the repatriation of dividends and payments to third party suppliers. For more information on currency restrictions, see *Note 18 — Financial Risk Management — Liquidity Risks — Currency Control Risks*. Furthermore, local banks have limitations on the amounts of loans that they can provide to single borrowers, which could limit the availability of functional currency financing and refinancing of existing borrowings in these countries. There can be no assurance that we will be able to obtain approvals under the foregoing restrictions or limitations, each of which could harm our business, financial condition, cash flows, results of operations and prospects.

## Other Risks

### **A disposition by our largest shareholder of its stake in VEON Ltd. could harm our business.**

We derive benefits and resources from the participation of our largest shareholder, LIT VIP Holdings S.à r.l. (“LetterOne”), in our company such as industry expertise, management oversight and business acumen. Historically, we derived the same benefits from Telenor ASA (“Telenor”), which, announced in October 2015 its intention to fully divest its interest in VEON Ltd. ADSs, subject to market conditions. For additional information on Telenor's divestment, see *Item 7.A — Major Shareholders — Telenor Divestment*. Should LetterOne undertake a divestment of its stake, we would be deprived of those benefits, which could harm our business, financial condition, results of operations, cash flows or prospects.

### **Our largest shareholder may pursue diverse development strategies, which may hinder our ability to expand or compete in certain regions.**

LetterOne is VEON Ltd.'s largest shareholder, beneficially owning approximately 47.9% of our issued and outstanding shares as of March 1, 2019. In addition, LetterOne is the holder of the depositary receipts issued by Stichting Administratiekantoor Mobile Telecommunications Investor (“Stichting”), which represents an additional 8.3% of VEON Ltd.'s issued and outstanding shares as of March 1, 2019, and is therefore entitled to the economic benefits (dividend payments, other distributions and sale proceeds) of such depositary receipts and, indirectly, of the common shares represented by the depositary receipts. Stichting, however, has the power to vote and direct the voting of, and the power to dispose and direct the disposition of, the ADSs, in its sole discretion, in accordance with the Conditions of Administration and Stichting's articles of association. For more information, see *Item 7.A — Major Shareholders*.

As a result, LetterOne has some ability to influence the outcome of matters submitted to our shareholders for approval and, through our cumulative voting procedures, the election of members to our board or, alternatively, could enter into a shareholders' or similar agreement impacting the composition of our board. A new board could take corporate actions or block corporate decisions by VEON Ltd. with respect to capital structure, financings, dispositions, acquisitions and commercial transactions that might not be in the best interest of the minority shareholders or other security holders.

At various times our shareholders, including LetterOne and Telenor, have had different strategies from us and from one another and have engaged in litigation against one another and our company with respect to disagreements over strategy. We understand that LetterOne has a minority interest in companies that compete with our subsidiary in Ukraine. In addition, we understand that Telenor has subsidiaries that compete with our subsidiaries in Pakistan and Bangladesh.

It is possible that we will compete with LetterOne and/or Telenor in other markets in the future.

### **We may be adversely impacted by work stoppages and other labor matters.**

Although we consider our relations with our employees to be generally good, there can be no assurance that our operations will not be impacted by unionization efforts, strikes or other types of labor disputes or disruptions. For instance, employee dissatisfaction or labor disputes could result from the implementation of internal operational and team adjustments (which have recently included redundancies in our Amsterdam and London offices) necessary to implement our new operating model as part of our continued strategy and efforts to further reduce corporate costs. We may also experience strikes or other labor disputes or disruptions in connection with social unrest or political events. See “—Geopolitical Risks” for a discussion of our employees represented by works councils, unions or collective bargaining agreements, see *Item 6.D — Directors, Senior Management and Employees — Employees*. The ability to work can also be impacted due to natural disasters, civil unrest or security breaches/threats, making access to work places and management of systems difficult. Furthermore, work stoppages or slow-downs experienced by our customers or suppliers could result in lower demand for our services and products. In the event that we, or one or more of our customers or suppliers, experience a labor dispute or disruption, it could result in increased costs, negative media attention and political controversy, and harm our business, financial condition, results of operations, cash flows or prospects.

### **Adoption of new accounting standards could affect reported results and financial position.**

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Accounting standardization bodies and other authorities may change accounting regulations that govern the preparation and presentation of our financial statements. Those changes could have a significant impact on the way we account for certain operations and present our financial position and operating income. In some instances, a modified standard or a new requirement with retroactive nature may have to be implemented, which requires us to restate previous financial statements.

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For example, effective on January 1, 2019, IFRS 16 replaced the IAS 17 Leases. The new lease standard requires assets leased by us to be recognized on our statement of financial position with a corresponding lease liability. The impact on our 2019 income statement will depend on the development in our lease portfolio throughout 2019, foreign exchange rates, and discount rates that are used to discount future lease payments. The expected impact on our 2019 income statement is projected to be an increase of approximately US\$450 million in EBITDA and a decrease of approximately US\$100 million in profit before tax. The expected impact on our 2019 statement of cash flows is projected to be an increase of approximately US\$300 million in operating cash flow and a decrease of approximately US\$300 million in financing cash flow. For more information on the impact of IFRS on our Audited Consolidated Financial Statements and on the implementation of new standards and interpretations issued, see *Item 5 — Operating and Financial Review and Prospects — Key Developments During 2018* and *Note 25 — Significant Accounting Policies* to our Audited Consolidated Financial Statements.

### **Risks Related to the Ownership of our ADSs**

#### **Our ADS price may be volatile, and purchasers of ADSs could incur substantial losses.**

Our ADS price may be volatile. The stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, holders of our ADSs may not be able to sell their ADSs at or above the price at which they purchase our ADSs. The market price for our ADSs may be influenced by many factors, including:

- the success of competitive products or technologies;
- the issuance of new shares or the perception that such issuances could occur;
- regulatory developments in the foreign countries where we operate;
- developments or disputes concerning licenses or other proprietary rights;
- the recruitment or departure of key personnel;
- quarterly or annual variations in our financial results or those of companies that are perceived to be similar to us;
- market conditions in the industries in which we compete and issuance of new or changed securities analysts' reports or recommendations;
- the failure of securities analysts to cover our shares or changes in financial estimates by analysts;
- investor perception of our company and of the industry in which we compete; and
- general economic, political and market conditions.

Telenor's delivery of VEON Ltd. ADSs in full or partial redemption of the exchangeable bonds, which mature in September 2019 (see *Item 7.B. — Related Party Transactions — Related Party Transactions — Major Shareholders and their Affiliates — Telenor East*), or bondholder exchanges of these exchangeable bonds for ADSs, or any sale by Telenor of VEON Ltd. ADSs may negatively affect the market for VEON Ltd.'s ADSs. The sale of any VEON Ltd. ADSs on the public markets or the perception that such sales may occur, commonly called "market overhang," may adversely affect the market for, and the market price of, VEON Ltd.'s ADSs.

#### **Various factors may hinder the declaration and payment of dividends.**

The payment of dividends is subject to the discretion of VEON Ltd.'s board and VEON Ltd.'s assets consist primarily of investments in its operating subsidiaries. For the financial year ended December 31, 2018, we paid a dividend in the aggregate amount of US\$0.29 per share, comprised of a dividend of US\$0.12 per share having a record date of August 14, 2018 and paid on August 21, 2018, and a dividend of US\$0.17 per share having a record date of March 8, 2019 and a payment date of March 20, 2019. Various factors may cause the board to determine not to pay dividends or not to increase dividends from current levels. Such factors include VEON Ltd.'s financial condition, its earnings and equity free cash flow, the movement of the US dollar against VEON's local currencies, its leverage, its capital requirements, contractual restrictions, legal proceedings and other such factors as VEON Ltd.'s board may consider relevant. For more information on our policy regarding dividends, see *Item 8.A — Consolidated Statements and Other Financial Information — Policy on Dividend Distributions and Operational Risks — "As a*



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*holding company, VEON Ltd. depends on the performance of its subsidiaries and their ability to pay dividends, and may therefore be affected by changes in exchange controls and currency restrictions in the countries in which its subsidiaries operate.”*

**Holders of our ADSs may not receive distributions on our common shares or any value for them if it is illegal or impractical to make them available to them.**

The depositary of our ADSs has agreed to pay holders of our ADSs the cash dividends or other distributions it or the custodian for our ADSs receives on our common shares or other deposited securities after deducting its fees and expenses. Holders of our ADSs will receive these distributions in proportion to the number of our common shares that their ADSs represent. However, the depositary is not responsible for making such payments or distributions if it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if such distribution consists of securities that require registration under the Securities Act but that are not properly registered or distributed pursuant to an applicable exemption from registration. The depositary is not responsible for making a distribution available to any holders of ADSs if any government approval or registration required for such distribution cannot be obtained after reasonable efforts made by the depositary. We have no obligation to take any other action to permit the distribution of our ADSs, common shares, rights or anything else to holders of our ADSs. This means that holders of our ADSs may not receive the distributions we make on our common shares or any value for them if it is illegal or impractical for us to make them available. These restrictions may materially reduce the value of the ADSs.

**VEON Ltd. is a Bermuda company governed by Bermuda law, which may affect your rights as a shareholder or holder of ADSs, including your ability to enforce civil liabilities under U.S. securities laws.**

VEON Ltd. is a Bermuda exempted company. As a result, the rights of VEON Ltd.’s shareholders are governed by Bermuda law and by VEON Ltd.’s bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. In addition, holders of ADSs do not have the same rights under Bermuda law and VEON Ltd.’s bye-laws as registered holders of VEON Ltd.’s common shares. Substantially all of our assets are located outside the United States. It may be difficult for investors to enforce in the United States judgments obtained in U.S. courts against VEON or its directors and executive officers based on civil liability provisions of the U.S. securities laws. Uncertainty exists as to whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including the United States and the Netherlands, under the securities laws of those jurisdictions, or entertain actions in Bermuda under the securities laws of other jurisdictions.

**As a foreign private issuer within the meaning of the Exchange Act and the rules of NASDAQ, we are subject to different U.S. securities laws and NASDAQ governance standards than domestic U.S. issuers. This may afford less protection to holders of our securities, and such holders may not receive corporate and company information and disclosure that they are accustomed to receiving or in a manner in which they are accustomed to receiving it.**

As a foreign private issuer, the rules governing the information that we disclose differ from those governing U.S. corporations pursuant to the Exchange Act. Although we currently report periodic financial results and certain material events, we are not required to file quarterly reports on Form 10-Q or provide current reports on Form 8-K disclosing significant events within four business days of their occurrence. In addition, we are exempt from the SEC’s proxy rules, and proxy statements that we distribute will not be subject to review by the SEC. Our exemption from Section 16 rules regarding sales of our shares by insiders means that holders of our securities will have less data in this regard than shareholders of U.S. companies that are subject to this part of the Exchange Act. As a result, holders of our securities may not have all the data that you are accustomed to having when making investment decisions with respect to domestic U.S. public companies.

Our ADSs are listed on the NASDAQ Global Select Market; however, as a Bermuda company, we are permitted to follow “home country practice” in lieu of certain corporate governance provisions under the NASDAQ listing rules that are applicable to a U.S. company. Accordingly, VEON’s shareholders do not have the same protections as are afforded to shareholders of companies that are subject to all of NASDAQ’s corporate governance requirements. The primary difference between our corporate governance practices and the NASDAQ rules relates to NASDAQ listing rule 5605(b)(1), which provides that each U.S. company listed on Nasdaq must have a majority of independent directors, as defined in the NASDAQ rules. Bermuda law does not require that we have a majority of independent directors. Although our Board has determined that a majority of its members are independent, as a foreign private issuer, we are exempt from complying with this NASDAQ requirement. For more information on the significant differences between our corporate governance practices and those followed by U.S. companies under the NASDAQ listing rules, see *Item 16.G — Corporate Governance*.



[Table of Contents](#)**Holders of ADSs may be restricted in their ability to exercise voting rights and the information provided with respect to shareholder meetings.**

Holders of ADSs generally have the right under the deposit agreement to instruct the depositary to exercise the voting rights for the equity shares represented by such holder's ADSs. At our request, the depositary will mail to holders any notice of shareholders' meeting received from us together with information explaining how to instruct the depositary to exercise the voting rights of the common shares represented by ADSs. If the depositary timely receives voting instructions from a holder of ADSs, it will endeavor to vote the securities represented by the holder's ADSs in accordance with such voting instructions. However, the ability of the depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the common shares on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to the depositary in a timely manner.

**We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.**

We could cease to be a foreign private issuer if a majority of our outstanding voting securities are directly or indirectly held of record by U.S. residents and we fail to meet additional requirements necessary to avoid loss of foreign private issuer status. Based on a review of our register of members maintained in Bermuda, as of March 8, 2019, 69.9% of our issued and outstanding common shares were held of record by BNY (Nominees) Limited in the United Kingdom and 30.1% by Nederlands Centraal Instituut Voor Giraal Effectenverkeer B.V. in the Netherlands. As of March 8, 2019, 22 record holders of VEON Ltd.'s ADRs, holding an aggregate of 503,049,489 common shares (representing approximately 28.64% of VEON Ltd.'s issued and outstanding shares), were listed as having addresses in the United States. The regulatory and compliance costs to us under U.S. securities laws under such event may be significantly higher than costs we incur as a foreign private issuer, which could have a material adverse effect on our business and financial results.

**ITEM 4. INFORMATION ON THE COMPANY****A. History and Development of the Company**

VEON is a leading global provider of connectivity and internet services. Present in some of the world's most dynamic markets, VEON provides more than 210 million customers with voice, fixed broadband, data and digital services. VEON currently offers services to customers in 10 countries: Russia, Pakistan, Algeria, Uzbekistan, Ukraine, Bangladesh, Kazakhstan, Kyrgyzstan, Armenia and Georgia. VEON's reportable segments currently consist of the following seven segments: Russia; Pakistan; Algeria; Bangladesh; Ukraine; Uzbekistan; and HQ (transactions related to management activities within the group in Amsterdam and London). We provide services under the "Beeline," "Kyivstar," "banglalink," "Jazz" and "Djezzy" brands. As of December 31, 2018, we had 46,132 employees. For a breakdown of total revenue by category of activity and geographic segments for each of the last three financial years, see *Item 5 — Operating and Financial Review and Prospects*.

Our predecessor PJSC VimpelCom (formerly OJSC "VimpelCom") was founded in 1992. In 1996, we listed on the New York Stock Exchange, where we remained listed until 2013 when we moved our listing to the NASDAQ Global Select Market. In March 2017, VimpelCom rebranded to VEON and on April 4, 2017, VEON began trading its ordinary shares on Euronext Amsterdam.

In the early 2000s, we began an expansion into the Commonwealth of Independent States (CIS) by acquiring local operators or entering into joint ventures with local partners, including, but not limited to, in Kazakhstan (2004), Ukraine (2005), Uzbekistan (2006), Georgia (2006) and Armenia (2006). In 2009 and 2010, PJSC VimpelCom and Ukrainian mobile operator,

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Kyivstar, combined to create our current company and established our headquarters in Amsterdam. Our expansion efforts have included transactions involving operations outside of CIS. In 2011, we completed the acquisition of Wind Telecom S.p.A., an international provider of mobile and fixed-line telecommunications and internet services with operations in a number of countries including Italy, Algeria, Bangladesh and Pakistan. On July 1, 2016, Pakistan Mobile Communications Limited ("PMCL") merged with Warid Telecom Pakistan LLC ("Warid"), which resulted in the merger of our telecommunications businesses in Pakistan (a transaction we refer to as the "Pakistan Merger" in this Annual Report on Form 20-F).

In November 2016, the group combined its Italian mobile telecommunications business with that of CK Hutchison Holdings Ltd. in a joint venture company named Wind Tre. In July 2018, the group announced the sale of its 50% stake in Wind Tre to CK Hutchison Holdings Ltd. and an offer to acquire certain assets from GTH, a subsidiary of VEON which consolidates the group's operations in Algeria, Bangladesh and Pakistan. The sale of Wind Tre was completed in September 2018. In October 2018, our offer to acquire certain assets of GTH was withdrawn in light of events surrounding the Pakistani Rupee and the reaction to the offer by GTH minority shareholders, which suggested that approval would not have been forthcoming. Our endeavors to acquire the assets of GTH are still ongoing as evidenced by our submission of an application to the Egyptian Financial Regulatory Authority on February 10, 2019, to approve a mandatory tender offer ("MTO") by VEON Holdings B.V. for the purchase of up to 1,997,639,608 shares of GTH, representing approximately 42.31% of GTH's issued shares, at a price of EGP 5.30 per share. The MTO will be funded by cash on hand and/or the utilization of undrawn credit facilities. For additional information on the MTO, see *Note 23 — Events After the Reporting Period*. In July 2018, the group set four immediate strategic priorities: to simplify the group's structure, increase its operational focus on emerging markets, strengthen the group's balance sheet and support the company's current dividend policy. These two recent transactions represent important steps towards the group's strategic priorities.

Since 2016, the group has focused on investing in and deploying new digital capabilities to ensure that our customers can interact with us online and access new digital services, with the aim of ultimately increasing customer satisfaction while potentially realizing higher revenues and a lower cost structure for our business. At the core of this initiative are new IT platforms that are enabling our networks to become increasingly more virtualized, software defined, intelligent and dynamic. We are continuously future proofing our networks to prepare them for data growth and for new technologies, such as 5G. In addition, we currently in the process of re-engineering our internal administrative systems and back-office processes in order to make our operations more efficient and lean.

In February 2019, we made the decision to stop investing in the VEON platform, an early-stage digital interface for our customers that was deployed in certain markets and from which VEON took its name when it rebranded from VimpelCom in February 2017. This decision will enable us to redirect investment into a growing ecosystem of local digital services that will allow our customers to both self-manage their accounts and secure access to new digital services, including media streaming and mobile financial services ("MFS").

As part of our initiative to digitize our core telecommunications business, we intend to continue focusing on increasing our capital investment efficiency, including with respect to our IT, network, and distribution costs. We have secured network sharing agreements and intend to maintain our focus on achieving an asset-light business model in certain markets, where we own only the core assets needed to operate our business. For further information on our capital expenditures, see *Item 5 — Operating and Financial Review and Prospects — Liquidity and Capital Resources — Future Liquidity and Capital Requirements*. We anticipate that we will finance the investments with operational cash flow, cash on our balance sheet and external financing. For more information on our recent developments, see *Item 5 — Operating and Financial Review and Prospects — Key Developments During 2018*.

VEON Ltd. is an exempted company limited by shares registered under the Companies Act 1981 of Bermuda, as amended (the "Companies Act"), on June 5, 2009, and our registered office is located at Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda. Our headquarters are located at Claude Debussylaan 88, 1082 MD, Amsterdam, the Netherlands. Our telephone number is +31 20 797 7200. VEON Ltd. is registered with the Dutch Trade Register (registration number 34374835) as a company formally registered abroad (*formeel buitenlandse kapitaalvennootschap*), as this term is referred to in the Dutch Companies Formally Registered Abroad Act (*Wet op de formeel buitenlandse vennootschappen*), which means that we are deemed a Dutch resident company for tax purposes in accordance with applicable Dutch tax regulations. Our website is [www.veon.com](http://www.veon.com). The information presented on our website is not part of this Annual Report on Form 20-F.

Our legal representative in the United States is Puglisi & Associates, 850 Library Ave, Suite 204, Newark, DE 19711 (+1 (30) 738 6680). Our agent for service of process in the United States is CT Corporation, 11 Eighth Avenue, New York, NY 10011 (+1 (212) 894 8400). In addition, the SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, which can be accessed over the internet at <http://www.sec.gov>.

## B. Business overview

[Table of Contents](#)**Business Units and Reportable Segments**

VEON Ltd. is the holding company for a number of operating subsidiaries and holding companies in various jurisdictions. We currently operate and manage VEON on a geographical basis. These segments are based on the different economic environments and varied stages of development across the geographical markets we serve, each of which requires different investment and marketing strategies. Our reportable segments currently consist of the following seven segments: Russia; Pakistan; Algeria; Bangladesh; Ukraine; Uzbekistan; and HQ (transactions related to management activities within the group in Amsterdam and London). “Others” represents our operations in Kazakhstan, Kyrgyzstan, Armenia, and Georgia as well as intercompany eliminations and costs relating to centrally managed operations monitored outside of VEON’s headquarters. For more information on our reportable segments, see *Item 5 — Operating and Financial Review and Prospects — Reportable Segments* and *Note 2 — Segment Information* to our Audited Consolidated Financial Statements.

**Subsidiaries**

The table below sets forth our significant subsidiaries as of December 31, 2018. The equity interest presented represents our ownership interest, direct and indirect. Our percentage ownership interest is identical to our voting power for each of the subsidiaries listed below.

Name of significant subsidiary	Country of incorporation	Nature of subsidiary	Percentage of ownership interest
VEON Amsterdam B.V.	Netherlands	Holding	100%
VEON Holdings B.V.	Netherlands	Holding	100%
PJSC VimpelCom	Russia	Operating	100%
JSC “Kyivstar”	Ukraine	Operating	100%
LLP “KaR-Tel”	Kazakhstan	Operating	75%
LLC “Unitel”	Uzbekistan	Operating	100%
LLC “VEON Georgia”	Georgia	Operating	80%
CJSC “VEON Armenia”	Armenia	Operating	100%
LLC “Sky Mobile”	Kyrgyzstan	Operating	50%
VEON Luxembourg Holdings S.à r.l.	Luxembourg	Holding	100%
VEON Luxembourg Finance Holdings S.à r.l.	Luxembourg	Holding	100%
VEON Luxembourg Finance S.A.	Luxembourg	Holding	100%
Global Telecom Holding S.A.E	Egypt	Holding	58%
Omnium Telecom Algérie S.p.A.*	Algeria	Holding	26%
Optimum Telecom Algeria S.p.A.*	Algeria	Operating	26%
Pakistan Mobile Communications Limited	Pakistan	Operating	49%
Banglalink Digital Communications Limited	Bangladesh	Operating	58%

\* The Group has concluded that it controls Omnium Telecom Algérie S.p.A, Optimum Telecom Algeria S.p.A and Pakistan Mobile Communications Limited even though its subsidiary, Global Telecom Holding S.A.E. owns less than 50% of the ordinary shares. This is because the Company can exercise operational control through the terms of a shareholders’ agreement.

VEON, through its operating companies, provides customers with mobile and fixed-line telecommunications services in certain markets, which are described more fully below.

Our mobile and fixed-line businesses are dependent on interconnection services. The table below presents the primary interconnection agreements that we have with mobile and fixed-line operators in Russia, Pakistan, Algeria, Bangladesh, Ukraine and Uzbekistan:

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<b>Russia</b>	We have interconnection agreements with mobile and fixed-line operators in Russia. During 2018, we had the following MTRs in Russia: average cost per minute of national traffic 0.9258 RUB (US\$ 0.0148) and average price per minute of national traffic 0.9750 RUB (US\$ 0.0155), which were broadly stable as compared to the 2017 and 2016 historical periods.
<b>Pakistan</b>	In the territories of Pakistan and Azad Jammu and Kashmir (“AJK”) and Gilgit-Baltistan, we have several interconnection agreements with mobile and fixed-line operators. Our MTRs in 2018, at PKR 0.9 (US\$0.0074), were the same as in 2017 and 2016 historical periods.
<b>Algeria</b>	We have interconnection agreements with mobile, VoIP and fixed-line operators. For the 2016-2017 period, the evolution of MTRs was favorable to our business despite an asymmetry with our competitors. For the 2017-2018 period, our MTR remained stable and the asymmetry was reduced both in scope (with one competitor instead of two benefitting from the asymmetry) and in value (the gap between MTRs was reduced). Furthermore, in the reference interconnection offer approved for the 2018-2019 period and introduced on November 1, 2018, the ARPCE imposed symmetrical MTRs for all three operators both for voice and SMS (respectively 0.95 DA for voice and 1.5 for SMS). These new rates are aligned with the ones Djezzy had in previous years.
<b>Bangladesh</b>	We have interconnection agreements with ICX, IGW, mobile operators, IPTSP and fixed-line operators. For international incoming calls, MTR in 2018 was reduced to BDT 0.14 (US\$0.0017) as compared to the 2017 and 2016 historical periods. The international termination rate was changed, effective February 22, 2018, after which the maximum and minimum termination rates became US\$ 0.025/min and US\$ 0.0175/min, respectively. Revenue share is done on the minimum termination rate while respective MNO gets 22.5% of that amount. The domestic termination rate has been changed to BDT 0.14/min or US\$0.0017/min (terminating MNO gets BDT 0.10 (US\$0.0012) and ICX gets BDT 0.04 (US\$0.0005)), effective August 14, 2018.
<b>Ukraine</b>	We have interconnection agreements with mobile and fixed-line operators. The rates in 2018 for termination of national traffic to a mobile network and a fixed network on an intercity level remained at level of the 2017 at 0.15 UAH/min (US\$0.0055/min) and decreased compared to 2016 0.23 UAH/min (US\$0.0090/min) historical periods.
<b>Uzbekistan</b>	We have interconnection agreements with mobile and fixed-line operators. Historically, MTR with state operator Uzmobil and small CDMA operator Perfectum was UZS 0.05, while MTR between other operators (UMS, Beeline, Ucell) was US\$0.01. On September 5, 2017, the State Committee of Uzbekistan on Privatization, Demonopolization and Development of Competition (“State Committee of Uzbekistan”) issued an injunction requiring Unitel LLC to implement equal mobile termination rates for all national operators. Unitel LLC appealed this injunction and on January 15, 2018, the appellate division of the Tashkent administrative court ruled in favor of the State Committee of Uzbekistan. During 2018, Unitel LLC was engaged in discussions with the State Committee of Uzbekistan, other relevant regulators and national operators regarding the implementation of the injunction. Unitel LLC was also involved in litigation with UMS and Ucell in relation to unpaid mobile termination rates. The courts supported Ucell and UMS, and through the course of 2018, MTR in the amount of UZS 0.05 was established by court decisions, applicable to UMS from September 1, 2017 (retroactively) and applicable to Ucell from September 11, 2018.

**Description of Our Mobile Telecommunications Business**

The table below presents the primary mobile telecommunications services we offer to our customers and a breakdown of prepaid and postpaid subscriptions as of December 31, 2018.

Mobile Service Description	Russia	Pakistan	Algeria	Bangladesh	Ukraine	Uzbekistan	Others <sup>(3)</sup>
Value added and call completion services <sup>(1)</sup>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
National and international roaming services <sup>(2)</sup>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Wireless Internet access	Yes	Yes	Yes	Yes	Yes <sup>(4)</sup>	Yes	Yes
Mobile financial services	Yes	Yes	Yes	Yes	Yes <sup>(5)</sup>	Yes	No/Yes <sup>(7)</sup>
Mobile bundles	Yes	Yes	Yes	Yes	Yes	Yes	Yes <sup>(6)</sup>

(1) Value added services include messaging services, content/infotainment services, data access services, location based services, media, and content delivery channels.

(2) Access to both national and international roaming services allows our customers and customers of other mobile operators to receive and make international, local and long-distance calls while outside of their home network.

(3) For a description of the mobile services we offer in Kazakhstan, Kyrgyzstan, Armenia, and Georgia, see “—Mobile Business in Others.”

(4) Includes 4G

(5) Includes Smart Money (payment method for services via mobile phone)

(6) Reflects mobile bundles provided in Armenia.

(7) Reflects services offered in Armenia.

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In Russia, through our operating company PJSC VimpelCom and our “Beeline” brand, we primarily offer mobile telecommunications services to our customers under two types of payment plans: postpaid plans and prepaid plans. As of December 31, 2018, approximately 87.7% of our customers in Russia were on prepaid plans.

The table below presents a description of the primary mobile telecommunications services we offer in Russia.

Voice
<ul style="list-style-type: none"> <li>airtime charges from mobile postpaid and prepaid customers, including monthly contract fees for a predefined amount of voice traffic and roaming fees for airtime charges when customers travel abroad</li> </ul>
Internet and Data Access
<ul style="list-style-type: none"> <li>GPRS/EDGE; 3G/HSPA; 4G/LTE; special wireless “Plug&amp;Play” USB modems</li> </ul>
Roaming
<ul style="list-style-type: none"> <li>active roaming agreements with 704 GSM networks in 215 countries</li> <li>GPRS roaming with 515 networks in 187 countries</li> <li>4G/LTE roaming with 245 networks in 117 countries</li> <li>roaming agreements generally state that the host operator bills PJSC VimpelCom for roaming services; PJSC VimpelCom pays these charges and then bills the customer for these services on a monthly basis</li> </ul>
VAS
<ul style="list-style-type: none"> <li>caller-ID; voicemail; call forwarding; conference calling; call blocking and call waiting</li> </ul>
Messaging
<ul style="list-style-type: none"> <li>SMS (consumer and corporate); MMS and voice messaging (allows customers to send pictures, audio and video to mobile phones and to e-mails); mobile instant messaging</li> </ul>
Content/infotainment
<ul style="list-style-type: none"> <li>voice services (including referral services); content downloadable to telephone (including music, pictures, games and video); RBT; mobile cloud solutions; geo-positioning and compass service for fleet and assets management; and M2M control center solution for all M2M/IoT verticals</li> </ul>
Mobile financial services
<ul style="list-style-type: none"> <li>Mobile payment; banking card; trusted payment; banks notification; and mobile insurance</li> </ul>

The table below presents a description of business licenses relevant to our mobile business in Russia. Unless noted otherwise, we plan to apply for renewal of these licenses prior to their expiration.

Services	License	Expiration
Super-regional GSM (GSM900, GSM1800, GSM900/1800, UMTS 900 and 4G/LTE 1800 standards)	Moscow, Central and Central Black Earth, North Caucasus, North-West, Siberia, Ural and Volga	September 2022- April 2023 (various dates)
GSM <sup>(1)</sup> (GSM900, GSM1800, GSM900/1800 and 4G/LTE 1800 standards)	Regions in the Far East super-region of Russia	2019 - 2025 (various dates)
	Orenburg region	June 2020
3G <sup>(2)</sup> (UMTS/LTE)	Nationwide	May 2022
4G <sup>(3)</sup> (LTE)	Nationwide <sup>(4)</sup>	July 2022
4G/LTE 2600	32 districts of Russia	April 2026

(1) In total, our GSM licenses cover approximately 97% of Russia's population.

(2) PJSC VimpelCom holds one of three 3G licenses in Russia.

(3) In July 2012, PJSC VimpelCom was awarded a mobile license, a data transmission license, a voice transmission license and a telematic license for the provision of 4G/LTE services in Russia. These licenses allow PJSC VimpelCom to provide services using radio-electronic devices in Russia via networks that use 4G/LTE standard equipment within any of the following frequency bands: 735-742.5/776-783.5 MHz; 813.5-821/854.5-862 MHz; and 2550-2560/2670-2680 MHz. Certain channels allocated to us in accordance with the licenses have restrictions on their use. To remove restrictions, we have to perform organizational technical measure field tests. The rollout of the 4G/LTE network is using a phased approach based on a pre-defined schedule pursuant to the requirements of the license.

(4) This includes 83 regions of Russia, except for Republic of Crimea and Sevastopol.

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PJSC VimpelCom must pay an annual fee for the use of radio frequency spectrum. These fees were RUB 5,508 million and RUB 4,288 million for the years ended December 31, 2018 and 2017, respectively. Under Federal Law No. 126 FZ “On Communication” and license terms, PJSC VimpelCom is required to make universal service fund contributions in the amount equal to 1.2% of corporate revenues from provided communications services. Universal service fund contributions were RUB 2,404 million and RUB 2,369 million for the years ended December 31, 2018 and 2017, respectively. PJSC VimpelCom is also subject to certain other license fees on a case-by-case basis.

*Mobile bundles*

Tiered data-plans provide smartphone customers with data, voice and SMS packages. In 2018, we continued to focus on a new simplified tariff portfolio with competitive prices in combination with transparent services. We provide a Shared Everything Bundle Service, offering the option of multiple SIM cards for one account, and an “all in one” FMC proposal for B2C prepaid customers, combining FTTB internet, IPTV and mobile services into one bundle. Beeline Business offers FMC services to corporate clients providing use of their mobile phone as an extension of their PBX. We provide these services throughout Russia. We terminated intranet roaming in Russia and launched new line bundles with unlimited calls among clients of the new line All is Mine and All in One, with unlimited access to social networks and with a price plan option to convert minutes and SMS, included in bundle package, to gigabytes and vice versa. Due to the market tendency to ease access to the internet in bundle packages, we also launched an unlimited bundle plan with unlimited traffic of mobile internet, minutes and SMS and an option to share the traffic of mobile internet with other devices via a connection to a mobile hotspot (via Wi-Fi).

*Distribution*

In August 2018, the integration of Euroset stores was completed with 1,540 Euroset stores being integrated and rebranded into Beeline monobrand stores, making us the second largest owner of monobrand stores in the Russian market. The number of owned retail monobrand stores was 3,073 as of December 31, 2018, as compared to 1,605 as of December 31, 2017. As of December 31, 2018, the number of franchise stores was 1,761, compared to 2,084 as of December 31, 2017. As of December 31, 2018, we had 143 “Know How” stores, compared to 142 as at December 31, 2017.

The increase in the number of our own stores also allowed us to increase the monobrand share in sales up to 50% as of December 31, 2018 (27% as of December 31, 2017). We continue to develop cooperation with other companies and have opened coffee shops, ATMs and post offices in our offices.

In addition, one of the main drivers of distribution development in 2018 was the development of financial services.

In 2018, we significantly increased the availability of call center live agents to our clients, simplified a number of service procedures and business processes and improved overall customer care operational efficiency. Several initiatives were taken to transfer requests of our customers from traditional voice channels to digitalized text and self-service channels. Our mobile self-service application for iOS and Android has been downloaded over 9.7 million times in 2018, and the monthly active base reached over 5 million active customers per month, as of December 31, 2018. We continued to develop ChatBot, a software robot that converses in natural language, provides necessary information and answers clients’ questions like a call center operator in our mobile application and website, that helped us to automate up to 65% of clients’ requests. In 2018, we launched Voice Speech Recognition in IVR, a software that automatically allows the IVR system to understand inbound voice calls and smartly route clients’ requests to the right menu, that helped us to increase automation by 3 p.p. We expect to continue project roll out in 2019. The Beeline brand continued to enhance customer service to improve its net promoter score and to reduce its contact rate, an indicator that correlates contact numbers and customer base size. For more information on the Euroset integration, see *Item 7.B — Related Party Transactions — Joint Ventures and Associates — Euroset*.

*Competition*

The following table shows our and our primary mobile competitors’ respective customer numbers in Russia as of December 31, 2018:

<b>Operator</b>	<b>Customers in Russia (in millions)</b>
MTS	71.2
MegaFon	68.6
PJSC VimpelCom	52.7
Tele2	42.0

Source: Analysys Mason.

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According to Analysys Mason, there were approximately 237 million mobile customers in Russia as of December 31, 2018, compared to 242.2 million mobile customers as of December 31, 2017, representing a mobile penetration rate of approximately 161.3% as of December 31, 2018, compared to approximately 164.7% as of December 31, 2017.

### Mobile Business in Pakistan

In Pakistan, 3G is growing fast following its launch in 2014, as well as 4G/LTE following its launch in 2017. We operate in Pakistan through our operating company, PMCL and our brand, “Jazz,” which is the historic Mobilink brand together with the merged Warid brand. In 2018, PMCL provided 3G services in over 300 towns and cities and 4G/LTE services in 149 cities.

In Pakistan, we offer our customers mobile telecommunications services under postpaid and prepaid plans. As of December 31, 2018, approximately 96.7% of our customers in Pakistan were on prepaid plans.

The table below presents the primary mobile telecommunications services we offer in Pakistan.

Voice
<ul style="list-style-type: none"> <li>airtime charges from mobile postpaid and prepaid customers, including monthly contract fees for a predefined amount of voice traffic and roaming fees for airtime charges when customers travel abroad</li> </ul>
Internet and data access
<ul style="list-style-type: none"> <li>GPRS, EDGE, 3G and 4G/LTE</li> </ul>
Roaming
<ul style="list-style-type: none"> <li>active roaming agreements with 315 GSM networks in 155 countries</li> <li>GPRS roaming with 235 networks in 116 countries</li> <li>CAMEL roaming through 109 networks in 67 countries</li> <li>roaming agreements generally state that the host operator bills PMCL for the roaming services; PMCL pays these charges and then bills the customer for these services on a monthly basis</li> </ul>
VAS
<ul style="list-style-type: none"> <li>caller-ID; voicemail; call forwarding; conference calling; call blocking and call waiting</li> </ul>
Messaging
<ul style="list-style-type: none"> <li>SMS, MMS (which allows customers to send pictures, audio and video to mobile phones and to e-mail), and mobile instant messaging</li> </ul>
Content/infotainment
<ul style="list-style-type: none"> <li>music; live audio streaming; infotainment services for religious, sports, comedy, quotes, news, weather and other content; RBT and IVR Chat</li> </ul>
Mobile financial services
<ul style="list-style-type: none"> <li>mobile payment; banking card; trusted payment; banks notification; and mobile insurance</li> </ul>

The table below presents a description of business licenses relevant to our mobile business in Pakistan. Unless noted otherwise, we plan to apply for renewal of these licenses prior to their expiration.

Services	License <sup>(1)(2)</sup>	Expiration
2G <sup>(3)</sup>	Nationwide	2022
	Nationwide	2019
3G	Nationwide	2029
4G/LTE (NGMS)	Nationwide	2032
	Nationwide	2019

(1) Warid (now merged with Jazz) acquired a 15-year technology neutral license in 2004 for US\$291 million. US\$145.5 million was paid upfront with the remainder paid in ten equal annual installments starting with a four-year grace period, with the last payment made May 2018. The same 2G license was amended in December 2014 by PTA to allow Warid to provide 4G/LTE services in Pakistan. Additionally, the National Accountability Bureau is currently conducting an investigation into certain former PTA and other officials, and have requested information from Jazz concerning Warid's 2014 license amendment. This license is up for renewal in May 2019 and subject to the successful completion of the renewal process under a forthcoming policy directive and license renewal framework to be provided by the PTA.

(2) In addition, PMCL and its subsidiaries have other licenses, including LDI, WLL, local loop licenses, licenses to provide non-voice communication services, and licenses to provide class VAS in Pakistan, AJK and Gilgit-Baltistan. The licensees must also pay annual fees (0.5%) to the PTA and make universal service fund contributions (1.5%) and/or research and development fund contributions (0.5%), as applicable, in a total amount equal to a percentage of the licensees' annual gross revenues (less certain allowed deductions) for such services.

(3) In 2007, PMCL renewed its 2G license for a further term of 15 years. As of December 31, 2018, PMCL had a balance of US\$14.5 million to be paid to the PTA for the renewal of its 2G license. Such amount is payable in yearly installments of US\$14.5 million, payable in December of each year, until December 2019. PMCL has two 15-year licenses for provision of cellular mobile 2G services in AJK and Gilgit-Baltistan.

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Under the terms of its 2G, 3G and 4G/LTE licenses, as well as its license for services in AJK and Gilgit-Baltistan, PMCL must pay annual fees to the PTA and make universal service fund contributions and/or research and development fund contributions, as applicable (not all of the foregoing are applicable to all licenses), in a total amount equal to 2.5% of PMCL's annual gross revenues (less certain allowed deductions) for such services, supplemental to spectrum administrative fees.

PMCL's total license fees (annual license fees plus revenue sharing) in Pakistan (excluding the yearly installments noted above) were US\$26.9 million, US\$26.7 million, and US\$27.1 million for the years ended December 31, 2018, 2017 and 2016, respectively. PMCL's total spectrum administrative fee payments, including for Warid's spectrum, were US\$1.9 million, US\$1.5 million, and US\$1.0 million for the years ended December 31, 2018, 2017, and 2016, respectively.

**Mobile bundles**

We offer bundled offers on 2G, 3G and 4G/LTE. We continue to focus on a technology agnostic mobile internet portfolio, meaning same pricing across 2G, 3G and 4G/LTE technologies. Apart from pure internet bundles, we also provide hybrid bundles, which include voice and SMS and can be individually created according to customer needs.

**Distribution**

In Pakistan, we offer a portfolio of tariffs and products designed to cater to the needs of specific market segments, including mass-market customers, youth customers, personal contract customers, SOHOs (with one to five employees), SMEs (with six to 50 employees) and enterprises (with more than 50 employees). We offer corporate customers several postpaid plan bundles, which include on-net minutes, variable discounts for closed user groups and follow-up minutes based on bundle commitment. As of December 31, 2018, our sales channels in Pakistan included one company store, 19 business centers, a direct sales force of 602 employees looking after indirect sales channels, 403 exclusive franchise stores currently active and additional 104 monobrand outlets and over 215,000 non-exclusive third-party retailers. For top-up, we offer prepaid scratch cards and electronic recharge options, which are distributed through the same channels. Jazz brand SIMs are sold through more than 36,000 retailers, supported by biometric verification devices.

**Competition**

The following table shows our and our competitors' respective customer numbers in Pakistan as of December 31, 2018:

<b>Operator</b>	<b>Customers in Pakistan (in millions)</b>
PMCL ("Jazz")	56.2
Telenor Pakistan	43.8
Zong	32.4
Ufone	21.6

Source: The Pakistan Telecommunications Authority.

According to the PTA, there were approximately 154.0 million mobile customers in Pakistan as of December 31, 2018, compared to 144.5 million mobile customers as of December 31, 2017, representing a mobile penetration rate of approximately 74.5% compared to 70.8% as of December 31, 2017.

**Mobile Business in Algeria**

We operate in Algeria through our operating company, Optimum, and our brand, "Djezzy." Optimum provides 4G/LTE services in Algeria in 28 provinces (out of 48 wilayas (provinces)) across the country, including Algiers, and the largest provinces in terms of population. In Algeria, we generally offer our customers mobile telecommunications services under prepaid and postpaid plans. As of December 31, 2018, prepaid, postpaid and hybrid (a monthly fee with recharge possibility) customers represented approximately 93%, 1% and 6%, respectively, of our customers in Algeria.

With respect to ownership of Omnium Telecom Algérie S.p.A. ("OTA"), GTH holds a controlling interest of 45.57% directly and indirectly through Oratel International Inc. Limited and Moga Holding Limited. The Algerian National Investment Fund holds 51% directly in OTA and a local minority shareholder, Cevital S.p.A., holds directly the remaining 3.43%. The



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establishment of this partnership in January 2015 strengthened OTA's position and prospects, with greater opportunities for our operations in Algeria. VEON Ltd. exercises operational control over OTA and, as a result, fully consolidates OTA, which holds 99.99% of Optimum. In 2015, the operating company in Algeria changed from OTA to Optimum. Historical references to our operating company in Algeria have therefore been retained as OTA throughout this Annual Report on Form 20-F.

The table below presents the primary mobile telecommunications services we offer in Algeria.

Voice
<ul style="list-style-type: none"> <li>airtime charges from mobile postpaid and prepaid customers, including monthly contract fees for a predefined amount of voice traffic and roaming fees for airtime charges when customers travel abroad</li> </ul>
Internet and data access
<ul style="list-style-type: none"> <li>GPRS, EDGE, 3G and 4G/LTE technology</li> <li>data services available via pay-per-use and via a bundle</li> </ul>
Roaming
<ul style="list-style-type: none"> <li>active roaming agreements with 457 GSM networks in 158 countries</li> <li>GPRS roaming with 314 networks in 119 countries</li> <li>3G roaming with 247 networks in 111 countries</li> <li>4G/LTE roaming with 48 networks in 27 countries.</li> <li>roaming agreements generally state that the host operator bills OTA for roaming services; OTA pays these charges and then bills the customer for these services on a monthly basis</li> </ul>
VAS
<ul style="list-style-type: none"> <li>caller-ID; call forwarding; conference calling; call blocking; and call waiting</li> </ul>
Messaging
<ul style="list-style-type: none"> <li>SMS, MMS (which allows customers to send pictures, audio and video to mobile phones and to e-mail), and mobile instant messaging</li> </ul>
Content/infotainment
<ul style="list-style-type: none"> <li>mobile message notification service offering packages with various types of content (sports, news, food, culture) (SMS SCOOP); ring back tunes (RBT); e-learning for customers (iMadrassa); co-branding with VTC service app (Yassir)</li> </ul>
Mobile financial services
<ul style="list-style-type: none"> <li>peer-to-peer credit transfer and credit loan</li> </ul>

The table below presents a description of business licenses relevant to our mobile business in Algeria. Unless noted otherwise, we plan to apply for renewal of these licenses prior to their expiration.

Services	License	Expiration
2G <sup>(1)</sup>	Nationwide	2021
VSAT <sup>(2)</sup>	Nationwide	2019
3G <sup>(3)</sup>	Nationwide	2028
4G/LTE <sup>(4)</sup>	Nationwide	2031

(1) In 2001, OTA was awarded a 15-year license to operate a 2G telecommunications network for an aggregate fee of approximately US\$737 million. The license expired in 2016 and was renewed for a five-year period at no additional cost (Decree 17-195 of June 11, 2017).

(2) In 2003, OTA acquired a VSAT data-voice license for an aggregate fee of US\$2.05 million and renewed the license in 2014 for an additional period of five years, at no additional cost. This license expires in April 2019 and the renewal process is currently in progress.

(3) In 2013, OTA was awarded a 15-year license to operate a 3G telecommunications network for an aggregate fee of approximately US\$38 million, which was paid in full in 2013. Under the terms of its 3G license, OTA is required to pay an additional annual revenue sharing fee of 1% based on 3G revenues less interconnection costs.

(4) Under the terms of its 4G/LTE license, Optimum is required to pay an additional annual revenue sharing fee of 1% based on 4G/LTE revenues less interconnection costs.

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Under the terms of its 2G, 3G, 4G/LTE and VSAT licenses, OTA is required to pay contributions for the universal service and environmental protection fund (3% of revenues less interconnection costs); management of the numbering plan (0.2% of revenues less interconnection costs); research, training and standardization (0.3% of revenues less interconnection costs) and license fees for 3G and 4G licenses (1% of revenue less interconnection costs).

OTA's total license fees in Algeria were US\$58.7 million, US\$61.8 million, and US\$62.1 million for the years ended December 31, 2018, 2017 and 2016, respectively, of which US\$28.1 million, US\$28.1 million, and US\$25.9 million, respectively, was related to spectrum charges, and US\$30.6 million, US\$33.7 million, and US\$36.2 million, respectively, was related mainly to contributions made to the Universal Services of Telecommunications fund and to the number plan management over the same periods.

*Distribution*

As of December 31, 2018, we sell our mobile telecommunications services through our 78,102 Djezzy branded shops, indirect channels (distributors), and indirect points of sale, of which 148 were monobrand own shops rented, equipped, staffed and managed by Optimum and equipped with IT material and sales applications. Our seven exclusive national distributors cover all 48 wilayas (provinces) of Algeria and are distributing our products through over 77,954 points of sale, of which all are authorized to sell airtime and 12,748 are authorized to sell SIMs. As of December 31, 2018, we also had a pool of more than 107 agents in call centers, who focus on customer care, including retention, troubleshooting and handling of complaints. This pool of agents combines a series of insourced and outsourced agents that are directly managed by Optimum in four languages (Arabic, French, Amazigh and English). We provide customer support for the Djezzy brand through our call centers, which are open 24 hours per day and seven days per week.

*Competition*

Growth in Algeria's mobile market is expected to slow, and attention is expected to shift to maintaining or improving ARPU, supported by data revenue growth after the commercial launch of 4G/LTE networks.

The following table shows our and our competitors' respective customer numbers in Algeria as of December 31, 2018:

<b>Operator</b>	<b>Customers in Algeria (in millions)</b>
Mobilis	21.1
Optimum ("Djezzy")	15.8
Ooredoo	13.9

Source: Analysys Mason.

According to Analysys Mason, there were approximately 50.8 million mobile customers in Algeria as of December 31, 2018, compared to 49.0 million mobile customers as of December 31, 2017, representing a mobile penetration rate of approximately 118.7%, compared to 116.9% as of December 31, 2017.

*Mobile Business in Bangladesh*

We operate through our operating company, Banglalink Digital Communications Limited ("BDCL") and our brand "banglalink" in Bangladesh. Following the launch of 3G services in Bangladesh in October 2013, the number of 3G customers has grown rapidly. On February 13, 2018, BDCL acquired a 4G/LTE license for US\$1.2 million in order to launch a high-speed data network. The rollout of the 4G/LTE network is expected to increase ARPU as the use of the internet grows, with improving data speed presenting a significant opportunity for mobile operators in Bangladesh to increase their market shares in significant urban centers.

The telecommunications market in Bangladesh is largely comprised of prepaid customers. As of December 31, 2018, approximately 93% of our customers in Bangladesh were on prepaid plans.

The table below presents the primary mobile telecommunications services we offer in Bangladesh.

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Voice
<ul style="list-style-type: none"> <li>airtime charges from mobile postpaid and prepaid customers, including monthly contract fees for a predefined amount of voice traffic and roaming fees for airtime charges when customers travel abroad</li> </ul>
Internet and data access
<ul style="list-style-type: none"> <li>GPRS, EDGE, 3G and 4G/LTE technology</li> <li>data services provided via pay-per-use and via a bundle</li> </ul>
Roaming
<ul style="list-style-type: none"> <li>active roaming agreements with 455 GSM networks in 165 countries</li> <li>GPRS roaming with 350 networks in 121 countries</li> <li>maritime roaming and in-flight roaming with Emirates Airlines and Malaysian Airlines</li> <li>roaming agreements generally state that the host operator bills BDCL for roaming services; BDCL pays these charges and then bills the customer for these services on a monthly basis</li> </ul>
VAS
<ul style="list-style-type: none"> <li>call forwarding; conference calling; call blocking; call waiting; caller line identification presentation; call me back; and voicemail missed call alert</li> </ul>
Messaging
<ul style="list-style-type: none"> <li>SMS, MMS (which allows customers to send pictures, audio and video to mobile phones and to e-mail) and mobile instant messaging</li> </ul>
Content/infotainment
<ul style="list-style-type: none"> <li>news alert service; sports related content; job alerts; music streaming; mobile TV; content download; religious content; RBT; and agricultural helpline</li> </ul>
Mobile financial services
<ul style="list-style-type: none"> <li>mobile-based utility bill payments; train ticketing; international remittance disbursements</li> <li>Unstructured Supplementary Service Data, SMS and distribution network to Bangladesh Post Office for their mobile money order service</li> </ul>

The table below presents a description of business licenses relevant to our mobile business in Bangladesh. Unless noted otherwise, we plan to apply for renewal of these licenses prior to their expiration.

Services	License	Expiration
2G <sup>(1)</sup>	Nationwide	2026
3G <sup>(2)</sup>	Nationwide	2028
4G/LTE <sup>(3)</sup>	Nationwide	2033

(1) In November 1996, BDCL was awarded a 15-year GSM license to establish, operate and maintain a digital mobile telephone network to provide 2G services throughout Bangladesh. The license was renewed in November 2011 for a further 15-year term.

(2) In September 19, 2013, following a competitive auction process, BDCL was awarded a 15-year license to use 5 MHz of technology neutral spectrum in 2100MHz band and was also awarded a 3G license, for which it paid a total cost of BDT 8,677.4 million (inclusive of 5% VAT), including both a license acquisition fee and a spectrum assignment fee.

(3) On February 13, 2018, BDCL acquired a 4G/LTE license for US\$1.2 million. BDCL also acquired the right to use 10.6MHz technology neutral of spectrum in 1800MHz (5.6) and 2100MHz (5) for US\$324 million including VAT (33.34% of the fee has been considered as tariff value for 15% VAT). Banglalink also converted 15MHz of existing 2G spectrum for the remaining tenure of it for US\$ 36.75 million.

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<p>Under the terms of its 2G, 3G and 4G/LTE mobile licenses, BDCL is required to pay to the Bangladesh Telecommunication Regulatory Commission (i) an annual license fee of BDT 50.0 million (US\$0.6 million as of December 31, 2018) for each mobile license; (ii) 5.5% of BDCL's annual audited gross revenue, as adjusted pursuant to the applicable guidelines; and (iii) 1% of its annual audited gross revenue (payable to Bangladesh's social obligation fund), as adjusted pursuant to the applicable guidelines. The annual license fees are payable in advance of each year, and the annual revenue sharing fees are each payable on a quarterly basis and reconciled at the end of each year.</p> <p>BDCL's total license fees (annual license fees plus revenue sharing) in Bangladesh were equivalent to US\$46.4, US\$34.7 million, and US\$41.7 million for the years ended December 31, 2018, 2017 and 2016, respectively.</p> <p>In addition to license fees, BDCL pays annual spectrum charges to the BTRC, calculated according to the size of BDCL's network, its frequencies, the number of its customers and its bandwidth. The annual spectrum charges are payable on a quarterly basis and reconciled at the end of each year. BDCL's annual spectrum charges were equivalent to US\$11.0 million, US\$9.0 million, and US\$9.8 million for the years ended December 31, 2018, 2017 and 2016, respectively.</p>

[Table of Contents](#)*Distribution*

As of December 31, 2018, our sales and distribution channels in Bangladesh included 91 monobrand stores, a direct sales force of 55 enterprise sales managers and 124 zonal sales managers for mass market retail sales channels, 58,469 retail SIM outlets, 255,696 top-up selling outlets, online sales channels, and 3,206 banglalink brand service points. BDCL provides a top-up service through mobile financial services, ATMs, recharge kiosks, international top-up services, SMS top-up and banglalink online recharge. The banglalink brand provides customer support through its contact center, which is open 24 hours a day and seven days a week. The contact center caters to a number of after-sales services to all customer segments with a special focus on a “self-care” app to empower customers and avoid customer reliance on call center agents. In order to stimulate mobile phones and smartphones penetration, we offer our customers a broad selection of handsets and internet-capable devices, which we source from a number of suppliers, in the case of purchase-sale models, and we offer banglalink branded internet through reverse-bundle model in device partners’ channels.

*Competition*

The mobile telecommunications market in Bangladesh is highly competitive. The following table shows our and our competitors’ respective customer numbers in Bangladesh as of December 31, 2018.

Operator	Customers in Bangladesh (in millions)
Grameenphone	72.7
Robi Axiata	46.9
BDCL (“banglalink”)	32.3
Teletalk	3.9

Source: Bangladesh Telecommunication Regulatory Commission and for BDCL (“banglalink”) only, Analysys Mason.

The top three mobile operators, Grameenphone, banglalink and Robi Axiata, collectively held approximately 97.5% of the mobile market where the market consisted of approximately 156.9 million customers in Bangladesh as of December 31, 2018, compared to 145.1 million customers as of December 31, 2017, according to the Bangladesh Telecommunication Regulatory Commission. According to Analysys Mason, as of December 31, 2018, a mobile penetration rate comprised approximately 93.2% compared to 87.0% as of December 31, 2017.

*Mobile Business in Ukraine*

We operate in Ukraine with our operating company “Kyivstar” JSC and our brand, “Kyivstar.” The Ukrainian mobile market operates on a 2G, 3G and 4G/LTE basis. As of December 31, 2018, approximately 88% of our customers in Ukraine were on prepaid plans. Kyivstar secured 4G/LTE licenses and spectrum in two separate transactions in 2018.

The table below presents the primary mobile telecommunications services we offer in Ukraine.

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Voice
<ul style="list-style-type: none"> <li>airtime charges from mobile postpaid and prepaid customers, including monthly contract fees for a predefined amount of voice traffic and roaming fees for airtime charges when customers travel abroad</li> </ul>
Internet and data access
<ul style="list-style-type: none"> <li>GPRS/EDGE, 3G and 4G/LTE</li> </ul>
Roaming
<ul style="list-style-type: none"> <li>active roaming agreements for 472 networks in 189 countries</li> <li>GPRS roaming on 411 networks in 167 countries</li> <li>3G roaming on 313 networks in 133 countries</li> <li>4G/LTE roaming on 24 networks in 24 countries</li> </ul>
Messaging
<ul style="list-style-type: none"> <li>SMS; MMS; voice messaging and SMS services (including information services such as news, weather, entertainment chats and friend finder)</li> </ul>
Content/infotainment
<ul style="list-style-type: none"> <li>voice services (including referral services); content downloadable to telephone (including music, pictures, games and video); and RBT</li> </ul>
Mobile financial services
<ul style="list-style-type: none"> <li>mobile payment; banking card; trusted payment; banks notification; mobile insurance; and Smart Money (payment method for services via mobile phone)</li> </ul>

The table below presents a description of business licenses relevant to our mobile business in Ukraine. Unless noted otherwise, we plan to apply for renewal of these licenses prior to their expiration.

Services	License	Expiration
GSM900 and GSM1800 <sup>(1)</sup>	Nationwide	October 5, 2026
3G <sup>(2)</sup>	Nationwide	April 1, 2030
4G/LTE <sup>(3)</sup>	Nationwide	July 1, 2033 (1800 MHz)
4G/LTE <sup>(3)</sup>	Nationwide	January 31, 2033 (2600 MHz)

(1) Licenses were received on October 5, 2011 for a term of 15 years each.

(2) The license was issued on April 1, 2015 for a term of 15 years. Services provided in the 2100 MHz band. We have also obtained a range of national and regional radio frequency licenses for the use of radio frequency resources in the referred standards and in specified standards—radio-relay and WiMax. Our network coverage is (except the Anti-Terrorist Operation zone where Kyivstar is not able to use and control its network): 91.46% of the 2G network; 18.7% of the 3G network; 9,864 localities covered by 2G network; and 25,484 localities covered by 3G network.

(3) Kyivstar secured 4G/LTE licenses and spectrum in two separate transactions in 2018. Following the auction held on January 31, 2018, Kyivstar acquired 15 MHz (paired) of contiguous frequency in the 2600 MHz band for UAH 0.9 billion (US\$32 million as of December 31, 2017). In addition, on March 6, 2018, Kyivstar secured the following spectrum through auction in the 1800MHz band: 25MHz (paired) for UAH 1.325 billion (US\$47 million as of December 31, 2017) and two lots of 5MHz (paired) for UAH 1.512 billion (US\$54 million as of December 31, 2017).

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In 2018, Kyivstar PJSC made spectrum and license payments as follows: 4G licenses - UAH 3.75 billion (paid to State Budget; annual fee for the use of radio frequency spectrum - UAH 1.02 billion (paid to State Budget); final stage of 3G spectrum conversion - UAH 231.7 million (paid to special users: Ministry of Defense of Ukraine, State Service for Special Communication and Information); EMC monitoring - UAH 154 million (paid to Ukrainian State Center of Radio Frequencies); and prolongation of existing 15 licenses on use of radio frequency spectrum - UAH 49.1 million (paid to State Budget).

#### Mobile bundles

Kyivstar offers bundles including combinations of voice, SMS and MMS, mobile data and OTT services.

[Table of Contents](#)*Distribution*

Kyivstar's strategy is to maintain a leadership position by using the following distribution channels: distributors (39% of all connections), local chains (19%), national chains (11%), monobrand stores (18%), direct sales (8%) and active sales (5%).

*Competition*

The following table shows our and our primary mobile competitors' respective customer numbers in Ukraine as of December 31, 2018:

Operator	Customers (in millions)
Kyivstar	26.3
"VF Ukraine" JSC	19.5
"lifecell" LLC	7.3

Source: Analysys Mason

Kyivstar competes primarily with "VF Ukraine" JSC, operating under the Vodafone brand, which is 100% owned by MTS and operates a GSM900/1800 and an LTE 1800/2600 network in Ukraine. Kyivstar also competes with "lifecell" LLC, as well as with Trimob LLC, a 100% affiliate company of Ukrtelecom to provide services under a 3G license, and with other small CDMA operators.

According to Analysys Mason, as of December 31, 2018, there were approximately 56.1 million customers in Ukraine, representing a mobile penetration rate of approximately 133.1% compared to 58.2 million customers and a mobile penetration rate of 137.4% as of December 31, 2017.

***Mobile Business in Uzbekistan***

In Uzbekistan, we operate through our operating company, LLC "Unitel," and our brand, "Beeline." We offer our customers mobile telecommunications services under postpaid and prepaid plans. As of December 31, 2018, approximately 98.3% of our customers in Uzbekistan were on prepaid plans.

Our 3G/HSPA services were commercially launched in 2008, and the majority of the network was constructed in 2010. Our 4G/LTE services were commercially launched in 2014. Unitel was the first mobile operator to provide 4G/LTE services.

The table below presents the primary mobile telecommunications services we offer in Uzbekistan.

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Voice
<ul style="list-style-type: none"> <li>airtime charges from mobile postpaid and prepaid customers, including monthly contract fees for a predefined amount of voice traffic and roaming fees for airtime charges when customers travel abroad</li> <li>GSM service is provided in 2G and 3G networks; call duration for one session is limited for 40 minutes</li> </ul>
Internet and data access
<ul style="list-style-type: none"> <li>GPRS/EDGE/3G/4G/LTE networks</li> </ul>
Roaming
<ul style="list-style-type: none"> <li>active roaming agreements with 485 GSM networks in 186 countries</li> <li>GPRS roaming with 386 networks in 164 countries</li> <li>CAMEL roaming through 272 networks in 120 countries</li> <li>roaming agreements generally state that the host operator bills us for roaming services; we pay these charges and then bill the customer for these services on a monthly basis</li> </ul>
VAS
<ul style="list-style-type: none"> <li>caller-ID; voicemail; call forwarding; conference calling; call blocking; and call waiting</li> </ul>
Messaging
<ul style="list-style-type: none"> <li>SMS, MMS, voice messaging and SMS services (including information services such as news, weather, entertainment chats and friend finder)</li> </ul>
Content/infotainment
<ul style="list-style-type: none"> <li>voice services (including referral services), content downloadable to telephone (including music, pictures, games and video), and RBT</li> </ul>
Mobile financial services
<ul style="list-style-type: none"> <li>card-to-card transfer; bank card payments; trusted payment; our own payment system “Beepul”; mobile transfer; loyalty program</li> </ul>

The table below presents a description of business licenses relevant to our mobile business in Uzbekistan. Unless noted otherwise, we plan to apply for renewal of these licenses prior to their expiration.

Services	License	Expiration
GSM900/1800 <sup>(1)</sup>	Nationwide	August 7, 2031
3G <sup>(1)</sup>	Nationwide	August 7, 2031
4G/LTE <sup>(1)</sup>	Nationwide	August 7, 2031
International Communication Services License	Nationwide	2026
Data Transfer	Nationwide	2019/2020 <sup>(2)</sup>
Inter-city communication services license	Nationwide	2026
TV broadcasting	Nationwide	2023

(1) Requires annual license fee payments.

(2) License for exploitation of data transfer network expires in August 2019, and license for design, construction and service provision of data transfer network expires in 2020.

#### Mobile bundles

We offer bundled tariff plans, which may differ by types or volume of traffic, duration (daily, weekly, and monthly), region or charge type. Currently, we provide data bundles consisting of different types of traffic volume, charge and duration and integrated bundles consisting of traditional voice with SMS and data traffic.

#### Distribution

In Uzbekistan, we offer a portfolio of tariffs and products for the prepaid system designed to cater to the needs of specific market segments, including mass-market customers, youth customers and high value contract customers. Further, we have the following four segments in our postpaid system: Large Accounts, Business to Government, SME and SOHO. As of December 31, 2018, our sales channels in Uzbekistan include 27 offices and monobrand stores, 632 exclusive stores and 1013 multibrand stores.

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### Competition

The following table shows our and our primary mobile competitors' respective customers in Uzbekistan as of December 31, 2018:

Operator	Customers (in millions)
LLC "Unitel"	9.1
Ucell	7.3
UMS	2.6
UzMobile (Uzbektelecom)	2.9
Perfectum	0.4

Source: Analysys Mason.

According to Analysys Mason, as of December 31, 2018, there were approximately 22.3 million mobile customers in Uzbekistan, representing a mobile penetration rate of approximately 67.1% compared to 21.5 million customers and a mobile penetration rate of 65.5% in 2017.

### Mobile Business in Others

In the countries in our "Others" category, we generally offer our customers mobile telecommunications services under prepaid and postpaid plans.

The "Others" category represents our operations in Kazakhstan, Kyrgyzstan, Armenia and Georgia. For information on reportable segments, see *Item 5 — Operating and Financial Review and Prospects — Reportable Segments*.

As of December 31, 2018, we had the following percentages of prepaid and postpaid customers:

Payment Plan	Kazakhstan	Kyrgyzstan	Armenia	Georgia
Prepaid	95.2%	95.7%	88.8%	100%
Postpaid	4.8%	4.3%	11.2%	0%



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Voice	
<ul style="list-style-type: none"> <li>Standard voice services</li> <li>Prepaid and postpaid airtime charges from customers, including weekly and monthly contract fees for a predefined amount of voice traffic and roaming fees for airtime usage when customers travel abroad.</li> </ul>	
Internet and Data Access	
<ul style="list-style-type: none"> <li>3G and 4G/LTE services in each of Kazakhstan, Kyrgyzstan, Armenia, and Georgia</li> <li>technology neutral licenses in each of Kazakhstan, Kyrgyzstan, Armenia, and Georgia</li> </ul>	
Roaming	
Kazakhstan	Voice: 553 networks in 193 countries
	GPRS: 463 networks in 149 countries
	CAMEL: 326 networks in 132 countries
Kyrgyzstan	Voice: 428 networks in 132 countries
	GPRS: 260 networks in 99 countries
	4G/LTE: 49 networks in 34 countries
	CAMEL: 198 networks in 86 countries
Armenia	Voice: 441 networks in 181 countries
	GPRS: 354 networks in 138 countries
	CAMEL: 249 networks in 110 countries
	3G: 304 networks in 129 countries
	4G/LTE: 81 networks in 55 countries
Georgia	Voice: 212 networks in 85 countries
	GPRS: 163 networks in 73 countries
	CAMEL: 127 networks in 59 countries
<ul style="list-style-type: none"> <li>roaming agreements generally state that the host operator bills for roaming services; we pay these charges and then bill the customer for these services (in some cases on a monthly basis)</li> </ul>	
VAS	
<ul style="list-style-type: none"> <li>caller-ID; voicemail; call forwarding; conference calling; call blocking and call waiting</li> </ul>	
Messaging	
<ul style="list-style-type: none"> <li>SMS, MMS, voice messaging and mobile instant messaging</li> </ul>	
Content/infotainment	
<ul style="list-style-type: none"> <li>SMS CPA, Voice CPA, RBT, voice services (including referral services), content downloadable to telephone (including music, pictures, games and video); access to radio or television broadcasting online or via mobile app</li> </ul>	
Mobile financial services	
<ul style="list-style-type: none"> <li>balance transfer, trusted payment, mobile wallet</li> </ul>	

The table below presents a description of business licenses relevant to our mobile business in Others. Unless noted otherwise, we plan to apply for renewal of these licenses prior to their expiration.

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Country	Licenses (as of December 31, 2018)	Expiration
Kazakhstan	Mobile services (GSM900/1800, UMTS/WCDMA2100, 4G/LTE800/1800)	Unlimited term
Kyrgyzstan	Radio spectrum of 800 MHz for the entire territory of Kyrgyzstan (technology neutral) 796-801MHz/837-842MHz	September 2025
	Radio spectrum of 800 MHz for the entire territory of Kyrgyzstan (technology neutral) 791-796MHz/832-837MHz	December 2026
	Radio spectrum of 900 MHz, 1800 MHz and 2100 MHz for the entire territory of Kyrgyzstan (technology neutral)	October 2019
	National license for electric communication service activity	Unlimited term
	National license for base station transmission	December 2019
	National license for services on data traffic	Unlimited term
Armenia <sup>(1)</sup>	Network operation for the entire territory of Armenia	March 2028
	National licenses to use radio spectrum of 900 MHz, 1800 MHz and 2100 MHz for the entire territory of Armenia (technology neutral)	March 2023
Georgia	GSM1800 10 MHz frequency	February 2030
	GSM900 5.49 MHz frequency	February 2030
	LTE 800 10 MHz frequency	February 2030
	10 MHz 3G frequency	December 2031

(1) The license is valid for both fixed/mobile operations countrywide

#### Wireless internet services

We have promotional zero-zones for major local and international social networks in each of these countries to lower the entry barrier for new data users and stimulate consumption for existing ones. We also focus on smartphone penetration growth in each of these countries as the major source of effective demand for our mobile internet services.

#### Distribution

We distribute our products in the countries in our “Others” category through owned monobrand stores, franchises and other distribution channels. As of December 31, 2018, we had 272 total stores in Kazakhstan (including 17,743 other points of sale), 63 stores in Kyrgyzstan (including 4743 other points of sale), 77 stores in Armenia, and 35 stores in Georgia.

#### Mobile customers and mobile penetration rate

The table below presents our total number of customers and the mobile penetration rate in each of the countries in our “Others” category as of December 31, 2018 and December 31, 2017.

	2018 (millions of customers)	Mobile Penetration	2017 (millions of customers)	Mobile Penetration
Kazakhstan	24.4	132.6%	25.5	140.2%
Kyrgyzstan	7.6	123.2%	7.4	121.5%
Armenia	3.7	126.8%	3.6	123.6%
Georgia	5.2	133.7%	5.6	143%

Source: Analysys Mason.

#### Description of Our Fixed-line Telecommunications

In Russia, Ukraine and Uzbekistan, we offer voice, data and internet services to corporations, operators and consumers using a metropolitan overlay network in major cities and fixed-line telecommunications using inter-city fiber optic and satellite-based networks. In Armenia and Kazakhstan, we offer a range of fixed-line business services for B2O, B2B and B2C segments. In Armenia, our fixed-line business further offers a range of services, including PSTN-fixed telephony, internet, data transmission and network access, domestic and international voice termination, IPLC and TCP/IP international transit, over our national networks. In Pakistan, we offer internet and value-added services over a wide range of access media, covering major cities of Pakistan. We do not offer fixed-line telecommunications services in Algeria, Bangladesh, Kyrgyzstan or Georgia.

[Table of Contents](#)**Fixed-line Business in Russia**

The table below presents a description of the fixed-line telecommunications services we offer in Russia.

Services
<ul style="list-style-type: none"> <li>network access and hardware and software solutions, including configuration and maintenance, SaaS and an integrated managed service</li> <li>local access services by connecting the customers' premises to our own fiber network, international and domestic long-distance services and VSAT services to customers located in remote areas</li> <li>internet access to both corporate and consumer customers through backbone networks and private line channels <ul style="list-style-type: none"> <li>IP address services, the ability to rent leased channels with different high-speed capacities and remote access to corporate information, databases and applications. <ul style="list-style-type: none"> <li>managed Wi-Fi networks based on IEEE 802.11b/g/n/ac wireless technology <ul style="list-style-type: none"> <li>virtual PSTN number, xDSL services, session initiation protocol (SIP) connection, financial information services, data center services, such as co-location, web hosting, audio conference and domain registration services</li> </ul> </li> </ul> </li> <li>IPTV services (1.24 million customers), virtual PBX, certain Microsoft Office packages (including SaaS), web-videoconferencing services and sale, rental and technical support for telecommunications equipment</li> <li>Pay TV (cable TV) (29,975 customers) <ul style="list-style-type: none"> <li>FMC product services (1,103,329 customers) <ul style="list-style-type: none"> <li>carrier and operator services, including voice, internet and data transmission over our own networks and roaming services <ul style="list-style-type: none"> <li>MPLS-based IP VPN, local, domestic and international private lines, equipment and equipment maintenance (under interconnection agreements with international global data network operators)</li> </ul> </li> </ul> </li> </ul> </li> <li>high-speed domestic and international channels to international and Russian operators to sell excess backbone network capacity</li> </ul> </li></ul>
Coverage
<ul style="list-style-type: none"> <li>all major population centers</li> </ul>
Operations
<ul style="list-style-type: none"> <li>operate a number of competitive local exchange carriers that operate fully digital overlay networks in a number of major Russian cities</li> </ul>
Customers
<ul style="list-style-type: none"> <li>large multinational corporate groups</li> <li>government clients</li> <li>SMEs</li> <li>high-end residential buildings in major cities</li> </ul>

**Distribution**

We utilize a direct sales force in Moscow, operating both with fixed-line and mobile corporate customers and supported by specialists in technical sales support, marketing, customer service and end-user training. In addition, we employ a team of regional sales managers and a dedicated sales force in each of our regional branch offices, as well as having sales incentive plans with our regional partners.

**Competition**

Our fixed-line telecommunications business marketed as "Beeline Business" faces significant competition from other service providers and competes principally on the basis of convergent services and bundles, installation time, network quality, geographical network reach, customer service, range of services offered and price. The table below presents our competitors in the voice services, data services and fixed-line broadband markets in Russia.

Voice Services		
• Rostelecom	• TransTelecom	• OJSC "Multiregional TransitTelecom"
Data Services		
• Rostelecom	• TransTelecom	• MegaFon
Fixed-line Broadband		
• Rostelecom	• Akado	• NetbyNet
• MTS and its subsidiaries	• ER-Telecom	

In terms of end-user internet penetration, the consumer internet access business in Russia is saturated and end-user internet penetration is high. Competition for customers in Russia is intense, with internet providers utilizing new marketing efforts (for

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example, aggressive price promotions) in order to retain existing customers and attract new ones. We expect competition to increase in the future due to wider market penetration, consolidation of the industry, the growth of current operators and the appearance of new technologies, products and services.

#### Licenses

The table below presents a description of business licenses relevant to our fixed-line business in Russia and which expire in 2019. Unless noted otherwise, we plan to apply for renewal of these licenses prior to their expiration.

Services	License	Expiration
Local Communications Services	Krasnodar	December 31, 2019
	Moscow	April 17, 2019
Data Transmission Services	St.Petersburg	April 17, 2019
International and National Communications Services license	Russian Federation	December 13, 2019

#### Fixed-line Business in Pakistan

The table below presents a description of the fixed-line telecommunications services we offer in Pakistan.

Services
<ul style="list-style-type: none"> <li>data, voice and VAS services over a wide range of access media, covering the major cities</li> <li>data services being provided to the enterprise customers include: dedicated internet access, VPN (virtual private networking), leased lines &amp; fixed telephony</li> <li>domestic and international leased lines, domestic and international MPLS, and IP transit services through our access network<sup>1</sup></li> <li>high-speed internet access (including fiber optic lines)</li> <li>telephony</li> <li>telephone communication services, based on modern digital fiber optic network</li> <li>dedicated lines of data transmission</li> <li>dedicated line access and fixed-line mobile convergence</li> </ul>
Coverage
<ul style="list-style-type: none"> <li>wired and wireless access services include FTTx, PMP (point to multipoint), point-to-point radios, VSAT, and WiMax connecting more than 150 locations across Pakistan</li> </ul>
Operations
<ul style="list-style-type: none"> <li>long-haul fiber optic network covers more than 9,000 kilometers and, supplemented by wired and wireless networks</li> </ul>
Customers
<ul style="list-style-type: none"> <li>enterprise customers</li> <li>domestic and international carriers</li> <li>corporate and individual business customers</li> </ul>

#### Distribution

We utilize a direct sales force in Pakistan for enterprise customers. This dedicated sales force has three channels dedicated to SMEs, large/key accounts and business-to-government. These channels are led by individual channel heads who further employ a team of regional sales managers in different regions, which are further supported by a sales force, including team leads and key account managers. There is also a centralized telesales executive team led by a manager and a dedicated sales force for customers that are engaged in reselling our services.

#### Competition

In Pakistan, our fixed-line business faces significant competition from other providers of fixed-line corporate services, carrier and operator services and consumer internet services. The table below presents our competitors in the internet services, carrier and operator services and fixed-line broadband markets in Pakistan.

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Internet Services		
<ul style="list-style-type: none"> <li>PTCL</li> <li>Wateen</li> </ul>	<ul style="list-style-type: none"> <li>Wi-Tribe</li> <li>Qubee</li> </ul>	<ul style="list-style-type: none"> <li>World Call</li> </ul>
Carrier and Operator Services		
<ul style="list-style-type: none"> <li>PTCL</li> <li>Wateen</li> </ul>	<ul style="list-style-type: none"> <li>Wi-Tribe</li> <li>Telenor Pakistan</li> </ul>	<ul style="list-style-type: none"> <li>World Call</li> </ul>
Fixed-line Broadband		
<ul style="list-style-type: none"> <li>Pakistan Telecommunication Company Limited, or “PTCL”</li> <li>Multinet</li> <li>Wateen</li> </ul>	<ul style="list-style-type: none"> <li>Cybernet</li> <li>Nexlinx</li> <li>Nayatel</li> </ul>	<ul style="list-style-type: none"> <li>Supernet</li> </ul>

*Licenses*

The table below presents a description of business licenses relevant to our fixed-line business in Pakistan. Unless noted otherwise, we plan to apply for renewal of these licenses prior to their expiration.

Services	License	Expiration
Long Distance & International (“LDI”)	Nationwide and International	2024
Local Loop (“LL”) (fixed line and/or wireless local loop with limited mobility)	Regional	2024

*Fixed-line Business in Ukraine*

The table below presents a description of the fixed-line telecommunications services we offer in Ukraine.

Services
<ul style="list-style-type: none"> <li>data</li> <li>broadband services</li> <li>corporate internet access</li> <li>Fixed-line: VPN services, data center, contact center, voice, fixed-line telephony and a number of VAS</li> <li>Internet access services: ADSL, symmetrical and Ethernet interfaces at speeds ranging from 256 kilobytes per second to 10 gigabytes per second</li> <li>FMC</li> <li>FTTB services tariffs for fixed-line broadband internet access targeted at different customer segments</li> </ul>
Coverage
<ul style="list-style-type: none"> <li>provided services in 118 cities in Ukraine (excluding cities in Crimea and the ATO zone)</li> <li>engaged in a project to install FTTB for fixed-line broadband services in approximately 41,400 residential buildings in 118 cities, providing over 56,500 access points</li> </ul>

Our joint carrier and operator services division in Ukraine provides local, international and intercity long- distance voice traffic transmission services to Ukrainian fixed-line and mobile operators on the basis of our proprietary domestic long-distance/ILD network, as well as IP transit and data transmission services through our own domestic and international fiber optic backbone and IP/MPLS data transmission network. We derive most of our carrier and operator services revenue in Ukraine from voice call termination services to our own mobile network and voice transit to other local and international destinations.

*Distribution*

Our company emphasizes high customer service quality and reliability for its corporate large accounts while at the same time focusing on the development of its SME offerings. We sell to corporate customers through a direct sales force and various alternative distribution channels such as IT servicing organizations and business center owners, and to SME customers through dealerships, direct sales, own retail and agent networks. We use a customized pricing model for large accounts which includes service or tariff discounts, volume discounts, progressive discount schemes and volume lock pricing. We use standardized and campaign-based pricing for SME customers. Our residential marketing strategy is focused on attracting new customers. We offer several tariff plans, each one targeted at a different type of customer.

[Table of Contents](#)*Competition*

There is a high level of competition with more than 400 internet service providers in Ukraine. The table below presents our competitors in the voice services, data services, carrier and operator services, voice and data services and retail internet services markets in Ukraine.

Voice Services <sup>(1)</sup> , Data Services <sup>(2)</sup> and Voice Services		
• Ukrtelecom	• Datagroup	• Farlep-Invest (Vega)
Retail Internet Services		
• Ukrtelecom	• Volia	

(1) Voice services market for business customers only.

(2) Data services for corporate market only.

*Licenses*

The table below presents a description of business licenses relevant to our fixed-line business in Ukraine. Unless noted otherwise, we plan to apply for renewal of these licenses prior to their expiration.

Services	License	Expiration
International Communication	Nationwide	August 18, 2019
Long-distance Communication	Nationwide	August 18, 2019
Local Communication	Nationwide	August 29, 2020

*Fixed-line Business in Uzbekistan*

The table below presents a description of the fixed-line telecommunications services we offer in Uzbekistan.

Services <sup>(1)</sup>
<ul style="list-style-type: none"> <li>fixed-line services, such as network access</li> <li>internet and hardware and software solutions, including configuration and maintenance</li> <li>high-speed internet access (including fiber optic lines and xDSL)</li> <li>telephony</li> <li>long distance and international long-distance telephony on prepaid cards</li> <li>telephone communication services, through our copper cable network and our modern digital fiber optic network</li> <li>dedicated lines of data transmission</li> <li>dedicated line access and fixed-line mobile convergence</li> </ul>

*Distribution*

One of our priorities in Uzbekistan is the development of information and communications technology, which supports economic development in Uzbekistan. Our strategy includes maintaining our current market position by retaining our large corporate client customer base.

*Competition*

There is a high level of competition in the capital city of Tashkent, but the fixed-line internet market in most of the other regions remains undeveloped. The table below presents our competitors in the fixed-line services market in Uzbekistan.

Fixed-line Services	
<ul style="list-style-type: none"> <li>Uztelecom</li> <li>East Telecom</li> <li>Sarkor Telecom</li> </ul>	<ul style="list-style-type: none"> <li>Sharq Telecom</li> <li>TPS</li> <li>EVO</li> </ul>

[Table of Contents](#)*Licenses*

The table below presents a description of business licenses relevant to our fixed-line business in Uzbekistan. Unless noted otherwise, we plan to apply for renewal of these licenses prior to their expiration.

Services	License	Expiration
Fixed-line	Nationwide	2021
Data	Nationwide	2021
Long-distance	Nationwide	2029
International	Nationwide	2029

***Fixed-line Business in Armenia***

The table below presents a description of the fixed-line telecommunications services we offer in Armenia.

Services
<ul style="list-style-type: none"> <li>• PSTN-fixed telephony</li> <li>• internet, data transmission and network access</li> <li>• domestic and international voice termination</li> <li>• TCP/IP international transit traffic services</li> <li>• local telephony services</li> <li>• international and domestic long distance services</li> <li>• broadband access services (including ADSL, VDSL, LTE 450 and fiber optic lines)</li> <li>• VoIP services</li> <li>• SIP telephony</li> <li>• wholesale services, such as leased line service and wholesale broadband services</li> <li>• wholesale international voice termination and origination services for other local and international operators and service providers</li> <li>• fixed-line broadband internet access based on ADSL and FTTB technologies</li> <li>• dial-up services and wireless internet access based on CDMA technology</li> <li>• FMC bundles, offering fixed internet, fixed TV and mobile services, and fixed voice services</li> </ul>

*Distribution*

Our strategy includes focusing on customer retention and ARPU growth by developing new services, including internet access through a fiber optic network with a guaranteed speed to corporate customers and government organizations.

*Competition*

The table below presents our competitors in the fixed internet and cable TV services market in Armenia.

Fixed Internet and Cable TV Services
<ul style="list-style-type: none"> <li>• U!Com</li> <li>• Rostelcom</li> </ul>

***Fixed-line Business in Kazakhstan***

The table below presents a description of the fixed-line telecommunications services we offer in Kazakhstan.

Services <sup>(1)</sup>
<ul style="list-style-type: none"> <li>• high-speed internet access</li> <li>• local, long distance and international voice services over IP</li> <li>• local, intercity and international leased channels and IP VPN services</li> <li>• cloud services</li> <li>• integrated corporate networks (including integrated network voice, data and other services)</li> <li>• FMC product, including mobile bundles and video content from Amediateka</li> <li>• ADSL, FTTB, Wi-Fi, WiMax, VSAT</li> </ul>

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*Distribution*

We are focusing on customer base and revenue growth, which we aim to promote by expanding our transport infrastructure, developing unique products, strengthening our position in the market and enhancing our sales efforts and data services.

*Competition*

The table below presents our competitors in the fixed-line telecommunications services market in Kazakhstan.

Internet, Data Transmission and Traffic Termination Services	
<ul style="list-style-type: none"> <li>Kazakhtelecom</li> <li>KazTransCom</li> </ul>	<ul style="list-style-type: none"> <li>TransTelecom (owned by Kazakhstan Temir Zholy, the national railway company)</li> <li>Astel (a leader in the provision of satellite services)</li> </ul>

*Licenses*

The table below presents a description of business licenses relevant to our fixed-line business in Kazakhstan. Unless noted otherwise, we plan to apply for renewal of these licenses prior to their expiration.

Services	License	Expiration
Long-distance	Nationwide	Unlimited

**Regulatory**

For a description of certain laws and government regulations to which our main telecommunications businesses are subject, see *Exhibit 99.2 — Regulation of Telecommunications*.

**Seasonality**

Our mobile telecommunications business is subject to certain seasonal effects. Generally, revenue from our contract and prepaid tariff plans tends to increase during the December holiday season, and then decrease in January and February. Mobile revenue is also higher in the summer months, when roaming revenue increases significantly as customers tend to travel more during these months. Guest roaming revenue on our networks also tends to increase in the summer period.

Our fixed-line telecommunications business is also subject to certain seasonal effects. Among the influencing factors is the number of working days in a given period, as well as periods of vacations. Generally, our revenue from our fixed-line telecommunications business is lower when there are fewer working days in a period or a greater number of customers are on vacation, such as during the December holiday season and in the summer months.

**Information Technology**

We devote considerable resources to the maintenance, development and improvement of our IT systems. As part of our continuous IT innovation process, we engage with third parties in order to develop and implement IT technologies across our infrastructure. In June 2016 in partnership with Ericsson, we entered into a technology infrastructure agreement which was subsequently amended in July 2017 and February 2019. Under the current agreement, which reflects a reduction in scope from the prior agreements, Ericsson will upgrade our core IT systems with new digital business support systems (DBSS) using existing software from Ericsson which is currently deployed in certain of our operating companies.

We are also in the process of implementing our cyber security strategy, which we believe would enable us to identify potential threats that may impact our business and, consequently, may aid us in the implementation of the required security measures to address such threats.

**Intellectual Property**

We rely on a combination of trademarks, service marks and domain name registrations, copyright protection and contractual restrictions to establish and protect our technologies, brand name, logos, marketing designs and internet domain names. We have registered and applied to register certain trademarks and service marks in connection with our telecommunications and digital businesses in accordance with the laws of our operating companies. Our registered trademarks and service marks include our brand name, logos and certain advertising features. Our copyrights and know-how are principally in the area of computer software for service applications developed in connection with our mobile and fixed-line network platform, our internet platforms and non-connectivity service offerings and for the language and designs we use in marketing and advertising our communication



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services. For a discussion of the risks associated with new technology, see Item 3.D. *Risk Factors — Operational Risks — "Our intellectual property rights are costly and difficult to protect, and we cannot guarantee that the steps we have taken to protect our intellectual property rights will be adequate" and — Regulatory, Compliance and Legal Risks — "New intellectual property laws or regulations may require us to invest substantial resources in compliance or may be unclear."*

### Corporate Social Responsibility

We have a long-term corporate responsibility strategy, consisting of two main elements: maintaining the trust of our stakeholders by behaving in a responsible and sustainable way, which represents our "license to operate" initiatives; and creating shared value in our communities through our products and services, which represents our "license to grow" initiatives. We are committed to investing in the markets in which we operate and continue to seek opportunities to leverage our technology, commercial expertise, and the commitment of our employees for the betterment of our communities.

The Group Chief People Officer oversees the corporate responsibility program and corporate responsibility function. The corporate responsibility team has access to our management for issue-by-issue decisions.

Our approach to the identification, management and evaluation of corporate responsibility is guided by three main aspects:

- **Stakeholders:** By engaging with our stakeholders, we understand their concerns and expectations, and we follow a number of stakeholder defined standards and guidelines. Our reporting meets Global Reporting Initiative standards at the "core" level, follows the guidance in the AA1000 Accountability Principles Standard and is influenced by International Integrated Reporting Council guidance. Several of our markets have adopted International Organization for Standardization standards, and the social accountability standard;
- **Materiality:** Using pre-defined criteria, we prioritize globally as well as logically by assessing the materiality of individual opportunities against our strategy and their importance to our stakeholders; and
- **Accountability:** We are accountable to our stakeholders and customers through the publication of our annual Sustainability Report. We also share periodic updates with internal stakeholders, including members of management, to inform them about key corporate responsibility-related developments and our corporate responsibility performance. As part of our reporting cycle, we assess the effectiveness of our corporate responsibility strategy and revise it when needed.

[Table of Contents](#)**Disclosure of Activities under Section 13(r) of the Exchange Act**

*Under Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) to the Exchange Act, we are required to disclose whether we or any of our affiliates are knowingly engaged in certain activities, transactions or dealings relating to Iran or certain designated individuals or entities. Disclosure is required even when the activities were conducted outside the United States by non-U.S. entities—including non-U.S. entities that are not otherwise owned or controlled by U.S. entities or persons—and even when such activities were conducted in compliance with applicable law.*

**VEON**

The following information is disclosed pursuant to Section 13(r) of the Exchange Act.

VEON does not have any subsidiaries, affiliates, other equity investments, assets, facilities or employees located in Iran, and VEON has made no capital investment in Iran. Except as specified below, VEON does not believe it has provided any products, equipment, software, technology, information, support or services into Iran, or had any agreements, arrangements, or other contacts with the government of Iran or entities owned or controlled by the government of Iran.

As is standard practice for global telecommunications companies, VEON, via certain non-U.S. subsidiaries, has wholesale roaming and interconnect arrangements with mobile and fixed line operators located in the majority of countries throughout the world, including Iran. These agreements allow VEON's customers to make and receive calls internationally, including when on other networks. In addition, a selection of VEON's non-U.S. subsidiaries also provide telecommunications services to embassies of Iran located in some of the countries in which VEON operates. Except as specified below, VEON intends to continue these activities.

VEON has roaming agreements with the following GSM mobile network operators in Iran which may be owned, controlled or otherwise affiliated with the government of Iran: Telecommunications Company of Iran ("TCI"), MTN Irancell, Taliya Mobile and RighTel. During 2018, our gross revenue received from roaming arrangements with TCI, MTN Irancell and RighTel was US\$128,544, US\$29,112 and US\$4,193 respectively. We recorded a net profit from roaming arrangements with TCI of US\$122,248, and net losses with MTN Irancell and RighTel of US\$117,137 and US\$64,678, respectively. During 2018, we received no gross revenue from roaming arrangements with Taliya Mobile with no net profits.

VEON has the following interconnect agreement with TCI. During 2003, our Armenian subsidiary, VEON Armenia, and TCI began an agreement for the provision of voice services. During 2018, VEON Armenia recorded gross revenue from these activities of US\$632,863 with net profits of US\$583,321. VEON may discontinue this activity.

VEON has the following agreements with Iranian embassies. During 2003, VEON Armenia began providing mobile and fixed-line telecommunications services to the Embassy of Iran in Yerevan. The gross revenue for these services in 2018 was US\$18,000 and net profits were US\$18,000. During 2001, our Russian subsidiary, PJSC VimpelCom, began providing telecommunications services, including mobile and fixed-line services, to the Embassy of Iran in Moscow. The gross revenue for these services in 2018 was US\$12,596 with net profits of US\$11,541. During 2013, our Pakistan subsidiary, Jazz, began providing mobile telecommunications services to the Embassy of Iran in Islamabad. The gross revenue for these services in 2018 was US\$3,193 with net profits of US\$3,193. During 2014, our Kyrgyzstan subsidiary, Sky Mobile LLC, began providing mobile telecommunications services to the Embassy of Iran in Bishkek. The gross revenue for these services in 2018 was US\$441 with net profits of US\$257. During 2009, our Algerian subsidiary, OTA, and subsequently its wholly owned subsidiary, Optimum, began providing mobile telecommunications services to the Embassy of Iran in Algiers. The gross revenue for these services in 2018 was US\$1,049 with net profits of US\$1,049. During 2007, our Bangladesh subsidiary, Bangalink, began providing telecommunications services to the Embassy of Iran in Dhaka. The gross revenue for these services in 2018 was US\$215 with net loss of US\$191.

**Telenor**

Telenor may be deemed an affiliate based on its indirect share ownership in us through Telenor East Holding II AS ("Telenor East"). Telenor has provided us with the information included below relevant to Section 13(r) of the Exchange Act. This information relates solely to activities conducted by the Telenor group subsidiaries and does not relate to any activities conducted by us. We are not representing the accuracy or completeness of such information and undertake no obligation to correct or update this information.

Various Telenor subsidiaries have entered into roaming agreements and interconnection agreements with Iranian telecommunications companies. Pursuant to those roaming agreements, the Telenor subsidiaries' customers are able to roam in the particular Iranian network (outbound roaming) and customers of such Iranian operators are able to roam in the relevant subsidiaries' network (inbound roaming). For outbound roaming, Telenor subsidiaries pay the relevant Iranian operator roaming

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fees for use of its network by Telenor subsidiaries' customers, and for inbound roaming the Iranian operator pays the relevant Telenor subsidiaries' roaming fees for use of its network by its customers.

Telenor subsidiaries were party to the following roaming agreements and interconnection agreements with Iranian telecommunications companies in 2018, which Telenor and its subsidiaries intend to continue:

- Telenor Global Services AS, a Norwegian subsidiary, has an interconnection agreement with Telecommunication Company of Iran, the parent company of Mobile Telecommunication Company of Iran ("MCI"). During 2018, Telenor Global Services recorded net expenses of US\$81,813.30 related to this interconnection agreement.
- Telenor Norge AS, a Norwegian subsidiary, has roaming agreements with MCI, MTN Irancell and Rightel. During 2018, Telenor Norge AS recorded net revenue related to these roaming agreements of €3,749.00 to MCI, net expenses of €2,704.00 to MTN Irancell and net expenses of €2,366.00 to Rightel.
- Telenor Sverige AB, a Swedish subsidiary, has roaming agreements with MCI and MTN Irancell and Rightel. During 2018, Telenor Sverige AB recorded net expense related to its roaming agreement with MCI of €768.84, net expenses related to its roaming agreement with MTN Irancell of €23,890.05 and net expenses related to its roaming agreement with Rightel €11,770.68.
- Telenor Pakistan (Private) Ltd., a Pakistani subsidiary, has roaming agreements with MCI and MTN Irancell. During 2018, Telenor Pakistan (Private) Ltd. recorded net expenses of €428.91 related to the roaming agreement with MCI and net revenue of US\$72,455.31 related to the roaming agreement with MTN Irancell.
- Telenor A/S, a Danish subsidiary, has roaming agreements with MCI, MTN Irancell and Rightel. During 2018, Telenor A/S recorded net revenue related to its roaming agreement with MCI of €38,768.00, net expenses related to its roaming agreement with MTN Irancell of €44,598.00 and net expenses related to Rightel of €8,133.00.
- Telenor d.o.o. Beograd Omladinskih brigada 90, a Serbian subsidiary, has a roaming agreement with MCI. During 2018, Telenor d.o.o. Beograd Omladinskih brigada 90 recorded net revenues of €11,040.15 related to this roaming agreement.
- Telenor Hungary Plc, a Hungarian subsidiary, has a roaming agreement with MCI. During 2018, Telenor Hungary Plc, recorded net revenues of €3,265.63 related to this roaming agreement.
- Telenor Bulgaria EAD, a Bulgarian subsidiary, has a roaming agreement with MCI. During 2018, Telenor Bulgaria EAD recorded net revenues of €89.60 related to this roaming agreement.
- DiGi.Com Bhd, a Malaysian subsidiary, has a roaming agreement with MCI, MTN Irancell and Rightel. During 2018, DiGi.Com Bhd recorded net revenues of €8,290.00 related to MCI, net expenses of US\$8,874.76 related to MTN Irancell and net revenues of US\$1.64 related to Rightel.
- Total Access Communications Plc, a Thai subsidiary, had no traffic with Iran operators during 2018.

### C. Organizational Structure

See — *Business Overview*.

### D. Property, Plants and Equipment

#### *Buildings*

The buildings housing our offices in Amsterdam and London are leased. Our global headquarters activities are hosted in Amsterdam. Our London office at 15 Bonhill Street has been fully subleased since January 7, 2019, and our London-based staff now utilize a flexible office space located at a WeWork location at Devonshire Square in London. Our subsidiaries, including those in Russia, Pakistan, and Ukraine own property used for a variety of functions, including administrative offices, technical centers, data centers, warehouses, operating facilities, main switches for our networks and IT centers. We also own office buildings in some of our regional license areas and lease space on an as-needed basis.

#### *Telecommunications Equipment and Operations*

The primary elements of our material tangible fixed assets are our networks.

[Table of Contents](#)*Mobile network infrastructure*

Our mobile networks, which use mainly Ericsson, ZTE, Huawei, Nokia, and Cisco equipment, are integrated wireless networks of radio base station equipment, circuit and packet core equipment and digital wireless switches connected by fixed microwave transmission links, fiber optic cable links and leased lines. We have been centralizing strategic procurement to benefit from our purchasing scale. We select suppliers based mainly on compliance with technical and functional requirements and total cost.

We enter into agreements for the location of base stations in the form of either leases or cooperation agreements that provide us with the use of certain spaces for our base stations and equipment. Under these leases or cooperation agreements, we typically have the right to use such property to place our towers and equipment shelters. We are also party to certain network managed services agreements to maintain our networks and infrastructure. For example, in 2017, in Russia we entered into agreements with Nokia and Huawei, covering managed services across Russia for optimized network planning, consolidation of outsourced managed services, network building, operations, support and maintenance.

We also enter into agreements with other operators for radio network sharing, where we either share the passive equipment, physical site and towers or combine the operation of the radio equipment with other operators. Network sharing brings not only substantial savings on site rentals and maintenance costs but also on investments in equipment for the rollout of new base stations. In Russia, we have agreements with MTS and MegaFon in different regions and for different technology combinations, respectively.

*Fixed-lined infrastructure*

Our infrastructure in Russia, Pakistan, Ukraine, Uzbekistan, Armenia and Kazakhstan, where we provide fixed-line services, supports our mobile businesses as well as our fixed-line businesses. Our infrastructure in these markets include: a transport network designed and continually developed to carry voice, data and internet traffic of mobile network, FTTB and our fixed-line customers using fiber optics and microwave links; and a transport network based on our optical cable network utilizing DWDM, SDH and IP/MPLS equipment with all DWDM and SDH optical networks being fully ring-protected (except for secondary towns).

For more information on our property, plants and equipment, see *Note 12 — Property and Equipment* to our Audited Consolidated Financial Statements.

**ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

*The following discussion and analysis should be read in conjunction with our Audited Consolidated Financial Statements and the related Notes included in this Annual Report on Form 20-F. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of numerous factors, including the risks discussed in "Item 3—Key Information—D. Risk Factors."*

**BASIS OF PRESENTATION OF FINANCIAL RESULTS**

Our Audited Consolidated Financial Statements attached hereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, effective at the time of preparing the consolidated financial statements and applied by VEON.

**RECENT ACCOUNTING PRONOUNCEMENTS**

For the description of the recent accounting pronouncements and a discussion of our accounting policies please refer to *Note 25 — Significant Accounting Policies* of our Audited Consolidated Financial Statements attached hereto. For more on the expected impact of the adoption of IFRS 16 on our results of operations and financial conditions, see — *Recent Developments — IFRS 16 Impact*.

**REPORTABLE SEGMENTS**

We present our reportable segments based on economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies.

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As of December 31, 2018, our reportable segments consist of the seven following segments: Russia, Pakistan, Algeria, Bangladesh, Ukraine, Uzbekistan and HQ (transactions related to management activities within our group in Amsterdam and London).

The “Others” category is not a reportable segment but only a reconciling item between our seven reportable segments and our total revenue and Adjusted EBITDA. “Others” represents our operations in Kazakhstan, Kyrgyzstan, Armenia and Georgia, as well as intercompany eliminations and costs relating to other global operations and services.

**KEY DEVELOPMENTS DURING 2018****Completion of the Sale of 50% Stake in the Italy Joint Venture to CK Hutchison**

On July 3, 2018, VEON entered into an agreement with CK Hutchison Holdings Ltd. for the sale of its 50% stake in the Italy Joint Venture. On September 7, 2018, the transaction was completed, and VEON received EUR 2.45 billion (approximately USD 2.8 billion) in cash consideration. In closing the transaction, VEON recorded a net gain of USD 1,279 million in Q3 2018, which is reflected as profit from discontinued operations.

**Debt Repayments**

In Q4 2018, VEON used approximately US\$1.3 billion in proceeds from the sale of its Italy Joint Venture, Wind Tre, to buy back and cancel VEON Holdings and PJSC VimpelCom USD bonds (US\$1,147 million) and to pre-pay all outstanding amounts under its CCB euro loan (US\$116 million). These debt repayments and currency swaps in Q3 2018 and Q4 2018 allowed VEON to significantly improve its currency mix of debt by reducing its exposure to euro-denominated debt to zero and increasing its Russian ruble debt exposure.

**Ursula Burns Appointed as Chairman and Chief Executive Officer**

Ursula Burns was appointed as Chairman and CEO of VEON on December 13, 2018. Ms. Burns has served as Chairman of the VEON Board of Directors since July 2017 and as Executive Chairman since March 2018, during which time she has successfully introduced a simplified corporate structure, including a leaner operating model along with an increased focus on emerging markets.

**Board of Directors Approved 2018 Dividend of US\$0.29 Per Share**

In August 2018, VEON’s Board of Directors approved the distribution of an interim gross dividend of USD 0.12 per share for 2018. In February 2019, the Board approved a final dividend of US\$0.17 per share, bringing total 2018 dividends to US\$0.29 per share, in line with the group’s progressive dividend policy. The record date for the Company’s shareholders entitled to receive the final dividend payment was set for March 8, 2019. It is expected that the final dividend will be paid on March 20, 2019. The Company will make appropriate tax withholdings of up to 15% when the dividend is paid to the Company’s share depository, The Bank of New York Mellon. For ordinary shareholders via Euronext Amsterdam, the final dividend of US\$0.17 will be paid in euro. VEON is committed to paying a sustainable and progressive dividend. A continuation of this progressive dividend policy is dependent on the evolution of the group’s equity free cash flow, including the development of the U.S. dollar exchange rate against VEON’s local currencies, see *Item 8.A — Consolidated Statements and Other Financial Information — Policy on Dividend Distributions and Operational Risks*.

**Management Changes and Structure Update**

VEON appointed Alex Kazbegi as Chief Strategy Officer, effective from February 18, 2019. Alex joined VEON’s Group Executive Committee and reports to Chairman and CEO Ursula Burns. VEON announced the promotion of Evgeniy Nastradin to CEO of Beeline Kazakhstan, effective from February 1, 2019, following the appointment of his predecessor Aleksandr Komarov as CEO of Kyivstar, VEON’s brand in Ukraine, on December 6, 2018. Sergey Afonin was promoted to CEO of Beeline Uzbekistan, effective from March 1, 2019.

Kjell Morten Johnsen has been appointed Group Chief Operating Officer, a role he had held on an interim basis since March 2018. To support VEON’s increased focus on emerging markets with a simplified flatter structure, all VEON’s operating companies will report directly to Kjell.

Christopher Schlaeffer, Group Chief Commercial & Digital Officer, departed VEON. Christopher joined at the start of 2016 to lead a newly created Digital function as well as the group’s commercial teams. VEON remains committed to investments in digital infrastructure and services across its footprint.

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Mark MacGann, Group Chief Corporate & Public Affairs Officer, departed VEON. His teams were integrated into different relevant functions.

The new high-level structure has now been established as VEON continues to create a leaner HQ with clear accountability, while continuing our commitment to the highest standards of compliance and internal controls. This work is ongoing as VEON transitions to a more efficient operating model.

#### **Revised Technology Infrastructure Partnership with Ericsson**

VEON announced a revised arrangement with Ericsson to upgrade its core IT systems in several countries in the coming years and to release Ericsson from the development and delivery of the Full Stack Revenue Manager Solution. The parties have signed binding terms to vary the existing agreements and as a result VEON will receive US\$350 million during the first half of 2019. This revised arrangement enables VEON to continue upgrading its IT infrastructure with new digital business support systems (DBSS) using existing software from Ericsson which is already deployed in certain operating companies within VEON. This upgrade is expected to support the creation of a more personalized, richer experience of VEON's services for customers and, over time, reduce overall operating costs.

#### **Yarovaya Laws Investments**

On April 12, 2018, the Russian Government adopted implementing regulation regarding data storage requirements under Federal Law No 374-FZ of July 6, 2016. Telecom operators are required to store voice and SMS communications starting from July 1, 2018 and are required to store data communications from October 1, 2018. For more information on Yarovaya laws, see *Item 3.D. Risk Factors — Regulatory, Compliance and Legal Risks — “Anti-terror legislation passed in Russia and other jurisdictions could result in additional operating costs and capital expenditures and may harm our business.”*

#### **Kyivstar and Banglalink Acquired Spectrum and 4G/LTE Licenses; VEON Now Launched 4G/LTE in All Operating Countries**

In February and March 2018, VEON's subsidiary in Ukraine, Kyivstar, acquired spectrum in the 2600MHz and 1800MHz bands suitable for 4G/LTE, for a total consideration of approximately USD 137 million. Following this acquisition, Kyivstar has the largest amount of contiguous spectrum in both the 1800MHz and 2600MHz bands, which enables the company to increase the geographical coverage of its high-speed data network in Ukraine, further strengthening its position as the market leader in the country.

In February 2018, Banglalink was awarded technology neutral spectrum in the 1800 and 2100 MHz bands. The spectrum allows Banglalink to double its 3G network capacity. In parallel, Banglalink also acquired a 4G/LTE license, allowing the company to launch a high-speed data network. The total investment amounted to approximately USD 309 million for the spectrum, excluding VAT. The company paid approximately USD 35 million excluding VAT to convert its existing spectrum holding in 900 MHz and 1800 MHz into technology neutral spectrum and approximately USD 1 million excluding VAT to acquire the 4G/LTE license.

With the launch of 4G/LTE in Ukraine and Bangladesh during the first quarter of 2018, VEON is now offering 4G/LTE services in all of its operating countries.

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### **FY 2018 Reported Revenue and EBITDA Negatively Impacted by Currency Weakness and Euroset Integration**

FY 2018 total revenue decreased by 4.1% year on year, or US\$388 million, due to currency weakness of US\$928 million, which diluted organic growth of 3.5% and the positive revenue impact from Euroset of 2.3%. FY 2018 Adjusted EBITDA declined by 8.8%, or US\$314 million, primarily as a result of currency headwinds (US\$386 million), the financial impact of Euroset integration (US\$35 million) and the base effect of an adjustment to a vendor agreement (US\$106 million) in Q3 2017.

### **Accounting Impairments**

VEON recorded an accounting impairment totaling US\$781 million, including Bangladesh for US\$451 million and Algeria for US\$125 million. These non-cash impairments were related to macroeconomic developments, an increase in the weighted average cost of capital and weakened operational performance.

### **Mandatory Tender Offers in Relation to Global Telecom Holdings S.A.E.**

On April 2, 2018, VEON notified the Egyptian Financial Regulatory Authority (FRA) that, given the lapse of time and absence of approval, VEON was withdrawing the Mandatory Tender Offer ("MTO") filed on November 8, 2017, and did not intend to proceed with another MTO at that time. VEON had submitted an application to the FRA seeking approval for a MTO for any and all shares of GTH not owned by VEON. Cash in the amount of US\$987 million, which was pledged as collateral for the MTO, has been released as of March 31, 2018.

Subsequently, on July 2, 2018, VEON submitted an offer to acquire the assets of GTH in Pakistan and Bangladesh for a gross consideration for the equity of US\$2,550 million. On October 10, 2018, VEON terminated the offer due to events surrounding the Pakistani Rupee and the reaction to the offer by GTH minority shareholders, which suggested that approval would not have been forthcoming.

On February 10, 2019, VEON submitted a second MTO with the FRA for the purchase of up to 1,997,639,608 shares, representing 42.31% of GTH's issued shares, at a price of EGP 5.30 per share. The proposed offer price represents a 45.8% premium over GTH's average three months share price and 50.5% premium over GTH's average six months share price, respectively, to February 7, 2019. As previously announced, VEON intends to take GTH private following the MTO.

### **VEON'S Agreement to Sell Pakistan Tower Business Terminated**

On September 15, 2018, VEON's agreement to sell the tower business of its subsidiary in Pakistan, Jazz, was terminated due to the parties failing to receive all required regulatory approvals and the extended long-stop date of September 14, 2018 having passed.

### **Exit From Euroset Holding N.V. Joint Venture**

On July 7, 2017, PJSC VimpelCom, a subsidiary of the Company, entered into a Framework Agreement with PJSC MegaFon ("MegaFon") to unwind their retail joint venture, Euroset Holding N.V. ("Euroset"). Under the agreement, MegaFon acquired PJSC VimpelCom's 50% interest in Euroset and PJSC VimpelCom paid RUB 1.20 billion (approximately US\$21 million) and acquired rights to 50% of Euroset's approximately 4,000 retail stores in Russia. The transaction was successfully completed on February 22, 2018 and was accounted for as an asset acquisition, primarily the acquisition of contract-based intangible assets representing the right to use of retail stores.

### **Euroset Stores Integration and Rebranding into Beeline Monobrand Stores in Russia Completed**

The nationwide integration of the Euroset stores under the single brand "Beeline" was completed in August 2018 and 1,540 Euroset stores have been integrated and rebranded into Beeline monobrand stores. The 9M 2018 integration impact on Adjusted EBITDA was RUB 2.2 billion (of which RUB 0.6 billion in Q3 2018) and Beeline expects continued negative impact on Adjusted EBITDA, totalling approximately RUB 3 billion in FY 2018, due to the timing difference between costs associated with running the stores and the anticipated revenue benefits.

[Table of Contents](#)**IFRS 16 Impact**

IFRS 16 replaces the IAS 17 Leases and became effective on January 1, 2019. The new lease standard requires assets leased by the Company to be recognized on the statement of financial position of the Company with a corresponding lease liability. The Company estimates the opening balance of the lease asset and lease liability to amount to approximately US\$2 billion with no material impact on opening equity (i.e. an equal increase in assets and liabilities). The amount will be recorded in January 2019. The impact on our 2019 income statement will depend on the development in our lease portfolio throughout 2019, foreign exchange rates, and discount rates that are used to discount future lease payments. As a rule, lease expenses will no longer be recorded in the income statement from January 1, 2019. Instead, new depreciation and interest expenses will be recorded stemming from the newly recognized lease assets and lease liabilities. In addition, leasing expenses will no longer be presented as operating cash outflows in the statement of cash flows, but will be included as part of the financing cash outflow. Interest expenses from the newly recognized lease liability will be presented in the cash flow from operating activities. The expected impact on the group's 2019 income statement is projected to be approximately US\$450 million positive in EBITDA and approximately US\$100 million negative in profit before tax. The expected impact on the group's 2019 statement of cash flows is projected to be approximately US\$300 million positive in operating cash flow and approximately US\$300 million negative in financing cash flow. The impacts on income statement and cash flow assume no changes to leasing portfolio and no changes to foreign exchange and discount rates.

**FACTORS AFFECTING COMPARABILITY AND RESULTS OF OPERATIONS*****Pakistan Merger***

On July 1, 2016, VEON Ltd., together with its subsidiary GTH, acquired 100% of the voting shares in Warid, a mobile telecommunications provider. VEON Ltd. consolidated Warid financials in the Pakistan segment starting from July 1, 2016, which affects comparability with previous periods.

***Economic Trends***

As a global telecommunications company with operations in a number of markets, we are affected by a broad range of international economic developments. Unfavorable economic conditions may impact a significant number of our customers, including their spending patterns, both in terms of the products they subscribe for and usage levels. As a result, it may be more difficult for us to attract new customers, more likely that customers will downgrade or disconnect their services and more difficult for us to maintain ARPU at existing levels. The current difficult economic environment and any future downturns in the economies of markets in which we operate or may operate in the future could also, among other things, increase our costs, prevent us from executing our strategies, hurt our liquidity or to meet unexpected financial requirements. For more information regarding economic trends and how they affect our operations, see *Item 3.D. Risk Factors — Market Risks — "The international economic environment could cause our business to decline."*

***Inflation***

Inflation affects the purchasing power of our mass market customers, as well as corporate clients. The Russian, Ukrainian and Uzbekistani currencies, for example, have experienced significant inflation levels in recent years, which has caused the relative values of those currencies to decline. Although the inflation rates have broadly stabilized, economic and political developments may cause inflation rates to rise once again.

***Foreign Currency Translation***

Our audited consolidated financial statements are presented in U.S. dollars. Amounts included in these financial statements were presented in accordance with IAS 21, using the current rate method of currency translation with the U.S. dollar as the reporting currency. The functional currencies of our group are the Russian ruble in Russia, the Pakistani rupee in Pakistan, the Algerian dinar in Algeria, the Bangladeshi taka in Bangladesh, the Ukrainian hryvnia in Ukraine, the Uzbekistani som in Uzbekistan.

Our results of operations are affected by increases or decreases in the value of the U.S. dollar or our functional currencies. A higher average exchange rate correlates to a weaker functional currency. We have listed below the relevant exchange rates for each of our countries of operation for the years ended December 31, 2017, 2016 and 2015. These should not be construed as a representation that such currency will in the future be convertible into U.S. dollars or other foreign currency at the exchange rate shown, or at any other exchange rates.



[Table of Contents](#)**Foreign Currency Controls and Currency Restrictions**

We are subject to certain currency restrictions and local regulations that impact our ability to extract cash from some of our operating companies.

In Ukraine, Kyivstar can only partially expatriate dividends to VEON Ltd. because of restrictions imposed by the National Bank of Ukraine in 2014 to regulate money, credit and currency in Ukraine. Although several of these restrictions were substantially softened and partially abolished, certain restrictions remain in place in order to prevent any negative impact of currency outflow on the financial market. However, we do not expect that these restrictions will have a material impact on our operations. For more information on how our operations can be affected by certain currency risks, see "*Item 3—Key Information—D. Risk Factors—Market Risks—We are exposed to foreign currency exchange loss and currency fluctuation and translation risks.*"

**CERTAIN PERFORMANCE INDICATORS**

The following discussion provides a description of certain operating data that is not included in our financial statements. We provide this operating data because it is regularly reviewed by our management and our management believes it is useful in evaluating our performance from period to period as set out below. Our management believes that presenting information about Adjusted EBITDA, Adjusted EBITDA Margin, mobile customers, mobile ARPU and mobile data customers is useful in assessing the usage and acceptance of our mobile and broadband products and services. This operating data is unaudited.

For an explanation of how we calculate Adjusted EBITDA and Adjusted EBITDA Margin, please see *Explanatory Note — Non-IFRS Financial Measures*. For a description of how we define mobile customers, mobile data customers and ARPU, please see the discussion below.

**Mobile customers**

Mobile customers are generally customers in the registered customer base as of a given measurement date who engaged in a revenue generating activity at any time during the three months prior to such measurement date. Such activity includes any outgoing calls, customer fee accruals, debits related to service, outgoing SMS and MMS, data transmission and receipt sessions, but does not include incoming calls, SMS and MMS or abandoned calls. Our total number of mobile customers also includes customers using mobile internet service via USB modems.

**Mobile data customers**

Mobile data customers are mobile customers who have engaged in revenue generating activity during the three months prior to the measurement date as a result of activities including USB modem Internet access using 2.5G/3G/4G/LTE/HSPA+ technologies. For Algeria, mobile data customers are 3G customers who have performed at least one mobile data event on the 3G network during the previous four months.

**Mobile ARPU**

Mobile ARPU measures the monthly average revenue per mobile user. We generally calculate mobile ARPU by dividing our mobile service revenue during the relevant period, including data revenue, roaming revenue and interconnect revenue, but excluding revenue from connection fees, sales of handsets and accessories and other non-service revenue, by the average number of our mobile customers during the period and dividing by the number of months in that period.

[Table of Contents](#)**RESULTS OF OPERATIONS**

<i>In millions of U.S. dollars</i>	Year ended December 31,		
	2018	2017*	2016*
<b>Consolidated income statement data:</b>			
Service revenue	8,526	9,105	8,553
Sale of equipment and accessories	427	244	184
Other revenue	133	125	148
<b>Total operating revenue</b>	<b>9,086</b>	<b>9,474</b>	<b>8,885</b>
Service costs	(1,701)	(1,879)	(1,769)
Cost of equipment and accessories	(415)	(260)	(216)
Selling, general and administrative expenses	(3,697)	(3,748)	(3,668)
Depreciation	(1,339)	(1,491)	(1,439)
Amortization	(495)	(537)	(497)
Impairment (loss) / reversal	(858)	(66)	(192)
Gain / (loss) on disposals of non-current assets	(57)	(26)	(20)
Gain / (loss) on disposals of subsidiaries	30	-	-
<b>Total operating expenses</b>	<b>(8,532)</b>	<b>(8,007)</b>	<b>(7,801)</b>
<b>Operating profit</b>	<b>554</b>	<b>1,467</b>	<b>1,084</b>
Finance costs	(816)	(935)	(830)
Finance income	67	95	69
Other non-operating losses	(68)	(97)	(82)
Shares of loss of joint ventures and associates	-	(22)	(11)
Impairment of joint ventures and associates	-	(110)	(99)
Net foreign exchange gain	15	(70)	157
<b>Profit / (loss) before tax</b>	<b>(248)</b>	<b>328</b>	<b>288</b>
Income tax expense	(369)	(472)	(635)
<b>Profit / (loss) from continuing operations</b>	<b>(617)</b>	<b>(144)</b>	<b>(347)</b>
Profit/(loss) after tax for the period from discontinued operations	(300)	(390)	979
Gain / (loss) on disposal of discontinued operations	1,279	—	1,788
<b>Profit / (loss) after tax from discontinued operations</b>	<b>979</b>	<b>(390)</b>	<b>2,767</b>
<b>Profit / (loss) for the period</b>	<b>362</b>	<b>(534)</b>	<b>2,420</b>
<b>Attributable to:</b>			
The owners of the parent (continuing operations)	(397)	(115)	(439)
The owners of the parent (discontinued operations)	979	(390)	2,767
Non-controlling interest	(220)	(29)	92
	<b>362</b>	<b>(534)</b>	<b>2,420</b>

\* Prior year comparatives are represented following the classification of Italy Joint Venture as a discontinued operation and accrual of depreciation changes in Pakistan following the termination of the Deodar transaction.

The tables below show for the periods indicated selected information about the results of operations in each of our reportable segments as well as our Others category. For more information regarding our segments, see *Note 2 — Segment Information* to our Audited Consolidated Financial Statements attached hereto.

**TOTAL OPERATING REVENUE**

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<i>In millions of U.S. dollars, includes intersegment revenue</i>	Year ended December 31,		
	2018	2017	2016
Russia	4,654	4,729	4,097
Pakistan	1,494	1,525	1,295
Algeria	813	915	1,040
Bangladesh	521	574	621
Ukraine	688	622	586
Uzbekistan	315	513	663
Others	601	596	583
<b>Total operating revenue</b>	<b>9,086</b>	<b>9,474</b>	<b>8,885</b>

During the years 2018, 2017 and 2016, we generated revenue from providing telecommunication services through mobile and fixed technologies, as well as selling equipment and accessories.

In 2018, our consolidated total operating revenue decreased by 4% year-on-year primarily due to a decrease of total operating revenue in Uzbekistan due to the translation effect into U.S. dollars as a result of the local currency liberalization in September 2017 resulting in a devaluation of local currency, decreased revenue in Algeria as a result of competitive price pressure in the market and the devaluation of local currency, in Russia due to devaluation of the Russian ruble, in Bangladesh due to continued price erosion and the devaluation of local currency.

In 2017, our consolidated total operating revenue increased by 7% to US\$9,474 million compared to US\$8,885 million in 2016, primarily as a result of the strengthening of the Russian ruble and full year of Warid consolidation. The increase was partially offset by a decrease in Uzbekistan due to the liberalization of its currency exchange rules resulting in a devaluation of local currency, a decrease in Algeria due to a difficult macroeconomic environment and strong competitive environment and a decrease in Bangladesh due to aggressive price competition in the market and network availability issues.

#### TOTAL OPERATING EXPENSES

In 2018, our consolidated total operating expenses increased by 7% year-on-year primarily due to the impairment loss of US\$781 million related to Algeria, Bangladesh, Armenia, Georgia and Kyrgyzstan cash-generating units ("CGUs") following a revised cash flow forecasts for those countries.

Our consolidated total operating expenses in 2017 increased by 3% to US\$8,007 million compared to US\$7,801 million during 2016. The increase was primarily due to increases in service costs and cost of equipment and accessories of US\$154 million, in selling, general and administrative expenses of US\$80 million as a result of increased personnel costs and in amortization expenses of US\$40 million partially as a result of accelerated amortization of brand names in Pakistan and the acquisition of a 4G/LTE license in Pakistan in 2017. The increase was partially offset by a decrease in impairment losses of US\$126 million.

#### ADJUSTED EBITDA

<i>In millions of U.S. dollars</i>	Year ended December 31,		
	2018	2017	2016
Russia	1,677	1,788	1,574
Pakistan	714	703	507
Algeria	363	426	547
Bangladesh	183	233	267
Ukraine	387	347	306
Uzbekistan	136	261	395
HQ	(357)	(325)	(421)
Others	170	154	57
<b>Total Adjusted EBITDA</b>	<b>3,273</b>	<b>3,587</b>	<b>3,232</b>

In 2018, our total Adjusted EBITDA decreased by 9% year-on-year mainly due to a decreased service margin driven by a decrease in revenue, as discussed above.

In 2017, our total Adjusted EBITDA increased by 11% to US\$ 3,587 million primarily due to the increase in total operating revenue discussed above partially offset by the increase in service costs and selling, general and administrative expenses.

For more information on how we calculate Adjusted EBITDA and for the reconciliation of Adjusted EBITDA to (loss) / profit before tax, the most directly comparable IFRS financial measure, for the years ended December 31, 2018, 2017 and 2016 please refer to *Note 2 — Segment Information* of our Audited Consolidated Financial Statements attached hereto.

#### OPERATING PROFIT

In 2018, our consolidated operating profit decreased to US\$554 million compared to US\$1,467 million in 2017 primarily due to the impairment loss of Algeria, Bangladesh, Armenia, Georgia and Kyrgyzstan and decreased service margin, partially offset by decreased depreciation expenses in Russia and Pakistan resulting from the devaluation of local currencies.

In 2017, our consolidated operating profit increased to US\$1,467 million primarily due to increased service margin and decreased impairment losses compared to 2016.

#### NON-OPERATING PROFITS AND LOSSES

**FINANCE COSTS**

In 2018, our consolidated finance costs decreased by 13% year-on-year primarily due to lower average debt levels resulting from debt repayments.

In 2017, our consolidated finance costs increased by 13% to US\$935 million. The increase was mainly due to the revaluation of the put option liability for Warid in Pakistan.

**FINANCE INCOME**

In 2018, our consolidated finance income decreased primarily due to lower average cash balances.

Our consolidated finance income increased by 38% to US\$95 million in 2017 compared to 2016, primarily due to increased interest from bank deposits.

**OTHER NON-OPERATING LOSSES**

In 2018, the year-on-year change of other non-operating losses was mainly driven by lower early redemption fees of US\$30 million in the year ended December 31, 2018 as compared to US\$124 million in the year ended December 31, 2017 and further driven by gains relating to past acquisitions and divestments of US\$70 million recorded in the year ended December 31, 2017.

In 2017, we recorded US\$97 million in other non-operating losses compared to US\$82 million of losses in 2016, an increase of 18%. The change was primarily due to early redemption fees of US\$124 million recorded as part of the refinancing activities during 2017, partially offset by a decrease of losses from revaluation of fair value of derivative contracts in 2017.

**SHARES OF LOSS OF JOINT VENTURES AND ASSOCIATES**

As a result of the classification as assets held for sale and discontinued operation and subsequent sale of VEON's 50% stake in our Italy Joint Venture, the results from our Italy Joint Venture were classified as profit / (loss) from discontinued operations and therefore we no longer reported any share of loss from joint ventures and associates during the year ended December 31, 2018. We recorded a loss of US\$22 million from our investments in joint ventures and associates in 2017 and a loss of US\$11 million in 2016 that both represent a share of the loss from the Euroset Joint Venture in Russia.

**IMPAIRMENT OF JOINT VENTURES AND ASSOCIATES**

In 2018, we recorded no impairment of joint ventures and associates during the year ended December 31, 2018. We recorded US\$110 million and US\$99 million of impairment related to associates and joint ventures during the year ended December 31, 2017 and year ended December 31, 2016, respectively, each in connection with the investment in Euroset.

[Table of Contents](#)**NET FOREIGN EXCHANGE (LOSS)/GAIN**

In 2018, we recorded a gain of US\$15 million from foreign currency exchange in the year ended December 31, 2018 compared to a loss of US\$70 million from foreign currency exchange in the year ended December 31, 2017. The change in net foreign exchange result was primarily attributable to higher foreign currency exchange gain related to the Warid non-controlling interest put option liability, non-recurrence of foreign currency exchange loss related to Uzbekistani som depreciation in 2017 and overall lower profit or loss exposure to the Russian ruble.

In 2017, we recorded a loss of US\$70 million from foreign currency exchange compared to a gain of US\$157 million from foreign currency exchange in 2016. This was primarily driven by appreciation of Russian ruble and depreciation of Uzbekistani som, Bangladeshi taka and Pakistani rupee against the U.S. dollar in 2017.

**INCOME TAX EXPENSE**

In 2018, our consolidated income tax expense decreased by 22% to US\$369 million compared to US\$472 million in 2017.

In 2017, our consolidated income tax expense decreased by 26% year-on-year to US\$472 million.

For more information regarding the factors affecting our total income tax expenses, please refer to *Note 9 — Income Taxes* of our Audited Consolidated Financial Statements attached hereto.

**PROFIT / (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS**

In 2018, the year-on-year change of our profit / (loss) after tax from discontinued operations was primarily attributable to a gain of US\$1,279 million from the sale of VEON's 50% stake in the Italy Joint Venture.

In 2017, our profit / (loss) after tax from discontinued operations was attributable to VEON's 50% stake in losses from the Italy Joint Venture that was sold in 2018.

In 2016, our consolidated profit / (loss) after tax for the period from discontinued operations was primarily comprised of a non-cash gain on disposal of our Historical WIND Business of US\$1,788 million.

**PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT FROM CONTINUING OPERATIONS**

In 2018, the year-on-year change of our profit / (loss) for the period attributable to the owners of the parent from continuing operations was mainly due to decreased operating profit as discussed above driven by increased impairment loss.

In 2017, our consolidated loss for the period from continuing operations was US\$115 million, compared to US\$439 million of loss in 2016, primarily as a result of increased operating profit and decreased income tax expenses partially offset by increased financial costs and net foreign exchange losses recognized during 2017.

**PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO NON CONTROLLING INTEREST**

In 2018, the year-on-year increase of profit / (loss) for the period attributable to non controlling interest was mainly driven by the increase in net loss recognized by GTH in the year ended December 31, 2018.

In 2017, our loss for the period attributable to non-controlling interest was US\$29 million compared to a profit of US\$92 million in 2016 as a result of loss for the year recognized by GTH in 2017 as compared to a profit recognized by GTH in 2016.

**RESULTS OF OUR REPORTABLE SEGMENTS****RUSSIA****RESULTS OF OPERATIONS IN US\$**

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	Year ended December 31,				
	2018	2017	2016	'17-18 % change	'16-17 % change
<i>In millions of U.S. dollars (except as indicated)</i>					
<b>Total operating revenue</b>	<b>4,654</b>	<b>4,729</b>	<b>4,097</b>	<b>-2 %</b>	<b>15%</b>
Mobile service revenue	3,679	3,843	3,276	-4 %	17%
- of which fixed-mobile convergence ("FMC")	126	87	23	46 %	271%
- of which mobile data	996	1,012	778	-2 %	30%
Fixed-line service revenue	566	673	665	-16 %	1%
Sales of equipment, accessories and other	410	213	156	92 %	37%
<b>Operating expenses</b>	<b>2,977</b>	<b>2,941</b>	<b>2,523</b>	<b>1 %</b>	<b>17%</b>
<b>Adjusted EBITDA</b>	<b>1,677</b>	<b>1,788</b>	<b>1,574</b>	<b>-6 %</b>	<b>14%</b>
<b>Adjusted EBITDA margin</b>	<b>36.0%</b>	<b>37.8%</b>	<b>38.4%</b>	<b>-1.8pp</b>	<b>-0.6pp</b>

## RESULTS OF OPERATIONS IN RUB

	Year ended December 31,				
	2018	2017	2016	'17-18 % change	'16-17 % change
<i>In millions of RUB (except as indicated)</i>					
<b>Total operating revenue</b>	<b>291,539</b>	<b>275,887</b>	<b>273,003</b>	<b>6 %</b>	<b>1 %</b>
Mobile service revenue	230,123	224,186	218,192	3 %	3 %
- of which FMC	7,942	5,064	1,496	57 %	238 %
- of which mobile data	62,259	59,041	51,773	5 %	14 %
Fixed-line service revenue	35,295	39,271	44,418	-10 %	-12 %
Sales of equipment, accessories and other	26,121	12,430	10,393	110 %	20 %
<b>Operating expenses</b>	<b>186,822</b>	<b>171,545</b>	<b>168,212</b>	<b>9 %</b>	<b>2 %</b>
<b>Adjusted EBITDA</b>	<b>104,717</b>	<b>104,342</b>	<b>104,790</b>	<b>0 %</b>	<b>0 %</b>
<b>Adjusted EBITDA margin</b>	<b>35.9%</b>	<b>37.8%</b>	<b>38.4%</b>	<b>-1.9pp</b>	<b>-0.6pp</b>

## SELECTED PERFORMANCE INDICATORS

	Year ended December 31,				
	2018	2017	2016	'17-18 % change	'16-17 % change
<b>Mobile</b>					
Customers in millions	55.3	58.2	58.3	-5 %	0%
Mobile data customers in millions	36.8	38.4	36.6	-4 %	5%
ARPU in US\$	5.4	5.5	4.6	-2 %	19%
ARPU in RUB	336	319	306	5 %	4%

## TOTAL OPERATING REVENUE

Our total operating revenue in Russia decreased in 2018 by 2% year-on-year due to the devaluation of the Russian ruble.

In local currency terms, total operating revenue increased in 2018 by 6% year-on-year. This was primarily due to an increase of revenue from equipment sales resulting from growth of our mono-brand network and an increase of FMC revenue, which was partially offset by a decrease of fixed-line revenue due to transfer of traffic contracts from Russia to VEON Wholesale Services company, that centrally manages arrangements with international carriers and the devaluation of the Russian ruble.

Our total operating revenue in Russia increased in 2017 by 15% year-on-year to US\$4,729 million due to the strengthening of the Russian ruble.

In local currency terms, total operating revenue in Russia increased in 2017 by 1% year-on-year due to increases in service revenue and revenue from sale of equipment and accessories. The 14% growth of mobile data revenue is due to increased penetration of smartphones and customer migration to bundled tariff plans with higher data allowance. We also recorded increased MFS

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revenue and VAS revenue. This growth was partially offset by a decrease in mobile voice and fixed-line revenue. The mobile voice revenue decrease is due to substitution of voice calls by data-based services and customer migration to new data centric tariff plans. The fixed-line revenue decrease was driven by the reduction of low-marginal wholesale traffic, the effect of the strengthening of the Russian ruble on foreign currency contracts and growing penetration of FMC services in the customer base.

#### ADJUSTED EBITDA

Our Russia Adjusted EBITDA decreased in 2018 by 6% year-on-year to US\$1,677 million, primarily due to the devaluation of the Russian ruble, costs related to mono-brand distribution channel development and increased technical costs due to network growth, which were partially offset by increased device contribution margins.

In local currency terms, our Russia Adjusted EBITDA was broadly stable in 2018 year-on-year.

Our Russia Adjusted EBITDA increased by 14% to US\$1,788 million in 2017 year-on-year due to the Russian ruble strengthening. In local currency terms, our Russia Adjusted EBITDA was broadly stable in 2017.

#### NUMBER OF CUSTOMERS

The number of mobile customers and the number of mobile data customers in Russia decreased in 2018 year-on-year in each case driven by a reduction in sales from inefficient alternative distribution channels, due to Beeline focusing on monobrand distribution.

As of December 31, 2017, we had 58.2 million mobile customers in Russia representing a decrease of 0.3% from 58.3 million mobile customers as of December 31, 2016, due to the impact of the reorganization of distribution channels.

As of December 31, 2017, we had 38.4 million mobile data customers, representing an increase of 5% year-on-year. The increase was mainly due to the increased smartphone penetration in Russia.

#### ARPU

Our mobile ARPU in Russia decreased by 2% year-on-year to US\$5.4, mainly driven by an increase of ARPU in local currency that was fully offset by the devaluation of the Russian ruble. In local currency terms, mobile ARPU in Russia increased by 5% year-on-year to RUB 336 year-on-year mainly driven by increased data revenue per customer.

In 2017, our mobile ARPU in Russia increased by 19% to US\$5.5 compared to US\$4.6 in 2016, primarily as a result of foreign exchange effects. In local currency terms, mobile ARPU in Russia increased by 4%, due to continued efforts to simplify tariff plans, successful customer base management and increase in penetration of bundled offerings.

#### PAKISTAN

#### RESULTS OF OPERATIONS IN US\$

	Year ended December 31,				
	2018	2017	2016	'17-18 % change	'16-17 % change
<i>In millions of U.S. dollars (except as indicated)</i>					
<b>Total operating revenue</b>	<b>1,494</b>	<b>1,525</b>	<b>1,295</b>	-2 %	18%
Mobile service revenue	1,391	1,418	1,217	-2 %	17%
- of which mobile data	311	225	155	38 %	45%
Sales of equipment, accessories and other	103	107	78	-4 %	37%
<b>Operating expenses</b>	<b>780</b>	<b>822</b>	<b>788</b>	-5 %	4%
<b>Adjusted EBITDA</b>	<b>714</b>	<b>703</b>	<b>507</b>	1 %	39%
<b>Adjusted EBITDA margin</b>	<b>47.8%</b>	<b>46.1%</b>	<b>39.1%</b>	1.7pp	7.0pp

#### RESULTS OF OPERATIONS IN PKR

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	Year ended December 31,				
	2018	2017	2016	'17-18 % change	'16-17 % change
<i>In millions of PKR (except as indicated)</i>					
<b>Total operating revenue</b>	<b>181,722</b>	<b>160,679</b>	<b>135,602</b>	<b>13%</b>	<b>18%</b>
Mobile service revenue	169,277	149,393	127,414	13%	17%
- of which mobile data	38,230	23,743	16,248	61%	46%
Sales of equipment, accessories and other	12,445	11,286	8,188	10%	38%
<b>Operating expenses</b>	<b>94,911</b>	<b>86,583</b>	<b>82,539</b>	<b>10%</b>	<b>5%</b>
<b>Adjusted EBITDA</b>	<b>86,811</b>	<b>74,096</b>	<b>53,063</b>	<b>17%</b>	<b>40%</b>
<b>Adjusted EBITDA margin</b>	<b>47.8%</b>	<b>46.1%</b>	<b>39.1%</b>	<b>1.7pp</b>	<b>7.0pp</b>

## SELECTED PERFORMANCE INDICATORS

	Year ended December 31,				
	2018	2017	2016	'17-18 % change	'16-17 % change
<b>Mobile</b>					
Customers in millions	56.2	53.6	51.6	5 %	4 %
Mobile data customers in millions	33.0	28.5	25.1	16 %	13 %
ARPU in US\$	2.1	2.2	2.3	-7 %	-4 %
ARPU in PKR	254	236	245	8 %	-4 %

## TOTAL OPERATING REVENUE

In the year ended December 31, 2018, our Pakistan total operating revenue decreased by 2% year-on-year to US\$1,494 million as a result of a devaluation of the local currency partially offset by revenue growth in local currency terms. In local currency terms, our Pakistan total operating revenue increased by 13% as a result of accelerated mobile data revenue growth of 61% year on year, and suspension of taxes collected from customers by mobile operators, which provided the market with additional revenue growth on account of higher usage by customers. The growth in data revenue was driven by the increase in data customers and increased data usage due to higher bundle penetration and continued data network expansion.

In 2017, our Pakistan total operating revenue increased by 18% to US\$1,525 million compared to US\$1,295 million in 2016, as a result of increased data revenues as a result of the merger with Warid Telecom Pakistan LLC, supported by customer growth. In local currency terms, our Pakistan total operating revenue increased by 18%.

## ADJUSTED EBITDA

Our Pakistan Adjusted EBITDA increased by 1% year-on-year to US\$714 million in the year ended December 31, 2018 driven by 13% revenue growth in local currency terms, partially offset by devaluation of the local currency and negative impact of sales tax disallowance related to a court decision in the country. In local currency terms, our Pakistan Adjusted EBITDA increased by 17% year-on-year.

In 2017, our Pakistan Adjusted EBITDA increased by 39% year-on-year to US\$703 million due to the merger with Warid Telecom Pakistan LLC, higher revenue, synergy effect over operating expenses and a positive impact from a release of historic SIM tax accruals. In local currency terms, our Pakistan Adjusted EBITDA increased by 40%.

## NUMBER OF CUSTOMERS

As of December 31, 2018, we had 56.2 million customers in Pakistan, representing an increase of 5% year-on-year driven primarily by a continued increase in customer acquisition combined with lower churn as a result of simplifying prices and more efficient distribution channel management, coupled with better customer retention. Number of mobile data customers increased in 2018 by 16% year-on-year primarily due to customer base migration to bundled tariff plans and 4G/LTE expansion.

As of December 31, 2017, we had 53.6 million customers in Pakistan, representing an increase of 4% from 51.6 million customers as of December 31, 2016, primarily driven by a continued increase of customer acquisition combined with lower churn



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through focus on price simplicity and efficient distribution channel management. The number of mobile data customers increased in 2017 by 13% year-on-year primarily due to customer base migration to bundled tariff plans and continued network expansion.

**ARPU**

In the year ended December 31, 2018, our mobile ARPU in Pakistan decreased by 7% year-on-year to US\$2.1 driven by a devaluation of the local currency. In local currency terms, mobile ARPU in Pakistan increased by 8% year-on-year to PKR 254 driven by price increase for voice and data services.

In 2017, our mobile ARPU in Pakistan was US\$2.2, or PKR 236. Our 2016 mobile ARPU figures in Pakistan are not comparable as 2016 mobile ARPU consists of six months of Mobilink mobile ARPU and six months of Jazz, while 2017 mobile ARPU is derived only from Jazz figures.

**ALGERIA****RESULTS OF OPERATIONS IN US\$**

	Year ended December 31,				
	2018	2017	2016	'17-18 % change	'16-17 % change
<i>In millions of U.S. dollars (except as indicated)</i>					
<b>Total operating revenue</b>	<b>813</b>	<b>915</b>	<b>1,040</b>	<b>-11 %</b>	<b>-12 %</b>
Mobile service revenue	801	898	1,031	-11 %	-13 %
- of which mobile data	188	113	73	66 %	55 %
Sales of equipment, accessories and other	12	17	9	-31 %	80 %
<b>Operating expenses</b>	<b>449</b>	<b>490</b>	<b>493</b>	<b>-8 %</b>	<b>-1 %</b>
<b>Adjusted EBITDA</b>	<b>363</b>	<b>426</b>	<b>547</b>	<b>-15 %</b>	<b>-22 %</b>
<b>Adjusted EBITDA margin</b>	<b>44.7%</b>	<b>46.5%</b>	<b>52.6%</b>	<b>-1.8pp</b>	<b>-6.1pp</b>

**RESULTS OF OPERATIONS IN DZD**

	Year ended December 31,				
	2018	2017	2016	'17-18 % change	'16-17 % change
<i>In millions of DZD (except as indicated)</i>					
<b>Total operating revenue</b>	<b>94,773</b>	<b>101,457</b>	<b>113,727</b>	<b>-7 %</b>	<b>-11 %</b>
Mobile service revenue	93,409	99,588	112,706	-6 %	-12 %
- of which mobile data	21,978	12,586	8,006	75 %	57 %
Sales of equipment, accessories and other	1,364	1,869	1,021	-27 %	83 %
<b>Operating expenses</b>	<b>52,376</b>	<b>54,301</b>	<b>53,929</b>	<b>-4 %</b>	<b>1 %</b>
<b>Adjusted EBITDA</b>	<b>42,398</b>	<b>47,156</b>	<b>59,798</b>	<b>-10 %</b>	<b>-21 %</b>
<b>Adjusted EBITDA margin</b>	<b>44.7%</b>	<b>46.5%</b>	<b>52.6%</b>	<b>-1.7pp</b>	<b>-6.1pp</b>

**SELECTED PERFORMANCE INDICATORS**

	Year ended December 31,				
	2018	2017	2016	'17-18 % change	'16-17 % change
<b>Mobile</b>					
Customers in millions	15.8	15.0	16.3	6 %	-8 %
Mobile data customers in millions	9.2	7.2	7.0	28 %	3 %
ARPU in US\$	4.3	4.8	5.1	-9 %	-7 %
ARPU in DZD	504	529	562	-5 %	-6 %

[Table of Contents](#)**TOTAL OPERATING REVENUE**

Our Algeria total operating revenue decreased in 2018 by 11% year-on-year primarily due to decreased mobile ARPU as a result of competitive pressure in the market and the devaluation of local currency. Data revenue growth, however, remained strong due to higher usage and an increase in data customers as a result of the rollout of 3G and 4G/LTE networks. In local currency terms, total operating revenue in Algeria decreased by 7% year-on-year.

In 2017, our total operating revenue in Algeria decreased by 12% year-on-year to US\$915 million due to a difficult macroeconomic environment and strong competitive environment. Total operating revenue for the full year 2017 was also affected by the 2017 finance law, effective from January 2017, which increased VAT from 7% to 19% on data services and from 17% to 19% on voice services, and increased taxes on recharges from 5% to 7%. These taxes and recharges were not passed on to customers. In addition, revenue was negatively affected by customer churn, caused by competitive pressure in the market. The competitive pressure also resulted in a rate decrease by Djezzy. Data revenue growth, however, remained strong due to higher usage and an increase in data customers as a result of the rollout of 3G and 4G/LTE networks.

In local currency terms, total operating revenue in 2017 in Algeria decreased by 11% year-on-year.

**ADJUSTED EBITDA**

In 2018, our Algeria Adjusted EBITDA decreased by 15% year-on-year primarily due to the decrease in total revenues, as discussed above, coupled with effects of the 2017 finance law described above and an increase of technology and personnel costs. In local currency terms, our Algeria Adjusted EBITDA decreased by 10% year-on-year.

In 2017, our Algeria Adjusted EBITDA decreased by 22% to US\$426 million in 2017 compared to US\$547 million in 2016, primarily due to the decrease in total operating revenues, as discussed above, along with increased personnel costs. In local currency terms, our Algeria Adjusted EBITDA decreased by 21%.

**NUMBER OF CUSTOMERS**

In 2018, our customer base in Algeria segment increased by 6% year-on-year driven by the success of new prepaid offers and supported by expanded distribution channels. Our mobile data customers in Algeria increased by 28% year-on-year mainly due to the acceleration of 3G and 4G/LTE networks deployment and increased smartphone penetration.

In 2017, the number of customers in our Algeria segment decreased by 8% to 15.0 million as of December 31, 2017 compared to 16.3 million customers as of December 31, 2016. The decrease was mainly due to competitive pressure in the market.

As of December 31, 2017, we had 7.2 million mobile data customers in Algeria, representing an increase of 3% year-on-year and was mainly due to the acceleration of 4G/LTE network deployment and increased smartphone penetration.

**ARPU**

In the year ended December 31, 2018, our mobile ARPU in Algeria decreased by 9% year-on-year to US\$4.3 mainly due to continued and intense price competition and local currency devaluation. In local currency terms, our mobile ARPU in Algeria decreased by 5% year-on-year.

In 2017, our mobile ARPU in Algeria decreased by 7% to US\$4.8 compared to US\$5.1 in 2016. In local currency terms, our mobile ARPU in Algeria decreased by 6%, mainly due to aggressive price competition and rate decrease by Djezzy.

**BANGLADESH****RESULTS OF OPERATIONS IN US\$**

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	Year ended December 31,				
	2018	2017	2016	'17-18 % change	'16-17 % change
<i>In millions of U.S. dollars (except as indicated)</i>					
<b>Total operating revenue</b>	<b>521</b>	<b>574</b>	<b>621</b>	<b>-9 %</b>	<b>-7 %</b>
Mobile service revenue	504	557	606	-9 %	-8 %
- of which mobile data	87	78	63	11 %	25 %
Sales of equipment, accessories and other	17	17	15	0 %	15 %
<b>Operating expenses</b>	<b>338</b>	<b>341</b>	<b>353</b>	<b>-1 %</b>	<b>-3 %</b>
<b>Adjusted EBITDA</b>	<b>183</b>	<b>233</b>	<b>267</b>	<b>-21 %</b>	<b>-13 %</b>
<b>Adjusted EBITDA margin</b>	<b>35.2%</b>	<b>40.6%</b>	<b>43.1%</b>	<b>-5.4pp</b>	<b>-2.5pp</b>

## RESULTS OF OPERATIONS IN BDT

	Year ended December 31,				
	2018	2017	2016	'17-18 % change	'16-17 % change
<i>In millions of BDT (except as indicated)</i>					
<b>Total operating revenue</b>	<b>43,653</b>	<b>46,471</b>	<b>48,687</b>	<b>-6 %</b>	<b>-5 %</b>
Mobile service revenue	42,211	45,072	47,506	-6 %	-5 %
- of which mobile data	7,250	6,308	4,909	15 %	29 %
Sales of equipment, accessories and other	1,442	1,399	1,181	3 %	18 %
<b>Operating expenses</b>	<b>28,306</b>	<b>27,630</b>	<b>27,723</b>	<b>2 %</b>	<b>0 %</b>
<b>Adjusted EBITDA</b>	<b>15,347</b>	<b>18,841</b>	<b>20,964</b>	<b>-19 %</b>	<b>-10 %</b>
<b>Adjusted EBITDA margin</b>	<b>35.2%</b>	<b>40.5%</b>	<b>43.1%</b>	<b>-5.4pp</b>	<b>-2.5pp</b>

## SELECTED PERFORMANCE INDICATORS

	Year ended December 31,				
	2018	2017	2016	'17-18 % change	'16-17 % change
<b>Mobile</b>					
Customers in millions	32.3	31.3	30.4	3 %	3 %
Mobile data customers in millions	19.6	16.9	14.9	16 %	13 %
ARPU in US\$	1.3	1.5	1.6	-12 %	-7 %
ARPU in BDT	110	121	126	-9 %	-4 %

## TOTAL OPERATING REVENUE

In 2018, our Bangladesh total operating revenue decreased by 9% year-on-year primarily due to continued price erosion and the devaluation of local currency. The market remains characterized by intense price competition. In local currency terms, total operating revenue in Bangladesh decreased by 6% year-on-year.

In 2017, our Bangladesh total operating revenue decreased by 7% to US\$574 million in 2017 compared to US\$621 million in 2016. The main operational focus in 2017 was on restoring network availability and addressing the 3G gap vis-à-vis the competition, and on customer acquisition following the completion of the government-mandated SIM re-verification program. In 2017, total operating revenue in Bangladesh was impacted by aggressive price competition in the market and network availability. In local currency terms, total operating revenue in Bangladesh decreased by 5%.

## ADJUSTED EBITDA

In 2018, our Bangladesh Adjusted EBITDA decreased by 21% year-on-year due to lower revenue, as discussed above, and a significant increase of network-related costs along with increased personnel costs. In local currency terms, our Bangladesh Adjusted EBITDA decreased by 19% year-on-year.

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In 2017, our Bangladesh Adjusted EBITDA decreased by 13% to US\$233 million in 2017 compared to US\$267 million in 2016 due to lower revenue, as discussed above, and higher network costs, partially offset by lower personnel costs. In local currency terms, our Bangladesh Adjusted EBITDA decreased by 10% year-on-year.

#### **NUMBER OF CUSTOMERS**

In 2018, the number of customers in our Bangladesh segment increased by 3% year-on-year to 32.3 million. The increase was mainly due to acquisition campaigns coupled with simplified offers. The number of mobile data customers increased by 16% year-on-year due to increased efforts to attract new customers, successful targeting of voice-only customers for data services and network expansion with the acquisition of additional spectrum and 4G/LTE license in the first quarter of 2018.

In 2017, the number of customers in our Bangladesh segment increased to 31.3 million as of December 31, 2017 compared to 30.4 million customers as of December 31, 2016. The 3% increase was mainly due to intensive acquisition and retention campaigns. In 2017, we had 16.9 million mobile data customers in Bangladesh, representing an increase of 13% year-on-year, mainly due to increased smart-phone penetration.

#### **ARPU**

In 2018, our mobile ARPU in Bangladesh decreased by 12% year-on-year to US\$1.3 mainly due to aggressive pricing in the market and lower minutes of use ("MOU") due to increased OTT services usage. In local currency terms, mobile ARPU in Bangladesh decreased by 9% to BDT 110 year-on-year.

In 2017, our mobile ARPU in Bangladesh decreased by 7% to US\$1.5 as compared to 2016. In local currency terms, mobile ARPU in Bangladesh decreased in 2017 by 4% mainly due to aggressive pricing in the market and lower traffic due to network availability.

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## UKRAINE

## RESULTS OF OPERATIONS IN US\$

	Year ended December 31,				
	2018	2017	2016	'17-18 % change	'16-17 % change
<i>In millions of U.S. dollars (except as indicated)</i>					
<b>Total operating revenue</b>	<b>688</b>	<b>622</b>	<b>586</b>	<b>11%</b>	<b>6 %</b>
Mobile service revenue	641	577	542	11%	6 %
- of which mobile data	263	154	95	71%	62 %
Fixed-line service revenue	44	43	41	4%	3 %
Sales of equipment, accessories and other	3	3	2	25%	20 %
<b>Operating expenses</b>	<b>301</b>	<b>276</b>	<b>280</b>	<b>9%</b>	<b>-1 %</b>
<b>Adjusted EBITDA</b>	<b>387</b>	<b>347</b>	<b>306</b>	<b>12%</b>	<b>13 %</b>
<b>Adjusted EBITDA margin</b>	<b>56.3%</b>	<b>55.7%</b>	<b>52.3%</b>	<b>0.5pp</b>	<b>3.4pp</b>

## RESULTS OF OPERATIONS IN UAH

	Year ended December 31,				
	2018	2017	2016	'17-18 % change	'16-17 % change
<i>In millions of UAH (except as indicated)</i>					
<b>Total operating revenue</b>	<b>18,719</b>	<b>16,542</b>	<b>14,960</b>	<b>13%</b>	<b>11%</b>
Mobile service revenue	17,421	15,338	13,851	14%	11%
- of which mobile data	7,177	4,103	2,429	75%	69%
Fixed-line service revenue	1,206	1,132	1,052	7%	8%
Sales of equipment, accessories and other	93	72	57	28%	26%
<b>Operating expenses</b>	<b>8,190</b>	<b>7,321</b>	<b>7,149</b>	<b>12%</b>	<b>2%</b>
<b>Adjusted EBITDA</b>	<b>10,529</b>	<b>9,221</b>	<b>7,811</b>	<b>14%</b>	<b>18%</b>
<b>Adjusted EBITDA margin</b>	<b>56.2%</b>	<b>55.7%</b>	<b>52.2%</b>	<b>0.5pp</b>	<b>3.5pp</b>

## SELECTED PERFORMANCE INDICATORS

	Year ended December 31,				
	2018	2017	2016	'17-18 % change	'16-17 % change
<b>Mobile</b>					
Customers in millions	26.4	26.5	26.1	-1 %	2%
Mobile data customers in millions	14.8	12.5	11.2	18 %	11%
ARPU in US\$	2.0	1.8	1.7	11 %	4%
ARPU in UAH	54	48	44	13 %	8%

## TOTAL OPERATING REVENUE

In 2018, our Ukraine total operating revenue increased by 11% year-on-year to US\$688 million in the year ended December 31, 2018. The increase was primarily due to strong growth in mobile service revenue, driven by successful commercial activities stimulated by the continued 3G roll-out and increased penetration of data-centric tariffs, as well as the continued strong growth of mobile data customers and data consumption. The increase was partially offset by a continuous decrease of voice service revenue. In local currency terms, our Ukraine total operating revenue increased by 13% year-on-year.

In 2017, our Ukraine total operating revenue increased by 6% to US\$622 million in 2017 compared to US\$586 million in 2016. The increase was primarily due to strong growth in mobile service revenue, driven by successful commercial activities stimulated by the continued 3G roll-out and increased penetration of data-centric tariffs, continued strong growth of mobile data customers and data consumption. The increase was partially decreased by devaluation of Ukrainian hryvnia during 2017. In local currency terms, our Ukraine total operating revenue in 2017 increased by 11%.

[Table of Contents](#)**ADJUSTED EBITDA**

In 2018, our Ukraine Adjusted EBITDA increased by 12% year-on-year to US\$387 million in the year ended December 31, 2018, primarily due to higher revenues, as discussed above. In local currency terms, our Ukraine Adjusted EBITDA increased by 14% year-on-year.

In 2017, our Ukraine Adjusted EBITDA increased by 13% to US\$347 million in 2017 compared to US\$306 million in 2016. In local currency terms, our Ukraine Adjusted EBITDA increased by 18% in 2017 compared to the previous year, primarily due to higher revenues, as discussed above, and lower interconnection costs partially offset by an increase in roaming costs, commercial costs driven by higher customer acquisition and structural operating expenses, such as license and frequency fees.

**NUMBER OF CUSTOMERS**

As of December 31, 2018, we had 26.4 million mobile customers in Ukraine representing a decrease of 1% year-on-year. The decrease was primarily a result of additional repricing and double-sim usage decline in the market. The number of our mobile data customers in Ukraine increased by 18% year-on-year mainly due to an increased sales focus on new and voice-only customers.

As of December 31, 2017, we had approximately 26.5 million mobile customers in Ukraine compared to 26.1 million mobile customers as of December 31, 2016, representing an increase of 2%, as a result of increased gross additions and improved churn.

**ARPU**

In the year ended December 31, 2018, our mobile ARPU in Ukraine increased by 11% to US\$2.0 compared to the year ended December 31, 2017. In local currency terms, mobile ARPU in Ukraine increased in the year ended December 31, 2018 by 13% to UAH 54 compared to UAH 48 in the year ended December 31, 2017 driven by the factors affecting revenue described above.

In 2017, our mobile ARPU in Ukraine increased by 4% to US\$1.8 compared to 2016. In local currency terms, mobile ARPU in Ukraine increased in 2017 by 8% to UAH 48 compared to UAH 44 in 2016 driven by higher revenue as described above.

**UZBEKISTAN****RESULTS OF OPERATIONS IN US\$**

	Year ended December 31,				
	2018	2017	2016	'17-18 % change	'16-17 % change
<i>In millions of U.S. dollars (except as indicated)</i>					
<b>Total operating revenue</b>	<b>315</b>	<b>513</b>	<b>663</b>	<b>-39 %</b>	<b>-23 %</b>
Mobile service revenue	312	509	659	-39 %	-23 %
- of which mobile data	108	128	152	-16 %	-16 %
Fixed-line service revenue	2	3	4	-35 %	-26 %
Sales of equipment, accessories and other	0	1	0	-22 %	174 %
<b>Operating expenses</b>	<b>178</b>	<b>252</b>	<b>268</b>	<b>-29 %</b>	<b>-6 %</b>
<b>Adjusted EBITDA</b>	<b>136</b>	<b>261</b>	<b>395</b>	<b>-48 %</b>	<b>-34 %</b>
<b>Adjusted EBITDA margin</b>	<b>43.3%</b>	<b>50.9%</b>	<b>59.6%</b>	<b>-7.6pp</b>	<b>-8.7pp</b>

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	Year ended December 31,				
	2018	2017	2016	'17-18 % change	'16-17 % change
<i>In millions of UZS (except as indicated)</i>					
<b>Total operating revenue</b>	<b>2,537,768</b>	<b>2,341,828</b>	<b>1,967,042</b>	<b>8 %</b>	<b>19 %</b>
Mobile service revenue	2,516,756	2,323,177	1,953,182	8 %	19 %
- of which mobile data	871,670	585,059	452,160	49 %	29 %
Fixed-line service revenue	17,390	15,036	13,241	16 %	14 %
Sales of equipment, accessories and other	3,622	3,615	619	0 %	484 %
<b>Operating expenses</b>	<b>1,439,916</b>	<b>1,181,702</b>	<b>793,775</b>	<b>22 %</b>	<b>49 %</b>
<b>Adjusted EBITDA</b>	<b>1,097,852</b>	<b>1,160,126</b>	<b>1,173,267</b>	<b>-5 %</b>	<b>-1 %</b>
<b>Adjusted EBITDA margin</b>	<b>43.3%</b>	<b>49.5%</b>	<b>59.6%</b>	<b>-6.3pp</b>	<b>-10.1pp</b>

**SELECTED PERFORMANCE INDICATORS**

	Year ended December 31,				
	2018	2017	2016	'17-18 % change	'16-17 % change
<b>Mobile</b>					
Customers in millions	9.1	9.7	9.5	-6 %	2 %
Mobile data customers in millions	5.5	5.0	4.6	10 %	10 %
ARPU in US\$	2.8	4.4	5.6	-38 %	-22 %
ARPU in UZS	22,177	20,126	16,664	10 %	21 %

**TOTAL OPERATING REVENUE**

In 2018, our Uzbekistan total operating revenue decreased by 39% year-on-year to US\$315 million in the year ended December 31, 2018, primarily as a result of the liberalization of the currency exchange rules by the government of Uzbekistan and the resetting in September 2017 of the official exchange rate at 8,100 Uzbekistani som per U.S. dollar, which represented nearly a halving of the value of the Uzbekistani som to the U.S. dollar. In Uzbekistan, our tariff plans were pegged to the U.S. dollar until September 5, 2017. Since September 5, 2017, our tariff plans are denominated in Uzbekistani som.

In local currency terms, our Uzbekistan total operating revenue in 2018 increased by 8% year-on-year, mainly as a result of the increased tariffs in Uzbekistani som and successful marketing activities, together with increased mobile data revenue. Mobile data revenue increased by 49% year-on-year in local currency terms, driven by the rollout of additional mobile data networks, increased smartphone and bundled offering penetration.

In 2017, our Uzbekistan total operating revenue decreased by 23% to US\$513 million compared to US\$663 million in 2016. In Uzbekistan, our tariff plans were pegged to the U.S. dollar until September 5, 2017. In local currency terms, our Uzbekistan total operating revenue increased by 19%, mainly as a result of the increased tariffs in Uzbekistani som resulting from the appreciation of U.S. dollar against the local currency and successful marketing activities, together with increased mobile data revenue, interconnect services and value added services. Mobile data revenue increased by 29%, driven by additional investment in 3G and LTE networks, data centric bundled offerings with increased smartphone penetration.

**ADJUSTED EBITDA**

In 2018, our Uzbekistan Adjusted EBITDA decreased by 48% year-on-year to US\$136 million in the year ended December 31, 2018, primarily due to the currency regime developments discussed above.

In local currency terms, in the year ended December 31, 2018, our Uzbekistan Adjusted EBITDA decreased by 5% year-on-year, mainly driven by external factors such as the increase in customer tax, which doubled to UZS 4,000 per customer per month from January 1, 2018, increase of technology related costs and the negative impact of the reduction in mobile termination rates, which in each case was partially offset by the revenue increase in local currency terms discussed above.

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In 2017, our Uzbekistan Adjusted EBITDA decreased by 34% to US\$261 million compared to US\$395 million in 2016, primarily due to significant customer tax growth and local currency devaluation. In local currency terms, in 2017, our Uzbekistan Adjusted EBITDA decreased by 1% compared to 2016, primarily due higher interconnect costs as a result of both higher off-net usage and a negative currency effect together with increases in content costs, commercial costs and structural opex, mainly due to higher taxes and other regulatory driven expenses.

**NUMBER OF CUSTOMERS**

As of December 31, 2018, the number of mobile customers in our Uzbekistan segment increased driven by a clean-up of non-active customers. The number of our mobile data customers in Uzbekistan increased in 2018 by 10% to 5.5 million, primarily due to a strengthening of the data network which allowed increased penetration of smartphones and bundled offerings.

As of December 31, 2017, we had 9.7 million mobile customers in our Uzbekistan segment compared to 9.5 million mobile customers as of December 31, 2016, which, on an unrounded basis was largely stable. We also had 5.0 million mobile data customers in 2017 in Uzbekistan representing an increase of 10% year-on-year primarily due to data network strengthening, increased penetration of smartphones and bundled offerings.

**ARPU**

In 2018, our mobile ARPU in Uzbekistan was US\$2.8 compared to US\$4.4 in 2017, representing a decrease of 38% year-on-year due to the currency regime developments discussed above. In local currency terms, mobile ARPU in Uzbekistan increased by 10% year-on-year, primarily for the reasons described above with respect to the increase in total operating revenue in local currency terms.

In 2017, our mobile ARPU in Uzbekistan decreased by 22% to US\$4.4 compared to US\$5.6 in 2016. In local currency terms, mobile ARPU in Uzbekistan increased by 21% to UZS 20,126 in 2017 compared to UZS 16,664 in 2016 mainly due to the reasons described above with respect to total operating revenue.

**HQ**

Our HQ Adjusted EBITDA was negative US\$357 million in 2018, compared to negative US\$325 million in 2017, primarily driven by the effect of one-off gain from vendor agreement of US\$106 million recorded in 2017, partially offset by decreased personnel costs.

Our HQ Adjusted EBITDA was negative US\$325 million in 2017, compared to negative US\$421 million in 2016, primarily driven by performance transformation costs and a one-off gain of \$106 million recognized due to an adjustment to a vendor agreement in 2017.

**LIQUIDITY AND CAPITAL RESOURCES****WORKING CAPITAL**

Working capital is defined as current assets less current liabilities.

As of December 31, 2018, we had negative working capital of US\$1,316 million, compared to negative working capital of US\$716 million as of December 31, 2017. The change was primarily due to long term borrowings becoming closer to their maturity and hence being reclassified as current liabilities, which was partly offset by increase of cash and cash equivalent holdings.

Our working capital is monitored on a regular basis by management. Our management expects to repay our debt as it becomes due from our operating cash flows or through additional borrowings. Although we have a negative working capital, our management believes that our cash balances and available credit facilities are sufficient to meet our present requirements.

In Algeria, under the terms of a shareholder agreement between Global Telecom Holding S.A.E., the Fonds National d'Investissement and others, our operating company may only distribute 42.5% of its net profit for a given financial year without receiving an approval from a qualified majority of its board. This effectively creates a restriction on the ability of Global Telecom Holding S.A.E. to freely distribute the accumulated retained earnings of our operating company in Algeria.



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## CONSOLIDATED CASH FLOW SUMMARY

For more details, see *Consolidated Statement of Cash Flows* in our Audited Consolidated Financial Statements.

### OPERATING ACTIVITIES

In 2018, net cash flows from operating activities increased to US\$2,515 million from US\$2,475 million in 2017. The increase was mainly due to decreased investments in working capital (excluding cash and cash equivalent) and decreased interest payments, which was partially offset by a decrease of Adjusted EBITDA in 2018.

During 2017, net cash flows from operating activities increased to US\$2,475 million from US\$1,875 million in 2016. The increase in net cash flows from operating activities was primarily due to lower payments related to provisions, lower investment in working capital and increased operating profit, partially offset by no cash inflow from discontinued operations in 2017 as compared to positive cash flow from discontinued operations in 2016.

### INVESTING ACTIVITIES

In 2018, our total payments for the purchase of property, equipment and intangible assets amounted to US\$1,948 million compared to US\$2,037 million in 2017. The decrease was primarily connected to different phasing in acquisitions of network equipment.

During the year ended December 31, 2018, we received US\$2,830 million for the sale of our 50% stake in the Italy Joint Venture and US\$1,034 million from deposit accounts, primarily relating to the US\$987 million pledged as collateral for the Mandatory Tender Offer ("MTO") that was withdrawn on April 2, 2018. For further information, please refer to *Note 10 — Significant Transactions* of our Audited Consolidated Financial Statements attached hereto.

During 2017, our total payments for purchases of property and equipment, intangible assets, software and other assets were US\$2,037 million compared to US\$1,651 million during 2016. The increase was primarily due to increased capital expenditures in Pakistan as a result of full year consolidation of Warid, partially offset by decreased capital expenditures in Uzbekistan, Algeria and HQ. No cash flow from investing activities from discontinued operation was recorded in 2017. In addition, a cash balance of US\$987 million was pledged as collateral for the MTO for the purchase of shares of GTH. For further details, see *Note 5 — Other Non-Operating Losses, Net* and *Note 16 — Financial Assets and Liabilities* to our Audited Consolidated Financial Statements.

### FINANCING ACTIVITIES

In 2018, net cash outflow used in financing activities was US\$3,916 million compared to net cash outflow of US\$733 million in 2017. The change of net cash flows from financing activities was mainly driven by the net repayment of borrowings during the year ended December 31, 2018.

During 2017, we repaid US\$5,948 million of indebtedness and raised approximately US\$6,193 million. As of December 31, 2017, the principal amounts of our external indebtedness for bank loans, bonds, equipment financing and loans from others amounted to US\$11.1 billion, compared to US\$10.5 billion as of December 31, 2016. The increase in the principal amounts of our external indebtedness is mainly the result of foreign exchange revaluation, GTH share buyback and premiums paid to repurchase our bonds.

### INDEBTEDNESS

As of December 31, 2018, the principal amounts of our external indebtedness represented by bank loans and bonds amounted to US\$7,298 million, compared to US\$11,103 million as of December 31, 2017. As of December 31, 2018, our debt includes overdrawn bank accounts related to cash-pooling program of US\$17 million.

As of December 31, 2018, VEON had the following principal amounts outstanding for interest-bearing loans and bonds as well as cash-pool overdrawn bank accounts:

Entity	Type of debt/ original lenders	Interest rate	Debt currency	Outstanding debt (mln)	Outstanding debt (US\$ mln)	Maturity date
VEON Holdings B.V.	Loan from Sberbank	10.0000%	RUB	95,000	1,367	19.05.2022
VEON Holdings B.V.	Loan from Alfa Bank	8.8%	RUB	17,500	252	30.08.2022
VEON Holdings B.V.	Loan from VTB	8.75%	RUB	30,000	432	30.08.2022
VEON Holdings B.V.	Notes	5.2000%	US\$	571	571	13.02.2019
VEON Holdings B.V.	Notes	3.9500%	US\$	600	600	16.06.2021
VEON Holdings B.V.	Notes	7.5043%	US\$	417	417	01.03.2022
VEON Holdings B.V.	Notes	5.9500%	US\$	529	529	13.02.2023
VEON Holdings B.V.	Notes	4.9500%	US\$	533	533	17.06.2024
<b>TOTAL VEON Holdings B.V.</b>					<b>4,701</b>	
GTH Finance B.V.	Notes	6.2500%	US\$	500	500	26.04.2020
GTH Finance B.V.	Notes	7.2500%	US\$	700	700	26.04.2023
<b>TOTAL GTH Finance B.V.</b>					<b>1,200</b>	
PJSC VimpelCom	Loan from VIP Finance Ireland (funded by the issuance of loan participation notes by VIP Finance Ireland)	7.7480%	US\$	262	262	02.02.2021
PJSC VimpelCom	Other PJSC VimpelCom				64	
<b>TOTAL PJSC VimpelCom</b>					<b>326</b>	
Pakistan Mobile Communications Limited	Sukuk Certificates	3 months KIBOR +	PKR	2,300	16	20.12.2019

		0.88%			
		6 months KIBOR +			
Pakistan Mobile Communications Limited	Loan from Habib Bank Limited	0.90%	PKR	2,667	19 23.12.2020
		6 month LIBOR plus			
Pakistan Mobile Communications Limited	Loan from ING Bank N.V.	1.9%	US\$	137	137 31.12.2020
		6 months KIBOR +			
Pakistan Mobile Communications Limited	Loan from MCB Bank Limited	0.8%	PKR	10,667	76 23.12.2020
		6 months KIBOR +			
Pakistan Mobile Communications Limited	Loan from Habib Bank Limited	0.35%	PKR	5,463	39 29.06.2022
Pakistan Mobile Communications Limited	Loan from Habib Bank Limited	6.2100%	PKR	4,848	35 31.12.2023
Pakistan Mobile Communications Limited	Loan from Habib Bank Limited	7.0300%	PKR	3,213	23 31.12.2023
		Syndicated loan via MCB Bank			
Pakistan Mobile Communications Limited	Limited	6 months KIBOR + 0.35%	PKR	17,000	122 29.06.2022
		85			

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Pakistan Mobile Communications Limited	Other Pakistan Mobile Communications Limited				74	
<b>TOTAL Pakistan Mobile Communications Limited</b>					<b>541</b>	
Banglalink Digital Communications Ltd.	Senior Notes	8.6250%	US\$	300	300	06.05.2019
Banglalink Digital Communications Ltd.	Syndicated Loan Facility	Average bank deposit rate + 4.25%	BDT	9,092	109	24.12.2022
Banglalink Digital Communications Ltd.	Syndicated Loan Facility	Average bank deposit rate + 3.0%	BDT	3,140	37	24.12.2020
<b>TOTAL Banglalink Digital Communications Ltd.</b>					<b>446</b>	
Optimum Telecom Algérie S.p.A.	Syndicated Loan Facility	Bank of Algeria Re-Discount Rate + 2.0% (floor 5.5%)	DZD	7,500	64	30.12.2019
<b>TOTAL Optimum Telecom Algérie S.p.A.</b>					<b>64</b>	
Other entities	Cash-pool overdrawn accounts*				17	
Other loans, equipment financing and lease obligations					3	
<b>Total VEON consolidated</b>					<b>7,298</b>	

\* As of December 31, 2018, some bank accounts forming part of a cash pooling program and being an integral part of VEON's cash management remained overdrawn by US\$ 17 million. Even though the total balance of the cash pool remained positive, VEON has no legally enforceable right to set-off and therefore the overdrawn accounts are presented as financial liabilities and form part of our debt.

For additional information on our outstanding indebtedness, please refer to *Note 16 — Financial Assets and Liabilities* of our Audited Consolidated Financial Statements attached hereto. For a description of some of the risks associated with certain of our indebtedness, see “*Item 3D. Risk Factors — Liquidity and Capital Risks — Substantial amounts of indebtedness and debt service obligations could materially decrease our cash flow, adversely affect our business and financial condition and prevent us from raising additional capital.*”

#### FUTURE LIQUIDITY AND CAPITAL REQUIREMENTS

Telecommunications service providers require significant amounts of capital to construct networks and attract customers. In the foreseeable future, our further expansion will require significant investment activity, including the purchase of equipment and possibly the acquisition of other companies.

In 2018, our capital expenditures excluding licenses were US\$1,415 million compared to US\$1,460 million in 2017. The decrease in capital expenditures excluding licenses was primarily due to a decrease of capital expenditures in Pakistan, Algeria and Uzbekistan.

In 2017, our capital expenditures excluding licenses was US\$1,460 million in 2017 compared to US\$1,592 million in 2016.

We expect that our capital expenditures excluding licenses in 2019 will mainly consist of investing in high-speed data networks to capture mobile data growth, including the continued roll-out of 4G/LTE and 3G networks in Russia, Algeria, Bangladesh, Pakistan and Ukraine. We expect that these expenditures will continue to be significant in 2019.

Management anticipates that the funds necessary to meet our current and expected capital requirements in the foreseeable future (including with respect to any possible acquisitions) will come from:

- Cash we currently hold;
- Operating cash flows;
- Export credit agency guaranteed financing;

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- Borrowings under bank financings, including credit lines currently available to us;
- Syndicated loan facilities; and
- Issuances of debt securities on local and international capital markets.

As of December 31, 2018, we had an undrawn amount of US\$1,790 million under existing credit facilities.

Management expects that positive cash flows from our current operations will continue to provide us with internal sources of funds. The availability of external financing depends on many factors, including the success of our operations, contractual restrictions, availability of guarantees from export credit agencies, the financial position of international and local banks, the willingness of international banks to lend to our companies and the liquidity of international and local capital markets.

Our future cash needs are subject to significant uncertainties. For instance, we are exposed to the impact of future exchange rates on our U.S. dollar denominated debt obligations and future requirements for U.S. dollar denominated capital expenditures, which are generally funded by functional currency cash flows of our subsidiaries. Remittances from our subsidiaries may also be restricted by local regulations or subject to material taxes when remitted. In addition, we have recently had material cash outflows with respect to the agreements with the SEC, DOJ and OM. Despite these uncertainties, we believe that our cash flows from operations and other sources of funds described above will be sufficient to meet our short term and foreseeable long-term cash requirements.

#### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For information on quantitative and qualitative disclosures about market risk see *Item 11 — Quantitative and qualitative disclosures about market risk*.

#### CONTRACTUAL OBLIGATIONS

As of December 31, 2017, we had the following contractual obligations:

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Bank loans and bonds	1,697	3,866	2,642	579	8,784
Non-cancellable lease obligations	102	211	139	180	632
Purchase obligations	456	4	—	—	460
<b>Total financial liabilities, net of derivative assets</b>	<b>2,255</b>	<b>4,081</b>	<b>2,781</b>	<b>759</b>	<b>9,876</b>

For the description of the contractual obligations please refer to *Note 4 — Selling, General and Administrative Expenses*, *Note 12 — Property and Equipment*, *Note 13 — Intangible Assets* and *Note 16 — Financial assets and liabilities* of our Audited Consolidated Financial Statements attached hereto.

#### RESEARCH AND DEVELOPMENT

We now have the capacity to launch 4G/LTE in each of our reportable segments. We have acquired new spectrum in several operating companies to boost our network capacity, enhance spectral efficiency and enable the launch of new Radio Access Networks Technologies. For example, we have migrated old solutions for fixed wireless replacement to 4G/LTE solutions in the 450 MHz band in Armenia. In Russia, we are working closely with a number of vendors to undertake joint research and testing of technologies, with a focus on 5G, LTE Advanced Pro and LTE-unlicensed technology. For a discussion of the risks associated with new technology, see *Item 3.D. Risk Factors — Market Risks — "Our failure to keep pace with technological changes and evolving industry standards could harm our competitive position and, in turn, materially harm our business."*

[Table of Contents](#)**OFF-BALANCE SHEET ARRANGEMENTS**

We did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

**RELATED PARTY TRANSACTIONS**

We have entered into transactions with related parties and affiliates. See "Item 7—Major Shareholders and Related Party Transactions—B. Related Party Transactions" and *Note 22 — Related Parties* to our Audited Consolidated Financial Statements.

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## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and Senior Management

As of March 1, 2019, our directors, their respective ages and positions were as follows:

Name	Age	Position
Ursula Burns	60	Chairman of Board of Directors
Guillaume Bacuvier	46	Director
Osama Bedier	43	Director
Mikhail M. Fridman	54	Director
Gennady Gazin	54	Director
Andrei Gusev	46	Director
Gunnar Holt	64	Director
Sir Julian Horn-Smith	70	Director
Robert Jan van de Kraats	58	Director
Guy Laurence	57	Director
Alexander Pertsovsky	50	Director

The members of our current board of directors were elected at the July 30, 2018 annual general meeting of shareholders in accordance with our bye-laws and will serve until the next annual general meeting, unless any members are removed from office or their offices are vacated in accordance with our bye-laws.

On July 30, 2018, we amended and restated our bye-laws to, among other things, eliminate our two-tier board structure. As a result, we have a board of directors and a management advisory committee known as the Group Executive Committee. The Group Executive Committee is currently comprised of VEON Ltd.'s Chief Executive Officer and Chairman, Chief Operating Officer, Chief Financial Officer, Group General Counsel, Chief Technology Officer, Chief People Officer, Chief Compliance Officer, and Chief Strategy Officer, as well as the Chief Executive Officers of each of Mobilink in Pakistan, of Kyivstar in Ukraine and of Beeline in Russia. The group executive committee is focused on the management of the business affairs of VEON Ltd. and its subsidiaries as a whole, including execution of the group's competitive strategy, driving financial performance and overseeing and coordinating group-wide initiatives.

As of March 1, 2019, the members of our group executive committee, their respective ages and positions were as follows:

Name	Age	Position
Ursula Burns	60	Group Chief Executive Officer
Trond Odegard Westlie	57	Group Chief Financial Officer
Kjell Morten Johnsen	51	Group Chief Operations Officer
Scott Dresser	51	Group General Counsel
Joshua Drew	51	Group Chief Compliance Officer
Alex Kazbegi	56	Group Chief Strategy Officer
Yogesh Malik	46	Group Chief Technology Officer
Jacky Simmonds	55	Group Chief People Officer
Aamir Ibrahim	50	CEO Jazz (Pakistan)
Oleksandr Komarov	46	CEO Kyivstar (Ukraine)
Vasyl Latsanych	46	CEO VimpelCom Russia (Beeline Brand)

#### Board of Directors

**Ursula Burns** has served as the Chairman of the VEON Ltd. Board of directors since July 2017. In March 2018, Ursula Burns was appointed as Executive Chairman of the company, and in December 2018, Ursula Burns was appointed as Chairman and CEO of the company. Ms. Burns serves as Director of Exxon Mobil, Nestlé and Uber Technologies and has previously served as Chairman and Chief Executive Officer of Xerox Corporation, from 2010 to 2017 and 2009 to 2016, respectively. Ms. Burns was appointed by US President Barack Obama to help lead the White House national program on Science, Technology, Engineering and Math (STEM) from 2009 to 2016 and she served as chair of the President's Export Council from 2015 to 2016 after service as vice chair from 2010 to 2015. She also provides leadership counsel to several other community, educational and non-profit organizations including the Ford Foundation, the Massachusetts Institute of Technology (MIT) Corporation, Cornell Tech Board of Overseers and the New York City Ballet among others. Ms. Burns is a member of the National Academy of Engineers and the American Academy of Arts and Sciences. Ms. Burns holds a master's degree in mechanical engineering from Columbia University and a bachelor's in mechanical engineering from Polytechnic Institute of New York University.

**Guillaume Bacuvier** has been a director of VEON Ltd. since July 2018. Mr. Bacuvier is serving as the chairman of VEON Ltd.'s compensation committee and as a member of its digital and innovation committee. Mr. Bacuvier has served as the Chief Executive Officer of Dunhumby Limited, a global provider of customer data science, since 2017. From 2007 to 2017, Mr. Bacuvier held a number of senior positions at Google: Vice President of Advertising Solutions, EMEA (2015-2017); Managing Director, Products, Solutions & Innovations, Southern & Eastern Europe, Middle East & Africa (2011-2014); Director of Mobile Sales & Operations, Southern & Eastern Europe, Middle East and Africa (2010-2011); Head of Global Key Accounts, Technology (2007-2010); and Head of Industry Marketing, Technology EMEA (2006). Prior to Google, Mr. Bacuvier was with global mobile telecommunications provider Orange from 2005 to 2006 and with technology strategy consulting firm Booz Allen Hamilton from 1998 to 2005. Mr. Bacuvier holds an M.B.A from INSEAD-Europe Campus, a master's degree in telecommunications from Telecom ParisTech and a bachelor's degree from École Polytechnique de Paris.

**Osama Bedier** has been a director of VEON Ltd. since July 2018. Mr. Bedier is a member of VEON Ltd.'s digital and innovation committee. Mr. Bedier is the founder and Chief Executive Officer of Poynt, which develops and markets a credit card processing terminal for small businesses. Mr. Bedier also serves on the Boards of QIWI, WePay and PayRange. Prior to founding Poynt, Mr. Bedier served as the Vice President of Payments at Google from 2011 to 2013, where he created Google Wallet. Prior to Google, Mr. Bedier spent nine years running product and engineering at PayPal. He has also held engineering leadership roles at eBay, Gateway Computers and AT&T Wireless. Mr. Bedier holds a bachelor's degree in computer science from University of California, Riverside.

**Mikhail M. Fridman** has been a director of VEON Ltd. since April 2010. Mr. Fridman was a member of the board of directors of OJSC VimpelCom from July 2001 until April 2010. He currently serves as a member of the board of directors of JSC Alfa-Bank, ABH Holdings S.A as well as Chairman of the Supervisory Boards of the Alfa Group Consortium and Director of LetterOne Holdings SA and LetterOne Investment Holdings SA. Mr. Fridman also serves as a member of the Supervisory Board of X5 RETAIL GROUP N.V. and DEA Deutsche Erdoel A.G. He is a member of the Public Chamber of the Russian Federation. From 1986 until 1988, Mr. Fridman served as an engineer at Elektrostal Metallurgical Works. Mr. Fridman graduated with honors from the Faculty of Non-Ferrous Metals of the Moscow Institute of Steel and Alloys in 1986 and in 1989, together with his partners, founded the Alfa Group Consortium.

**Gennady Gazin** has been an alternate director of VEON Ltd. since October 2014 and a director of VEON Ltd. since June 2015. Mr. Gazin is serving as chairman of VEON Ltd.'s nominating and corporate governance committee and as a member of its

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audit and risk committee. He served as chairman of its special committee overseeing the internal investigation and the company's response to the inquiries by various authorities until its dissolution on August 3, 2016. Mr. Gazin currently serves as an Affiliate Partner at Lindsay Goldberg, a New York based private equity firm; Director at GeoAlliance, an oil and gas production company; and Chairman of the Board at Genesis Philanthropy Group. From 2007 to 2012, Mr. Gazin served as CEO of EastOne, an international investment advisory group. Prior to EastOne, Mr. Gazin worked at McKinsey & Company's New York and Moscow offices for 14 years, during which time he was an active member of the Telecommunications practice and also served as the Senior Partner responsible for McKinsey's CIS practice. Mr. Gazin started his professional career as a systems and telecommunications engineer at Bell Communications Research/Telcordia and General Dynamics in the USA. Mr. Gazin received a bachelor's degree in Electrical Engineering from Cornell University in 1987, a master's degree in Electrical Engineering from Stanford University in 1988 and an M.B.A. from the Wharton School of Business at the University of Pennsylvania in 1993.

**Andrei Gusev** has been a director of VEON Ltd. since April 2014. Mr. Gusev is serving as chairman of VEON Ltd.'s finance committee and as a member of its nominating and corporate governance committee. Mr. Gusev is a senior partner at LetterOne Telecom (UK) LLP, joining in 2014, and was a managing director at Altimo from 2013 to 2014. Mr. Gusev was Chief Executive Officer of X5 Retail Group N.V. from 2011 to 2012 and prior to that, from 2006 to 2010, served as its Director of Business Development and M&A. From 2001 to 2005, Mr. Gusev served as Managing Director of the Alfa Group with overall responsibility for investment planning. Prior to that, Mr. Gusev worked at Bain & Company and Deloitte Consulting. Mr. Gusev received an M.B.A. from the Wharton School at the University of Pennsylvania in 2000 and a diploma with honors from the Department of Applied Mathematics and Computer Science at Lomonosov Moscow State University in 1994.

**Gunnar Holt** has been a director of VEON Ltd. since June 2015. Mr. Holt is serving as a member of VEON Ltd.'s audit and risk committee, of its finance committee and of its compensation committee. Mr. Holt was a Senior Advisor at Telenor ASA from 2006 to 2017 and previously served as Group Finance Director. From 1995 to 1999, he worked at Aker ASA and Aker RGI ASA, serving as Executive Vice President and CFO. From 1986 to 1995, he held various leadership positions in the Aker Group, including Deputy President of Norwegian Contractors AS, Executive Vice President and Chief Financial Officer of Aker Oil and Gas Technology AS, President of Aker Eiendom AS, and Finance and Accounting Director of Aker Norcem AS. From 1978 to 1986, he served as Executive Officer and Special Advisor in the Norwegian Ministry of Petroleum and Energy. Mr. Holt holds a Doctor of Business Administration degree and Advanced Postgraduate Diploma in Management Consultancy from Henley Management College, Brunel University, in the United Kingdom; an M.B.A. from the University of Queensland in Australia, and an M.B.A. in finance from the University of Wisconsin. He also received a Diplomøkonom from The Norwegian School of Management. Mr. Holt has served on a number of corporate boards.

**Sir Julian Horn-Smith** has been a director of VEON Ltd. since July 2014. Sir Julian is a member of VEON Ltd.'s nominating and corporate governance committee. Sir Julian served as a member of VEON Ltd.'s special committee overseeing the internal investigation and the company's response to the inquiries by various authorities until its dissolution on August 3, 2016. Sir Julian is active in the global telecommunications sector as a Senior Advisor to UBS Investment Bank, in London and Senior Advisor to CVC (Telecoms and Media). He also serves as an advisor to LetterOne. Sir Julian previously served as Senior Advisor to the Etisalat Group board from 2011 to 2014. Sir Julian was a member of the founding management team of Vodafone Group Plc. He retired from Vodafone in July 2006, where he held a number of senior positions, including Deputy Chief Executive Officer and member of the board. He currently serves as a member of the board of Digicel, a Caribbean and Pacific operator. Sir Julian is also Chairman of eBuilder, based in Sweden. He is a Pro Chancellor at Bath University and chairs the University's School of Management Advisory Board. He is the Founder and Co-Chair of The TATLIDiL Conference (British and Turkish Conference). During his career in international telecommunications, Sir Julian has served as Chair of both the Mannesmann Supervisory and Management boards, as well as a Director on a number of company boards, including Lloyds Banking Group plc, Smiths Group, China Mobile, eAccess in Japan, De la Rue plc, Verizon Wireless and SFR in France. Sir Julian earned a Bachelor of Science in economics from University of London in 1970 and a Master of Science from University of Bath in the United Kingdom in 1979.

**Mr. Robert Jan van de Kraats** RA (Chartered Accountant) has been a director of VEON Ltd. since July 2018. He has served as the chairman of VEON Ltd.'s audit and risk committee. He was appointed as Chairman of the Board of TMF Group, a global provider of payroll, accounting, corporate secretarial and alternative investment services earlier this year. He has served as a non-executive director / supervisory board director with Royal Schiphol NV, an aviation company majority held by the Dutch state, since 2015 and OCI NV, a fertilizer and chemicals company, since 2014. In addition, he has served as an advisor to the Dutch Authority for the Financial Markets (AFM) and privately held retailer SuitSupply. He previously served as the Chief Financial Officer and a member of the Executive Board of Randstad Holding NV from 2001 to 2018, serving as the Vice Chairman of the Executive Board from 2006-2018, and was responsible for finance, information technology, shared service centers, merger and investor relations business functions. During his tenure at Randstad he also served as COO and was operationally responsible for businesses located in Japan, India, China, Nordics, Argentina and Chile. He also previously served as a member of the Commission on Dutch Corporate Governance from 2013 to 2017, which designed a new corporate governance code for the Netherlands. He was a member of the supervisory boards of bank and insurance provider SNS Reaal from 2006 to 2013, financial services provider



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SRLEV NV, and information and telecommunication services provider Ordina NV from 2004 to 2012. In addition, he served on the management board of Dutch credit insurance company NCM Holding NV (now Atradius) from 1999 to 2001 as Chief Financial Officer and Chief Operating Officer for a business line. He began his career in 1979 with Deloitte Dijkster van Dien (now part of PwC). In 2007, he founded the Barcode for Life Foundation, an organization that supports research into DNA analysis in order to improve treatment of cancer.

**Guy Laurence** has been a director of VEON Ltd. since July 2017. Mr. Laurence is serving as the chairman of VEON Ltd.'s digital and innovation committee. Mr. Laurence brings more than 30 years of global experience in telecommunications, media and pay television. Mr. Laurence was previously CEO at Rogers, a CDN\$14bn telecoms and media group in Canada, and prior to that he worked at Vodafone for thirteen years holding several senior positions including CEO of Vodafone UK, operating in one of the most competitive and mature communications markets in the world, and CEO of Vodafone Netherlands. Mr. Laurence holds a number of directorships, including of Vodafone UK Ltd., Maple Leaf Sports & Entertainment, Chelsea FC plc and Chelsea Football Club Ltd.

**Alexander Pertsovsky** has been a director of VEON Ltd. since July 2018. Mr. Pertsovsky is serving as a member of VEON Ltd.'s compensation committee. Mr. Pertsovsky joined LetterOne Technology in London on 1 January 2018 from Bank of America Merrill Lynch. At Bank of America Merrill Lynch, Mr. Pertsovsky served as the Country Executive for Russia & CIS since February 2013. Prior to that, Mr. Pertsovsky was at Renaissance Capital, which he joined in 2002 and oversaw the institutional securities business and our activities in Russia. He became Chief Executive Officer of Renaissance Capital in 2007. Mr. Pertsovsky holds an MS degree in Applied Mathematics from the Moscow Institute of Radio, Engineering and Automation. He also received an M.B.A. from Columbia University in 2002.

#### *Group Executive Committee*

**Trond Odegard Westlie** joined VEON in October 2017 and assumed his duties as Chief Financial Officer following the release of quarterly results in November 2017. Mr. Westlie is an experienced financial executive having been Chief Financial Officer of AP Moller-Maersk from 2010 through 2016 and Chief Financial Officer of Telenor from 2005 through 2009. Mr. Westlie previously served as a member of the VEON supervisory board and chairman of our audit and risk committee between July 2014 and August 2016.

**Kjell Morten Johnsen** has been VEON's Chief Operating Officer since March 2018, and prior to that, he served as VEON's Head of Major Markets, with responsibility for our business in Russia and the Italy Joint Venture since August 2016. Mr. Johnsen joined VEON from Telenor, where he was head of Telenor Europe with previous roles as CEO of Telenor Serbia, as well as Senior Vice President and Head of Telenor Russia, Telenor Central & Eastern Europe. He was also a member of VEON Ltd.'s supervisory board from 2010 until 2015 and PJSC's Board of Directors from 2007 to 2013. Prior to entering the telecommunications industry in 2000, Mr. Johnsen worked for Norsk Hydro in France and Ukraine, and Scandsea International in Norway and Russia. Mr. Johnsen, has an M.B.A. from the Norwegian School of Economics and Business Administration, and has attended the University of Oslo, Norwegian School of Management, and Nord University Business School.

**Scott Dresser** has served as appointed as VEON's General Counsel since September 2014. Mr. Dresser was most recently Vice President of Global Strategic Initiatives at BirdLife International, a global conservation organization. Between 2006 and 2012, Mr. Dresser was with Virgin Media in the UK, including service as General Counsel, where he led its legal department and acted as principal liaison with Virgin Media's Board of Directors, as well as being a member of its Executive Management Team. He also previously held positions in the United States at White Mountains RE Group (which is the operating company of White Mountains Insurance Group Ltd), in the role of Senior Vice President and Associate General Counsel from 2005 to 2006. From 2002 to 2005, he served as Senior Advisor for Legal and Financial Affairs for the International Global Conservation Fund (an international environmental conservation organization) from 2002-2005, and prior to that, he held positions at Morgan, Lewis & Bockius LLP and at Lord Day & Lord, Barrett Smith. Mr. Dresser studied at the Vanderbilt University School of Law and University of New Hampshire, and was admitted to the Bar, in New York and Connecticut, in 1993. Mr. Dresser is on the advisory board of BirdLife International.

**Joshua Drew** has been VEON's Group Chief Compliance Officer since October 2017. Mr. Drew joined VEON in July 2016 as Associate General Counsel and was appointed Acting Group Chief Compliance Officer in March 2017. In his role as VEON's Group Chief Compliance Officer, Mr. Drew is responsible for leading a team of compliance professionals across all of VEON's operating markets to establish and implement an effective compliance program, while also advising senior management and the VEON board on core compliance, risk and governance issues. Prior to joining VEON, Mr. Drew was Vice President and Associate General Counsel for over five years at Hewlett-Packard Enterprise and Hewlett-Packard, with responsibility for investigations and anti-corruption compliance. Mr. Drew also previously served as a prosecutor with the U.S. Department of Justice for ten years. Mr. Drew has a B.A. from Wesleyan University and a J.D. from Northwestern University School of Law.

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**Alex Kazbegi** was appointed as VEON Chief Strategy Officer in February 2019. Prior to joining VEON, Mr. Kazbegi was Head of Research and an equity analyst for Renaissance Capital from 2002. From 1995 to 2002, Mr. Kazbegi was an equity research analyst for Salomon Brothers. Mr. Kazbegi received an MA from Tbilisi State University, Physics Faculty in 1984, and he obtained a PhD in Physics from Tbilisi State University (in a joint project with Moscow State University) in 1993. Mr. Kazbegi obtained MBA from Tulane University in 1995.

**Oleksandr Komarov** has been CEO of Kyivstar in Ukraine since December 2018, and from July 2018 to December 2018, he served as interim CEO of Kyivstar. Mr. Komarov served as CEO of Beeline Kazakhstan from January 2016 to January 2019. Mr. Komarov served as the Chief Commercial Officer at Beeline Kazakhstan from July 2013 until 2016. Previously, Mr. Komarov served as the Chief Executive Officer of GroupM from 2007 to 2013, Acting Chief Executive Officer of MediaCom from 2009 to 2010, the Chief Executive Officer of Video International Advertising Group Kiev from 2006 to 2007 and the Chief Executive Officer of Adell Saatchi & Saatchi from 2004 to 2006. Mr. Komarov received an Executive M.B.A. from the Stockholm School of Economics in 2006 as well as a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing in 2001.

**Aamir Hafeez Ibrahim** has been the Chief Executive Officer of our operations in Pakistan since July 2016. Prior to his position as CEO, Mr. Ibrahim was Mobilink's Deputy CEO and Chief Commercial Officer. Mr. Ibrahim has over two decades of international experience as a senior executive across multiple industries and continents. Prior to joining Mobilink, he was the Senior Vice President for Telenor Group, where he led distribution initiatives across Asia. Mr. Ibrahim has also held senior leadership positions at Ford Motor Company, Jaguar & Land Rover. Mr. Ibrahim has extensive experience specifically in strategic marketing, sales and distribution, analytics, product development, government and regulatory management, business planning, M&A, public relations and crisis management. Mr. Ibrahim has an undergraduate degree in Accounting from the University of Texas and an MBA from IMD in Switzerland. In 2012, he received an Advanced Management Program diploma from Harvard Business School. Mr. Ibrahim has lived and worked across multiple cultures and countries including Thailand, Pakistan, the United Kingdom, the United Arab Emirates, Switzerland and the United States.

**Vasyl Latsanych** has served as Chief Executive Officer of PJSC VimpelCom since January 2018. Mr. Latsanych came to VEON from the MTS Group, where he held a number of senior roles, the most recent being Group Vice President for Strategy and Marketing. Mr. Latsanych also served on the board of directors of Sitronics Kasu, NVision Group, Medsi, SMM and several other MTS subsidiaries. Mr. Latsanych graduated from Lviv State Lysenko Institute in 1995, and received an Executive M.B.A. from the London Business School in 2001.

**Yogesh Malik** joined VEON as its Group Chief Technology Officer in March 2014. Yogesh joined from Uninor, an Indian mobile network operator, where he was its Chief Executive Officer. Before becoming CEO at Uninor, he held a variety of senior positions including as Chief Operating Officer, covering the areas of Technology, Regulatory and Customer care. Yogesh has also held the positions of CTO with Grameenphone in Bangladesh, CTO with Kyivstar in Ukraine and as Head of Technology & Sourcing at Group level with Telenor. He has also worked for TIW, Tata/AT&T and Ericsson in the Czech Republic, Brazil, China and Canada in various senior positions. He is an Executive MBA graduate of IMD in Lausanne, Switzerland.

**Jacky Simmonds** was appointed as VEON's Group Chief People Officer in October 2017. Ms. Simmonds has experience across a number of sectors including travel, tourism and aviation in over 25 years working as an HR Executive, bringing particular expertise in leading significant transformations of organizations to become more digitally enabled businesses. Ms. Simmonds regularly features in the annual list of the top ten Most Influential HR Practitioners in the United Kingdom. Ms. Simmonds will be responsible for managing and leveraging the talent and experience across VEON's operating markets as well as developing a strategy to build a world-class HR function across the group. Prior to joining VEON, Ms. Simmonds was Group People Director at easyJet plc where she focused on organizational change, updating the ways of working, employee engagement and talent development. She played a crucial role in helping it shape itself for further growth and scale in Europe. Before joining easyJet plc, Ms. Simmonds was Group HR Director at TUI Group for over five years. Ms. Simmonds is also a Non-Executive Director at Ferguson Plc, where she chairs the Remuneration Committee, and is a member of the Nominations and Audit Committee.

## B. Compensation

We paid our directors and senior managers an aggregate amount of approximately US\$35 million for services provided during 2018, including approximately US\$33 million for short-term employee benefits and approximately US\$2 million for termination benefits. For more information regarding our director and senior management compensation, including a description of applicable stock based and cash based plans, see *Note 22 — Related Parties* to our Audited Consolidated Financial Statements.

Pursuant to our bye-laws, we indemnify and hold harmless our directors and senior managers from and against all actions, costs, charges, liabilities, losses, damages and expenses in connection with any act done, concurred in or omitted in the execution of our business, or their duty, or supposed duty, or in their respective offices or trusts, to the extent authorized by law. We may also advance moneys to our directors and officers for costs, charges and expenses incurred by any of them in defending any civil or criminal proceedings. The foregoing indemnity will not apply (and any funds advanced will be required to be repaid) with

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respect to a director or officer if any allegation of fraud or dishonesty is proved against such director or officer. We have also entered into separate indemnification agreements with our directors and senior managers pursuant to which we have agreed to indemnify each of them within substantially the same scope as provided in the by-laws.

We have obtained insurance on behalf of our senior managers and directors for liability arising out of their actions in their capacity as a senior manager or director.

We do not have any pension, retirement or similar benefit plans available to our directors or senior managers.

### C. Board Practices

VEON Ltd. is governed by our board of directors, currently consisting of eleven directors. Our bye-laws provide that our board of directors consists of at least seven and no more than thirteen directors, as determined by the board of directors and subject to approval by a majority of the shareholders voting in person or by proxy at a general meeting. We have not entered into any service contracts with any of our current directors providing for benefits upon termination of service.

The board of directors has delegated to the CEO the power to manage the business and affairs of the company, subject to certain material business decisions reserved for the board of directors or shareholders. The CEO and his or her leadership team manage and operate the company on a day-to-day basis. The board of directors may appoint such senior executives as the board may determine.

In the composition of our board of directors and senior executives, we are committed to diversity of nationality, age, education, gender and professional background.

#### *Committees of the Board of Directors*

The committees of our board of directors consist of: an audit and risk committee, a compensation committee, a finance committee, a nominating and corporate governance committee and a digital and innovation committee.

##### *Audit and risk committee*

The charter of our audit and risk committee provides that each member of the audit and risk committee is required to satisfy the requirements of Rule 10A-3 under the Exchange Act and the rules and regulations thereunder as in effect from time to time. The audit and risk committee is primarily responsible for the following: the integrity of VEON Ltd.'s financial statements and its financial reporting to any governmental or regulatory body and the public; VEON Ltd.'s audit process; the qualifications, engagement, compensation, independence and performance of VEON Ltd.'s independent auditors, their conduct of the annual audit of the VEON Ltd.'s financial statements and their engagement to provide any other services; VEON Ltd.'s process for monitoring compliance with legal and regulatory requirements as well as VEON Ltd.'s corporate compliance codes and related guidelines, including the Code of Conduct; VEON Ltd.'s systems of enterprise risk management and internal controls; and VEON Ltd.'s compliance program. The audit and risk committee also supervises activities related to the DPA, the SEC Judgment and the Dutch Settlement Agreement, including but not limited to investigations and other disclosures required by the DPA and the SEC Judgment and our response to inquiries by the SEC, DOJ and OM. The current members of our audit and risk committee, Robert Jan van de Kraats (chairman), Gennady Gazin and Gunnar Holt, are expected to serve until our next annual general meeting.

For details related to the agreements related to the investigations by the SEC, the DOJ and the OM, see *Note 22 — Related Parties* to our Audited Consolidated Financial Statements.

##### *Compensation committee*

Our compensation committee is responsible for assisting and advising the board of directors in discharging its responsibilities with respect to overseeing the performance, selection and compensation of the CEO and all other individuals whose appointment, reappointment or early termination of employment require Board approval under the company's bye-laws (including the members of the company's group executive committee and the chief executive officers of the company's significant operating subsidiaries). Our compensation committee also has overall responsibility for approving and evaluating company's director, executive and employee compensation and benefit plans. The committee advises the board of directors in relation to the company's overall culture and values program, including by periodically assessing the substance and effectiveness of the program and considering overall employee feedback and other measurements of effectiveness. In addition, the committee periodically evaluates the compensation of directors of the company (including the annual board retainer fee, any equity-related compensation or incentive plan participation and fees for service on the committees of the board of directors), taking into account the competitive landscape, the compensation of directors at other comparable companies and recommendations regarding best practices. The

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committee formulates recommendations to the board of directors regarding such director compensation and any adjustments in compensation and/or incentives that the committee considers appropriate. Such recommendations are reviewed by the nominating and corporate governance committee of the board of directors, and both committees jointly deliver to the board of directors such recommendations for consideration and approval. The current members of our compensation committee, Guillaume Bacuvier (chairman), Alexander Pertsovsky and Gunnar Holt, are expected to serve until our next annual general meeting.

#### Finance committee

Our finance committee is responsible for assisting and advising the board of directors in discharging its responsibilities with respect to its oversight of the business plan of the company, management of the capital structure of the company and its subsidiaries and the execution of certain material transactions. In doing so, the committee reviews with company management and gives advice or makes recommendations to the board of directors in relation to mergers and acquisitions transactions and divestitures, financing transactions, the incurrence of indebtedness, finance policies, dividends, material litigation, arbitration or other proceedings, and certain material and outside of the ordinary course business contracts. The current members of our finance committee, Andrei Gusev (chairman), Gennady Gazin and Guillaume Bacuvier, are expected to serve until our next annual general meeting.

#### Nominating and corporate governance committee

Our nominating and corporate governance committee is responsible for identifying and recommending to the board individuals qualified to serve as members of the board of directors, making recommendations to the board of directors concerning committee structure, membership and operations, developing, advising the board of directors on the adoption of and periodically reviewing a set of corporate governance practices applicable to the conduct of the company's business, and periodically conducting an evaluation of the board of directors and its committees. In addition, the committee reviews recommendations of the compensation committee of the board of directors regarding adjustments in director compensation, and both committees jointly deliver to the board of directors such recommendations for consideration and approval. The current members of our nominating and corporate governance committee, Gennady Gazin (chairman), Sir Julian Horn-Smith and Andrei Gusev, are expected to serve until our next annual general meeting.

#### Digital and innovation committee

Our digital and innovation committee is responsible for advising on, and overseeing, the development of the Company's digital strategy and digital initiatives. The current members of our digital and innovation committee, Guy Laurence (chairman), Osama Bedier and Guillaume Bacuvier, are expected to serve until our next annual general meeting.

### D. Employees

The following chart sets forth the number of our employees as of December 31, 2018, 2017 and 2016, respectively:

	As of December 31,		
	2018	2017	2016
Russia	28,570	22,031	23,668
Pakistan	4,424	4,175	4,603
Algeria	2,866	3,193	2,819
Bangladesh	1,120	1,178	1,326
Ukraine	2,754	2,656	2,502
Uzbekistan	1,563	1,333	1,240
HQ	507	640	566
Others	4,328	4,732	5,270
<b>Total<sup>(1)</sup></b>	<b>46,132</b>	<b>39,938</b>	<b>41,994</b>

(1) The total employee numbers have not been adjusted to remove employees in operations that have been sold.

From time to time, we also employ external staff, who fulfill a position at the company for a temporary period of less than twelve months. We do not consider these employees to constitute a significant percentage of our employee totals and have not included them above.

The following chart sets forth the number of our employees as of December 31, 2018, according to geographic location and our estimates of main categories of activities:

Category of activity <sup>(1)</sup>	As of December 31, 2018					
	Russia	Pakistan	Algeria	Bangladesh	Ukraine	Uzbekistan
Executive and senior management	25	19	13	9	16	22
Engineering, construction and information technology	2,026	707	730	352	1,240	381
Sales, marketing and other commercial operations	17,428	1,549	1,241	531	826	354
Finance, administration and legal	1,876	555	383	129	395	98
Customer service	5,562	446	349	37	111	391
Procurement and logistics	637	74	75	26	84	23
Other support functions	1,016	1,074	75	36	82	294
<b>Total</b>	<b>28,570</b>	<b>4,424</b>	<b>2,866</b>	<b>1,120</b>	<b>2,754</b>	<b>1,563</b>

(1) A breakdown of employees by category of activity is not available for our HQ segment and our "Others" category.

A joint works council has been established at our Amsterdam headquarters, and it has consultation or approval rights in relation to a limited number of decisions affecting our employees working at this location. For VEON Wholesale Services BV ("VWS"), a separate works council was established and addresses management

decisions that may affect the VWS workforce. The works councils may utilize legal remedies that can impact the timing of implementation of decisions at our Amsterdam headquarters or within VWS that are subject to consultation or approval by the works councils.

Our employees are represented by unions or operate collective bargaining arrangements in Armenia, Algeria, Kyrgyzstan and Ukraine. We consider relations with our employees to be generally good. In February 2016, BDCL experienced labor disruptions in connection with the implementation of our announced performance transformation program. Such disruptions have not had a significant impact on our operations. An application for the registration of a union within BDCL was rejected by the government authorities. A consequent notification was made by UNI Global Union to the Dutch NCP and a process is ongoing. For a discussion of risks related to labor matters, see *Item 3.D. Risk Factors — Other Risks — "We may be adversely impacted by work stoppages and other labor matters."*

[Table of Contents](#)**E. Share Ownership**

To our knowledge, as of March 1, 2019, other than Mikhail Fridman, none of our directors or senior managers beneficially owned more than 1.0% of any class of our capital stock. To our knowledge, Mr. Fridman has an indirect economic benefit in our shares held for the account of L1T VIP Holdings S.à r.l. ("L1T VIP Holdings") and, thus, may be considered under the definition of "beneficial owner" for purposes of this Annual Report on Form 20-F only, as a beneficial owner of the shares held for the account of L1T VIP Holdings. See *Item 7.A. Major Shareholders*.

To our knowledge, as of March 1, 2019, Ursula Burns owned 231,353 of our ADSs.

To our knowledge, as of March 1, 2019, none of the other board of director members held any Common Shares or ADSs. To our knowledge, as of March 1, 2019, none of our directors or senior managers held any options on the company's common shares.

For more information regarding share ownership, including a description of applicable stock-based plans and options, see *Note 22 — Related Parties* to our Audited Consolidated Financial Statements.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****A. Major Shareholders**

The following table sets forth information with respect to the beneficial ownership of VEON Ltd. as of March 1, 2019, by each person who is known by us to beneficially own 5.0% or more of our issued and outstanding shares. As of March 1, 2019, we had 1,756,731,135 issued and outstanding common shares and zero convertible preferred shares issued and outstanding. None of our shareholders has different voting rights. For a discussion of certain risks associated with our major shareholders, see *"Item 3.D. Risk Factors — Other Risks — "A disposition by our largest shareholder of its stake in VEON Ltd. or a change in control of VEON Ltd. could harm our business."*

Name	Number of VEON Ltd. Common Shares	Percent of VEON Ltd. Issued and Outstanding Shares
L1T VIP Holdings S.à r.l. <sup>(1)</sup>	840,625,001	47.85
Telenor East Holding II AS <sup>(2)</sup>	256,703,840	14.61
Stichting Administratiekantoor Mobile Telecommunications Investor <sup>(3)</sup>	145,947,562	8.31

(1) As reported on Schedule 13D, Amendment No. 19, filed on April 1, 2016, by L1T VIP Holdings and LetterOne Investment Holdings S.A. with the SEC, L1T VIP Holdings is the direct beneficial owner of 840,625,001 of VEON Ltd.'s common shares, representing approximately 47.85% of VEON Ltd.'s issued and outstanding shares. Each of L1T VIP Holdings and LetterOne Investment Holdings S.A. may be deemed the beneficial owner of 840,625,001 of VEON Ltd.'s common shares, representing approximately 47.85% of VEON Ltd.'s issued outstanding shares, held for the account of L1T VIP Holdings.

(2) As reported on Schedule 13D, Amendment No. 40, filed on September 25, 2017, by Telenor East Holdings II AS, Telenor Mobile Holding AS and Telenor ASA with the SEC, Telenor is the direct beneficial owner of, and Telenor Mobile Holding AS and Telenor ASA may be deemed to be the beneficial owners of 256,703,840 of VEON Ltd.'s common shares. The common shares held by Telenor East represent approximately 14.61% of VEON Ltd.'s issued and outstanding shares.

(3) As reported on Schedule 13G, filed on April 1, 2016, by Stichting with the SEC, Stichting is the direct beneficial owner of 145,947,562 of VEON Ltd.'s common shares. LetterOne is the holder of the depositary receipts issued by Stichting and is therefore entitled to the economic benefits (dividend payments, other distributions and sale proceeds) of such depositary receipts and, indirectly, of the 145,947,562 common shares represented by the depositary receipts. According to the conditions of administration entered into between Stichting and LetterOne ("Conditions of Administration") in connection with the transfer of 145,947,562 ADSs from LetterOne to Stichting on March 29, 2016, Stichting has the power to vote and direct the voting of, and the power to dispose and direct the disposition of, the ADSs, in its sole discretion, in accordance with the Conditions of Administration and Stichting's articles of association. Stichting is a foundation incorporated under the laws of the Netherlands. The common shares held by Stichting represent approximately 8.31% of VEON Ltd.'s issued and outstanding shares.

Based on a review of our **register of members maintained in Bermuda**, as of March 8, 2019, a total of 1,228,276,403 common shares representing approximately 69.92% of VEON Ltd.'s issued and outstanding shares were held of record by **BNY (Nominees) Limited in the United Kingdom as custodian of The Bank of New York Mellon** for the purposes of our ADS program and a total of 502,690,061 common shares representing approximately 28.62% of VEON Ltd.'s issued and outstanding shares were held of record by **Nederlands Centraal Instituut Voor Giraal Effectenverkeer B.V.** and where **ING Bank N.V. is acting as custodian of The Bank of New York Mellon**, for the purposes of our ADS program, and a total of 25,764,671 common shares representing approximately 1.47% of VEON Ltd.'s issued and outstanding shares were held of record by **Nederlands Centraal Instituut Voor Giraal Effectenverkeer B.V.**, for the purposes of our common shares listed and tradable on Euronext Amsterdam. As of March 1, 2019, 22 record holders of VEON Ltd.'s ADRs, holding an aggregate of 503,049,489 common shares (representing approximately 28.64% of VEON Ltd.'s issued and outstanding shares), were listed as having addresses in the United States.

[Table of Contents](#)**Changes in Percentage Ownership by Major Shareholders**

As reported on Schedule 13D, Amendment No. 19, filed on April 1, 2016 by L1T VIP Holdings and Letterone Investment Holdings S.A. with the SEC, L1T VIP Holdings transferred 145,947,562 of ADSs, representing rights with respect to 145,947,562 of VEON Ltd.'s common stock, to Stichting.

As reported on Schedule 13D, Amendment 34, filed on September 21, 2016 by Telenor East Holding II AS, Telenor Mobile Holding AS and Telenor ASA with the SEC, Telenor East Holding II AS sold 142,500,000 of ADSs in VEON Ltd. pursuant to an underwritten offering.

As reported on Schedule 13D, Amendment 36, filed on September 27, 2016 by Telenor East Holding II AS, Telenor Mobile Holding AS and Telenor ASA with the SEC, Telenor East Holding II AS sold 21,375,000 of ADSs in VEON Ltd. pursuant to an underwritten offering.

As reported on Schedule 13D, Amendment 38, filed on April 12, 2017 by Telenor East Holding II AS, Telenor Mobile Holding AS and Telenor ASA with the SEC, Telenor East Holding II AS sold 70,000,000 of ADSs in VEON Ltd. pursuant to an underwritten offering.

As reported on Schedule 13D, Amendment 40, filed on September 25, 2017 by Telenor East Holding II AS, Telenor Mobile Holding AS and Telenor ASA with the SEC, Telenor East Holding II AS sold 90,000,000 ADSs in VEON Ltd. pursuant to an underwritten offering.

**Telenor Divestment**

Following Telenor's October 2015 announcement of its intention to fully divest its holdings in VEON Ltd. ADSs, Telenor completed a series of offerings and the issuance of a US\$1.0 billion bond exchangeable for VEON Ltd. ADSs to divest its holdings. In September 2017, Telenor announced its intention to transfer the balance of its remaining ADSs pursuant to the outstanding exchangeable bond. For more information on Telenor's exchangeable bond, see — *Related Party Transactions-Major Shareholders and their Affiliates — Telenor*.

**B. Related Party Transactions**

In addition to the transactions described below, VEON Ltd. has also entered into transactions with related parties as part of the ordinary course of business. These mainly relate to ordinary course telecommunications operations, such as interconnection, roaming, retail and management advisory services. Their terms vary according to the nature of the services provided thereunder. VEON Ltd. and certain of its subsidiaries may, from time to time, also enter into general services agreements relating to the conduct of business and financing transactions within the VEON group.

For more information on our related party transactions, see *Note 22 — Related Parties* to our Audited Consolidated Financial Statements.

**Registration Rights Agreements**

The Registration Rights Agreement, as amended, between VEON Ltd., Telenor East and certain of its affiliates, Altimio Holdings & Investments Ltd. and Altimio Coöperatief U.A. requires us to use our best efforts to effect a registration under the Securities Act, if requested by one of the shareholders party to the Registration Rights Agreement, of our securities held by such party in order to facilitate the sale and distribution of such securities. Pursuant to the Registration Rights Agreement, we have filed a registration statement on Form F-3 with the SEC using a "shelf" registration process.

Separately, in connection with the issuance of the Telenor Exchangeable Bond (as defined below), VEON Ltd. entered into a registration rights agreement, dated September 21, 2016 (the "New Registration Rights Agreement") for the benefit of holders of the Telenor Exchangeable Bonds. Pursuant to the New Registration Rights Agreement, we filed a registration statement on Form F-3 with the SEC on September 30, 2016 using a "shelf" registration process, which Form F-3 was declared effective on October 13, 2016. The New Registration Rights Agreement requires us to use our commercially reasonable efforts to keep the shelf registration statement continuously effective under the Securities Act in order to permit the prospectus forming a part thereof to be usable by holders (subject to permitted suspension periods) for a period until the earliest of such time as all of the ADSs issuable or issued in exchange for or upon redemption of the Bonds have (i) been registered under the New Shelf Registration Statement and disposed of in accordance therewith, (ii) become eligible to be transferred without condition as contemplated by Rule 144 under the Securities Act, or otherwise no longer bear any restrictive legend and have become fungible with the publicly traded VEON Ltd. ADSs or (iii) ceased to be outstanding.



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A holder of Telenor Exchangeable Bonds who receives ADSs in exchange for its bonds may from time to time sell VEON Ltd. ADSs, in one or more offerings, upon the filing of one or more prospectus supplements or post effective amendments.

**Major Shareholders and their Affiliates****Telenor East**

In September 2016, Telenor East sold 163,875,000 VEON Ltd. ADSs pursuant to an underwritten offering; in April 2017, Telenor East sold 70,000,000 VEON Ltd. ADSs pursuant to an underwritten offering; and in September 2017, Telenor East sold 90,000,000 VEON Ltd. ADSs pursuant to an underwritten offering. In September 2016, in a transaction outside the United States to non-US persons pursuant to Regulation S under the Securities Act, Telenor also issued a US\$1.0 billion 0.25% bond due 2019 (the "Telenor Exchangeable Bond") that is exchangeable under certain conditions for up to a total (at issuance) of 204,081,633 of VEON Ltd. ADSs (subject to adjustment) at an exchange price representing a premium of 40% to the public offering price of the ADSs at the issue date.

A number of our operating companies have roaming agreements with the following mobile operators that are Telenor affiliates: Telenor Sverige AB (Sweden); Telenor Norge AS (Norway); Telenor Denmark AS (Denmark); Telenor Serbia Ltd. (Serbia); Telenor d.o.o Podgorica (Montenegro); Telenor Magyarország Zrt. (Hungary); Telenor Bulgaria EAD (Bulgaria); Total Access Communication Public Company Limited (dtac) (Thailand); DiGi Telecommunications Sdn. Bhd. (Malaysia); Telenor Pakistan (Pvt) Ltd. (Pakistan); Telenor Myanmar Limited (Myanmar); Grameenphone Limited (Bangladesh).

**LetterOne**

From December 2010 until March 2018, VEON Ltd. was a party to a General Services Agreement with L1HS Corporate Advisor Limited, part of the LetterOne Group, under which L1HS Corporate Advisor Limited rendered to VEON Ltd. and its affiliates services related to telecommunications operations, including management advisory services, training, technical assistance and network maintenance, industry information research and consulting, implementation support for special projects and other services as mutually agreed by L1HS Corporate Advisor Limited and VEON Ltd. VEON Ltd. paid L1HS Corporate Advisor Limited annually US\$1.5 million for the services. The agreement was terminated on December 12, 2017 with effect from March 12, 2018.

From August 2013 until March 2018, VEON was also party to a Consultancy Deed with L1HS Corporate Advisor Limited, under which L1HS Corporate Advisor Limited provided additional consultancy services to VEON Ltd. for which VEON Ltd. paid US\$3.5 million annually. The agreement was terminated on December 12, 2017 with effect from March 12, 2018.

**Joint Ventures and Associates****Euroset**

In July 2017, PJSC VimpelCom, a subsidiary of VEON Ltd., and MegaFon entered into an agreement ending their retail joint venture, Euroset. The transaction closed on February 22, 2018. Under the agreement, MegaFon acquired PJSC VimpelCom's 50% interest in Euroset and PJSC VimpelCom agreed to pay RUB 1.2 billion (US\$21 million as of December 31, 2017), subject to certain adjustments, and has acquired rights to 50% of Euroset's approximately 4,000 retail stores in Russia. As a result of the transaction, PJSC VimpelCom has fully disposed of its interest in Euroset with all of its rights and obligations.

**Board of Directors**

Compensation paid to the board of directors is disclosed in *Item 6.B — Compensation*.

The company entered into an agreement with Guy Laurence under which he will provide certain consulting and advisory services relating to our digital offering. Under the agreement, Mr. Laurence received US\$16,250 per year in compensation for his services. The term of the agreement concluded on July 30, 2018.

Except as specified above, during 2018 and through the date of this Annual Report on Form 20-F, none of our board of directors have been involved in any related party transactions with us.

**C. Interests of Experts and Counsel**

Not required.

**ITEM 8. FINANCIAL INFORMATION****A. Consolidated Statements and Other Financial Information**

See *Item 18 — Financial Statements* and the financial statements referred to therein.

**Legal Proceedings**

For a discussion of legal or arbitration proceedings which may have, or have had in the recent past, significant effects on our financial position or profitability, see *Note 8 — Provisions and Contingent Liabilities* to our Audited Consolidated Financial Statements.

We cannot predict the outcome of the various claims and legal actions in which we are involved beyond the information included in our financial statements, including any damages awards, fines or penalties that may be imposed, and such damages awards, fines or penalties could be significant. For information about certain risks related to current and potential legal proceedings, see *Item 3.D. Risk Factors — Regulatory, Compliance and Legal Risks*.

**Policy on Dividend Distributions**

In February 2019, our board of directors approved a final dividend of US\$0.17 per share, bringing total 2018 dividend payments to US\$0.29 per share. The dividend has a record date of March 8, 2019, and a payment date of March 20, 2019. The company will make appropriate tax withholdings of up to 15% when the dividend is paid to the company's share depository, The Bank of New York Mellon. For ordinary shareholders at Euronext Amsterdam, the final dividend of US\$0.17 will be paid in euro.

VEON is committed to paying a sustainable and progressive dividend. A continuation of this progressive dividend policy is dependent on the evolution of the group's equity free cash flow, including development of the US dollar exchange rate against VEON's local currencies. The precise amount and timing of dividends for a



particular year is subject to the approval of our board of directors and compliance with the Companies Act and other applicable law.

Pursuant to Bermuda law, we are prohibited from declaring or paying a dividend if there are reasonable grounds for believing that (a) we are, or would after the payment be, unable to pay our liabilities as they become due, or (b) the realizable value of our assets would, as a result of the dividend, be less than our liabilities. The board of directors may, subject to our bye-laws and in accordance with the Companies Act, declare a dividend to be paid to the shareholders holding shares entitled to receive dividends, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly in shares or other assets, including through the issuance of our shares or other securities, in which case the board of directors may fix the

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value for distribution in specie of any assets, shares or securities. We are not required to pay interest on any unpaid dividend. In accordance with our bye-laws, dividends may be declared and paid in proportion to the amount paid up on each share. The holders of common shares are entitled to dividends if the payment of dividends is approved by the board of directors.

We cannot assure you we will continue to pay dividends on our common shares and ADSs in the future and any decision by VEON Ltd. not to pay dividends or to reduce dividend payments in the future could adversely affect the value of our common shares or ADSs. For more information regarding certain risks involved in connection with the recommendation and payment of dividends, see *Item 10.B. Memorandum and Articles of Association — Dividends and Dividend Rights, Item 3.D. Risk Factors — Operational Risks — "As a holding company, VEON Ltd. depends on the performance of its subsidiaries and their ability to pay dividends, and may therefore be affected by changes in exchange controls and currency restrictions in the countries in which its subsidiaries operate, and — Risks Related to the Ownership of Our ADSs — "Various factors may hinder the declaration and payment of dividends."*

**B. Significant Changes**

Other than as disclosed in this Annual Report on Form 20-F, there have not been any significant changes since the date of the Audited Consolidated Financial Statements included as part of this Annual Report on Form 20-F.

**ITEM 9. THE OFFER AND LISTING****A. Offer and Listing Details**

Each of our ADSs represents one of our common shares. We listed our ADSs on the NASDAQ Global Select Market on September 10, 2013 and listed on Euronext Amsterdam on April 4, 2017.

**B. Plan of Distribution**

Not required.

**C. Markets**

Our ADSs are listed and traded on NASDAQ Global Select Market under the symbol "VEON." NASDAQ Global Select Market is the principal trading market for the ADSs.

Our common shares are listed and traded on Euronext Amsterdam under the symbol "VEON."

Under certain circumstances, holders of common shares listed on Euronext Amsterdam may convert such shares to ADSs listed on NASDAQ.

**D. Selling Shareholders**

Not required.

**E. Dilution**

Not required.

**F. Expenses of the Issue**

Not required.

**ITEM 10. ADDITIONAL INFORMATION****A. Share Capital**

Not required.

[Table of Contents](#)**B. Memorandum and Articles of Association**

We describe below the material provisions of our memorandum of association and bye-laws, certain provisions of Bermuda law relating to our organization and operation, and some of the terms of our share rights based on provisions of our memorandum of association, our current bye-laws, applicable Bermuda law and certain agreements relating to our shares. Although we believe that we have summarized the material terms of our memorandum of association and bye-laws, Bermuda legal requirements and our share capital, this summary is not complete and is qualified in its entirety by reference to our memorandum of association, our bye-laws and applicable Bermuda law. All references to our bye-laws herein, unless otherwise noted, are to our amended and restated bye-laws, which were approved by our shareholders on July 30, 2018.

The affirmative vote of at least 75.0% of the shares voted at a shareholders meeting is required to approve amendments to our bye-laws.

**General**

VEON Ltd. is an exempted company limited by shares registered under the Companies Act on June 5, 2009, and our registered office is located at Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda. Our registration number with the Registrar of Companies in Bermuda is 43271. As set forth in paragraph 6 of our memorandum of association, VEON Ltd. was formed with unrestricted business objects. We are registered with the Dutch Trade Register (registration number 34374835) as a company formally registered abroad (*formeel buitenlandse kapitaalvennootschap*), as this term is referred to in the Dutch Companies Formally Registered Abroad Act (*Wet op de formeel buitenlandse vennootschappen*), which means that we are deemed a Dutch resident company for tax purposes in accordance with applicable Dutch tax regulations.

**Issued Share Capital**

As of December 31, 2018, the authorized share capital was US\$1,849,190.67, divided into 1,849,190,667 common shares, par value US\$0.001, of which 1,756,731,135 common shares were issued and outstanding. All issued and outstanding shares are fully paid.

Subject to our bye-laws and to any shareholders' resolution to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, our board of directors has the power to issue up to five percent of the total authorized capital of the company as common shares on such terms and conditions as the board of directors may determine; provided that this limitation does not apply to the issue of shares in connection with employee compensation awards approved by the board's compensation committee.

We may increase, divide, consolidate, change the currency or denomination of or reduce our share capital with the approval of our shareholders.

We may purchase our own shares for cancellation or acquire them as treasury shares in accordance with Bermuda law on such terms as the board of directors may determine.

We may, under our bye-laws, at any time request any person we have cause to believe is interested in our shares to confirm details of our shares in which that person holds an interest.

**Common shares**

The holders of common shares are, subject to our bye-laws and Bermuda law, generally entitled to enjoy all the rights attaching to common shares.

Except for treasury shares, each fully paid common share entitles its holder to:

- participate in shareholder meetings;
- have one vote on all issues voted upon at a shareholder meeting, except for the purposes of cumulative voting for the election of the board of directors, in which case each common share shall have the same number of votes as the total number of members to be elected to the board of directors and all such votes may be cast for a single candidate or may be distributed between or among two or more candidates;

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- receive dividends approved by the board of directors (any dividend or other moneys payable in respect of a share which has remained unclaimed for six years from the date when it became due for payment shall, if the board of directors so resolves, be forfeited and cease to remain owing by VEON Ltd.);
- in the event of our liquidation, receive a pro rata share of our surplus assets; and
- exercise any other rights of a common shareholder set forth in our bye-laws and Bermuda law.

There are no sinking fund provisions attached to any of our shares. Holders of fully paid shares have no further liability to VEON Ltd. for capital calls.

All rights of any share of any class held in treasury are suspended and may not be exercised while the share is held by VEON Ltd. in treasury.

### ***Shareholders' Meetings***

Shareholders' meetings are convened and held in accordance with our bye-laws and Bermuda law. Registered holders of shares as of the record date for the shareholder meeting may attend and vote.

#### ***Annual general meeting***

Our bye-laws and Bermuda law provide that our annual general meeting must be held each year at such time and place as the CEO or the board of directors may determine.

Convening the annual general meeting requires that 30 clear days' prior notice be given to each shareholder entitled to attend and vote at such annual general meeting. The notice must state the date, place and time at which the meeting is to be held, that the election of directors will take place and, as far as practicable, any other business to be conducted at the meeting.

Under Bermuda law, shareholders may, at their own expense (unless the company otherwise resolves), require a company to: (a) give notice to all shareholders entitled to receive notice of the annual general meeting of any resolution that the shareholders may properly move at the next annual general meeting; and (b) circulate to all shareholders entitled to receive notice of any general meeting a statement in respect of any matter referred to in the proposed resolution or any business to be conducted at such general meeting. The number of shareholders necessary for such a requisition is either: (1) any number of shareholders representing not less than 5.0% of the total voting rights of all shareholders entitled to vote at the meeting to which the requisition relates; or (2) not less than 100 registered shareholders.

#### ***Special general meeting***

The CEO or the board of directors may convene a special general meeting whenever in their judgment such a meeting is necessary. The board of directors must, on the requisition in writing of shareholders holding not less than 10.0% of our paid up voting share capital, convene a special general meeting. Each special general meeting may be held at such time and place as the CEO or the board of directors may appoint.

Convening a special general meeting requires that 30 clear days' notice be given to each shareholder entitled to attend and vote at such meeting. The notice must state the date, place and time at which the meeting is to be held and as far as possible any other business to be conducted at the meeting.

Our bye-laws state that notice for all shareholders' meetings may be given by:

- delivering such notice to the shareholder in person;
- sending such notice by letter or courier to the shareholder's address as stated in the register of shareholders;
- transmitting such notice by electronic means in accordance with directions given by the shareholder; or
- accessing such notice on our website.

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A shorter notice period will not invalidate a general meeting if it is approved by either: (a) in the case of an annual general meeting, all shareholders entitled to attend and vote at the meeting, or (b) in the case of a special general meeting, a majority of shareholders having the right to attend and vote at the meeting and together holding not less than 95.0% in nominal value of the shares giving a right to attend and vote at the meeting. The accidental omission to give notice of a general meeting to, or the non-receipt of notice of a general meeting by, any shareholder entitled to receive notice shall not invalidate the proceedings at that meeting.

*Postponement or cancellation of general meeting*

The board of directors may postpone or cancel any general meeting called in accordance with the bye-laws (other than a meeting requisitioned by shareholders) provided that notice of postponement or cancellation is given to each shareholder before the time for such meeting.

*Quorum*

Subject to the Companies Act and our bye-laws, at any general meeting, two or more persons present in person at the start of the meeting and having the right to attend and vote at the meeting and holding or representing in person or by proxy at least 50.0% plus one share of our total issued and outstanding shares at the relevant time will form a quorum for the transaction of business.

If within half an hour from the time appointed for the meeting a quorum is not present, then, in the case of a meeting convened on a requisition, the meeting shall be deemed cancelled and, in any other case, the meeting shall stand adjourned to the same day one week later, at the same time and place, or to such other day, time or place as the CEO may determine.

***Voting Rights***

Under Bermuda law, the voting rights of our shareholders are regulated by our bye-laws and, in certain circumstances, the Companies Act.

Subject to Bermuda law and our bye-laws, a resolution may only be put to a vote at a general meeting of any class of shareholders if:

- it is proposed by or at the direction of the board of directors;
- it is proposed at the direction of a court;
- it is proposed on the requisition in writing of such number of shareholders as is prescribed by, and is made in accordance with, the relevant provisions of the Companies Act or our bye-laws; or
- the chairman of the meeting in his absolute discretion decides that the resolution may properly be regarded as within the scope of the meeting.

In addition to those matters required by Bermuda law or by the NASDAQ rules to be approved by a simple majority of shareholders at any general meeting, the following actions require the approval of a simple majority of the votes cast at any general meeting:

- any sale of all or substantially all of our assets;
- the appointment of an auditor; and
- removal of directors.

Any question proposed for the consideration of the shareholders at any general meeting may be decided by the affirmative votes of a simple majority of the votes cast, except for:

- whitewash procedure for mandatory offers, which requires the affirmative vote of a majority of the shareholders voting in person or by proxy at a general meeting, excluding the vote of the shareholder or shareholders in question and their affiliates;

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- voting for directors, which requires directors to be elected by cumulative voting at each annual general meeting;
- changes to our bye-laws, which require a resolution to be passed by shareholders representing not less than 75.0% of the total voting rights of the shareholders who vote in person or by proxy on the resolution;
- any merger, consolidation, amalgamation, conversion, reorganization, scheme of arrangement, dissolution or liquidation, which requires a resolution to be passed by shareholders representing not less than 75.0% of the total voting rights of the shareholders who vote in person or by proxy on the resolution;
- loans to any director, which require a resolution to be passed by shareholders representing not less than 90.0% of the total voting rights of the shareholders who vote in person or by proxy on the resolution; and
- the discontinuation of VEON Ltd. to a jurisdiction outside Bermuda, which requires a resolution to be passed by shareholders representing not less than 75.0% of the total voting rights of the shareholders who vote in person or by proxy on the resolution.

Our bye-laws require voting on any resolution at any meeting of the shareholders to be conducted by way of a poll vote. Except where cumulative voting is required, each person present and entitled to vote at a meeting of the shareholders shall have one vote for each share of which such person is the holder or for which such person holds a proxy and such vote shall be counted by ballot or, in the case of a general meeting at which one or more shareholders are present by electronic means, in such manner as the chairman of the meeting may direct. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

If no instruction is received from a holder of our ADSs, the Depositary shall give a proxy to an individual selected by the board of directors to vote the number of shares represented by the uninstructed ADSs at any shareholders' meeting. The board of directors's proxy designee will then vote the shares in accordance with the votes of all other shares represented and voting at the meeting, excluding any votes of any security holder of the company beneficially owning more than five percent of the securities entitled to vote at the meeting.

#### *Voting rights of common shares*

The holders of common shares, subject to the provisions of our bye-laws, are entitled to one vote per common share, except where cumulative voting applies when electing directors.

#### **Transfer Restrictions**

For such time as all of our common shares are fully paid and listed on NASDAQ, Euronext Amsterdam (or another appointed exchange, as determined from time to time by the Bermuda Monetary Authority), there are no Bermuda law transfer restrictions applicable to our common shares. Were any of our common shares to not be fully paid, our bye-laws permit the board of directors to decline to register a transfer. At such time as our common shares cease to be listed on NASDAQ, Euronext Amsterdam (or another appointed exchange, as determined from time to time by the Bermuda Monetary Authority), the Bermuda Exchange Control Act 1972 and associated regulations require that the prior consent of the Bermuda Monetary Authority be obtained for any transfers of shares.

#### **Foreign Shareholders**

Our bye-laws have no requirements or restrictions with respect to foreign ownership of our shares.

#### **Board of Directors**

VEON Ltd. is governed by our board of directors, currently consisting of 11 directors.

Subject to certain material business decisions that are reserved to the board of directors, the board of directors generally delegates day-to-day management of our company to the CEO.

All directors are elected by our shareholders to the board through cumulative voting. Each voting share confers on its holder a number of votes equal to the number of directors to be elected. The holder may cast those votes for candidates in any proportion, including casting all votes for one candidate.

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Under our bye-laws, the amount of any fees or other remuneration payable to directors is determined by the board of directors upon the joint recommendation of the compensation committee and the nominating and corporate governance committee. We may repay to any director such reasonable costs and expenses as he or she may incur in the performance of his or her duties.

There is no requirement for the members of our board of directors to own shares. A director who is not a shareholder will nevertheless be entitled to attend and speak at general meetings and at any separate meeting of the holders of any class of shares.

Neither Bermuda law nor our bye-laws establish any mandatory retirement age for our directors or executive officers.

***Dividends and Dividend Rights***

Pursuant to Bermuda law, we are prohibited from declaring or paying a dividend if there are reasonable grounds for believing that (a) we are, or would after the payment be, unable to pay our liabilities as they become due, or (b) the realizable value of our assets would, as a result of the dividend, be less than the aggregate of our liabilities.

The board of directors may, subject to our bye-laws and in accordance with the Companies Act, declare a dividend to be paid to the shareholders holding shares entitled to receive dividends, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly in shares or other assets, including through the issuance of our shares or other securities, in which case the board of directors may fix the value for distribution in specie of any assets, shares or securities. We are not required to pay interest on any unpaid dividend.

In accordance with our bye-laws, dividends may be declared and paid in proportion to the amount paid up on each share. The holders of common shares are entitled to dividends if the payment of dividends is approved by the board of directors.

Dividends unclaimed for a period of six years from the date of payment may be forfeited.

Our bye-laws and Bermuda law do not provide for pre-emptive rights of shareholders in respect of new shares issued by us.

There is no statutory regulation of the conduct of takeover offers and transactions under Bermuda law. However, our bye-laws provide that any person who, individually or together with any of its affiliates or any other members of a group, acquires beneficial ownership of any shares which, taken together with shares already beneficially owned by it or any of its affiliates or its group, in any manner, carry 50.0% or more of the voting rights of our issued and outstanding shares, must, within 30 days of acquiring such shares, make a general offer to all holders of shares to purchase their shares.

***Interested Party Transactions***

The board of directors have the right to approve transactions with interested parties, subject to compliance with Bermuda law. Prior to approval by the board of directors, as the case may be, on such transaction, all interests must be fully disclosed.

***Liquidation Rights***

If VEON Ltd. is wound up, the liquidator may, with the sanction of a resolution of the shareholders, divide among the shareholders in specie or in kind the whole or any part of our assets (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders.

The liquidator may, with the same sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the shareholders as the liquidator thinks fit, but so that no shareholder may be compelled to accept any shares or other securities or assets on which there is any liability.

The holders of common shares, in the event of our winding-up or dissolution, are entitled to our surplus assets in respect of their holdings of common shares, *pari passu* and *pro rata* to the number of common shares held by each of them.

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## ***Share Registration, Transfers and Settlement***

All of our issued shares are registered. The register of members of a company is generally open to inspection by shareholders and by members of the general public without charge. The register of members is required to be open for inspection for not less than two hours in any business day (subject to the ability of a company to close the register of members for not more than 30 days in a year). A company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside of Bermuda. A company is required to keep at its registered office a register of directors and officers that is open for inspection for not less than two hours in any business day by members of the public without charge. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

## **C. Material Contracts**

Sale and purchase agreement, dated July 3, 2018, by and among VEON Luxembourg Holdings, VEON Luxembourg Finance Holdings S.à R.L., VEON Ltd., Hutchison Europe Telecommunications S.à R.L., CK Hutchison Holdings Limited, VIP-CKH Luxembourg S.à R.L., VIP-CKH Ireland Limited, VEON Amsterdam B.V., and HET Investments, in connection with VEON Ltd.'s sale of its 50% equity stake in Wind Tre to CK Hutchison Holdings Ltd. A copy of this agreement is incorporated by reference as Exhibit 4.4 to this Annual Report on Form 20-F.

## **D. Exchange Controls**

We have been designated by the Bermuda Monetary Authority as non-resident of Bermuda for Bermuda exchange control purposes. This designation allows us to engage in transactions in currencies other than the Bermuda dollar, and there are no restrictions on our ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to United States or other non-Bermuda residents who are holders of our common shares or our ADSs representing common shares.

For the purposes of Bermuda exchange control regulations, for such time as our ADSs remain listed on an appointed stock exchange (which includes the NASDAQ Global Select Market) or our common shares remain listed on an appointed stock exchange (which includes Euronext Amsterdam), there are no limitations on the issue and free transferability of our common shares or our ADSs representing common shares to and between non-residents of Bermuda for exchange control purposes. Certain issues and transfers of shares involving persons deemed resident in Bermuda for exchange control purposes may require the specific prior consent of the Bermuda Monetary Authority.

## **E. Taxation**

### ***United States Federal Income Tax Considerations***

The following summary describes certain material U.S. federal income tax consequences to U.S. Holders (defined below) under present law of an investment in our ADSs or common shares. This summary applies only to U.S. Holders that hold the ADSs or common shares as capital assets within the meaning of Section 1221 of the Code (as defined below) and that have the U.S. dollar as their functional currency.

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), applicable U.S. Treasury regulations, as well as judicial and administrative interpretations thereof, all as of the date of this Annual Report on Form 20-F. All of the foregoing authorities are subject to change or differing interpretation, which change or differing interpretation could apply retroactively and could affect the tax consequences described below. The statements in this Annual Report on Form 20-F are not binding on the U.S. Internal Revenue Service (the "IRS") or any court, and thus we can provide no assurance that the U.S. federal income tax consequences discussed below will not be challenged by the IRS or will be sustained by a court if challenged by the IRS. Furthermore, this summary does not address any estate or gift tax consequences, any state, local or non-U.S. tax consequences or any other tax consequences other than U.S. federal income tax consequences.

The following discussion addresses only certain tax consequences to U.S. Holders and does not describe all the tax consequences that may be relevant to any particular investor or to persons in special tax situations such as:

- banks and certain other financial institutions;
- regulated investment companies;
- real estate investment trusts;
- insurance companies;
- broker-dealers;
- traders that elect to mark to market;
- tax-exempt entities;
- persons liable for alternative minimum tax or the Medicare contribution tax on net investment income;
- certain U.S. expatriates;
- persons holding our ADSs or common shares as part of a straddle, hedging, constructive sale, conversion or integrated transaction;
- persons that actually or constructively own, or are treated as owning, 10% or more of our stock by vote or value;
- persons that are resident or ordinarily resident in or have a permanent establishment in a jurisdiction outside the United States;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to our ADSs or common shares being taken into account in an applicable financial statement;
- persons who acquired ADSs or common shares pursuant to the exercise of any employee share option or otherwise as compensation; or
- persons holding ADSs or common shares through partnerships or other pass-through entities

**U.S. Holders of our ADSs or common shares are urged to consult their tax advisors about the application of the U.S. federal tax rules to their particular circumstances as well as the state, local and non-U.S. tax consequences to them of the purchase, ownership and disposition of our ADSs or common shares.**



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As used herein, the term “U.S. Holder” means a beneficial owner of our ADSs or common shares that, for U.S. federal income tax purposes, is or is treated as:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The tax treatment of a partner (or other owner) in an entity treated as a partnership for U.S. federal income tax purposes that holds our ADSs or common shares generally will depend on such partner’s (or other owner’s) status and the activities of the partnership. A partnership and a U.S. Holder that is a partner (or other owner) in such a partnership should consult its tax advisor.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement will be complied with in accordance with their terms. Generally, a holder of an ADS should be treated for U.S. federal income tax purposes as holding the common shares represented by the ADS. As a result, no gain or loss will generally be recognized upon an exchange of ADSs for common shares. The U.S. Treasury has expressed concerns that intermediaries in the chain of ownership between the holder of an ADS and the issuer of the security underlying the ADS may be taking actions that are inconsistent with the claiming of foreign tax credits for U.S. Holders of ADSs. Accordingly, the creditability of foreign taxes, if any, as described below, could be affected by actions taken by intermediaries in the chain of ownership between the holder of an ADS and us if as a result of such actions the holder of an ADS is not properly treated as the beneficial owner of underlying common shares.

#### *Dividends and other distributions*

Subject to the passive foreign investment company rules discussed below, the gross amount of distributions made by us with respect to the ADSs or common shares (including the amount of non-U.S. taxes withheld therefrom, if any) generally will be includible as dividend income in a U.S. Holder’s gross income in the year received (or deemed received), but only to the extent such distributions are paid out of our current or accumulated earnings and profits as determined under U.S. federal income tax principles. Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, a U.S. Holder should expect all cash distributions will be reported as dividends for U.S. federal income tax purposes. Such dividends will not be eligible for the dividends-received deduction allowed to U.S. corporations with respect to dividends received from other U.S. corporations.

Dividends received by certain non-corporate U.S. Holders (including individuals) may be “qualified dividend income,” which is taxed at the lower applicable capital gains rate, provided that (1) either (a) the ADSs or common shares, as applicable, are readily tradable on an established securities market in the United States, or (b) we are eligible for the benefits of a qualifying income tax treaty with the United States that includes an exchange of information program, (2) we are neither a passive foreign investment company (as discussed below) nor treated as such with respect to the U.S. Holder for our taxable year in which the dividend is paid or the preceding taxable year, (3) the U.S. Holder satisfies certain holding period requirements and (4) the U.S. Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. Under IRS authority, common shares, or ADSs representing such shares, generally are considered for purposes of clause (1) above to be readily tradable on an established securities market in the United States if they are listed on the NASDAQ Global Select Market, as our ADSs are. Based on existing guidance, it is not entirely clear whether any dividends you receive with respect to the common shares will be taxed as qualified dividend income, because the common shares are not themselves listed on a U.S. exchange for trading purposes. However, if we are treated as a resident of The Netherlands for purposes of Dutch tax law, we may be eligible for the benefits of the income tax treaty between the United States and The Netherlands. U.S. Holders should consult their own tax advisors regarding the availability of the lower rate for dividends paid with respect to the ADSs or common shares.

The amount of any distribution paid in foreign currency will be equal to the U.S. dollar value of such currency, translated at the spot rate of exchange on the date such distribution is received by the depository, in the case of ADSs, or by the U.S. Holder, in the case of common shares, regardless of whether the payment is in fact converted into U.S. dollars at that time. Any further gain or loss on a subsequent conversion or other disposition of the currency for a different U.S. dollar amount will be U.S. source ordinary income or loss.

The dividends will generally be foreign source and considered “passive category” income, and non-U.S. taxes withheld therefrom, if any, may be creditable against the U.S. Holder’s U.S. federal income tax liability, subject to applicable limitations.

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If the dividends constitute qualified dividend income as discussed above, the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will generally be limited to the gross amount of the dividend, multiplied by the reduced rate applicable to the qualified dividend income, divided by the highest rate of tax normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. The rules relating to the determination of the U.S. foreign tax credit are complex, and U.S. Holders should consult their tax advisors regarding the availability of a foreign tax credit in their particular circumstances and the possibility of claiming an itemized deduction (in lieu of the foreign tax credit) for any foreign taxes paid or withheld.

#### *Sale or other taxable disposition of the ADSs or common shares*

Subject to the passive foreign investment company rules discussed below, upon a sale or other taxable disposition of the ADSs or common shares, a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized and the U.S. Holder's adjusted tax basis in such ADSs or common shares. Any such gain or loss generally will be treated as long-term capital gain or loss if the U.S. Holder's holding period in the ADSs or common shares exceeds one year. Non-corporate U.S. Holders (including individuals) generally will be subject to U.S. federal income tax on long-term capital gain at preferential rates. The deductibility of capital losses is subject to significant limitations. Gain or loss, if any, realized by a U.S. Holder on the sale or other disposition of the ADSs or common shares generally will be treated as U.S. source gain or loss for U.S. foreign tax credit limitation purposes.

If the consideration received upon the sale or other disposition of the ADSs or common shares is paid in foreign currency, the amount realized will be the U.S. dollar value of the payment received, translated at the spot rate of exchange on the date of the sale or other disposition. A U.S. Holder may realize additional gain or loss upon the subsequent sale or disposition of such currency, which will generally be treated as U.S. source ordinary income or loss. If the ADSs or common shares, as applicable, are treated as traded on an established securities market and the relevant U.S. Holder is either a cash basis taxpayer or an accrual basis taxpayer who has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the IRS), such U.S. Holder will determine the U.S. dollar value of the amount realized in foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the sale. If the ADSs or common shares, as applicable, are not treated as traded on an established securities market, or the relevant U.S. Holder is an accrual basis taxpayer that does not elect to determine the amount realized using the spot rate on the settlement date, such U.S. Holder will recognize foreign currency gain or loss to the extent of any difference between the U.S. dollar amount realized on the date of sale or disposition (as determined above) and the U.S. dollar value of the currency received translated at the spot rate on the settlement date.

A U.S. Holder's initial U.S. federal income tax basis in the ADSs or common shares generally will equal the cost of such ADSs or common shares, as applicable. If a U.S. Holder used foreign currency to purchase the ADSs or common shares, the cost of the ADSs or common shares will be the U.S. dollar value of the foreign currency purchase price on the date of purchase, translated at the spot rate of exchange on that date. If the ADSs or common shares, as applicable, are treated as traded on an established securities market and the relevant U.S. Holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described above, the U.S. Holder will determine the U.S. dollar value of the cost of such ADSs or common shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

#### *Passive Foreign Investment Company rules*

We will be classified as a passive foreign investment company (a "PFIC") for any taxable year if either: (1) at least 75% of our gross income is "passive income" for purposes of the PFIC rules or (2) at least 50% of the value of our assets (determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income. For this purpose, we will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, 25% or more (by value) of the stock. Under the PFIC rules, if we were considered a PFIC at any time that a U.S. Holder holds our ADSs or common shares, we would continue to be treated as a PFIC with respect to such investment unless (1) we cease to be a PFIC and (2) the U.S. Holder has made a "deemed sale" election under the PFIC rules.

Based on our financial statements and relevant market and shareholder data, we believe that we should not be treated as a PFIC with respect to our most recently closed taxable year. This is a factual determination, however, that must be made annually after the close of each taxable year and is subject to uncertainty in several respects. Therefore, there can be no assurance that we will not be classified as a PFIC for the current taxable year or for any future taxable year.

If we are considered a PFIC at any time that a U.S. Holder holds our ADSs or common shares, any gain recognized by the U.S. Holder on a sale or other disposition of our ADSs or common shares, as well as the amount of any "excess distribution" (defined below) received by the U.S. Holder, would be allocated ratably over the U.S. Holder's holding period for

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our ADSs or common shares. The amounts allocated to the taxable year of the sale or other disposition (or the taxable year of receipt, in the case of an excess distribution) and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed. For the purposes of these rules, an excess distribution is the amount by which any distribution received by a U.S. Holder on its ADSs or common shares exceeds 125% of the average of the annual distributions on our ADSs or common shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of our ADSs or common shares if VEON Ltd. is considered a PFIC. We do not intend to provide the information necessary for U.S. Holders of our ADSs or common shares to make qualified electing fund elections, which, if available, would result in tax treatment different from the general tax treatment for an investment in a PFIC described above. If we are treated as a PFIC with respect to a U.S. Holder for any taxable year, the U.S. Holder will be deemed to own shares in any of our subsidiaries that are also PFICs. However, an election for mark to market treatment would likely not be available with respect to any such subsidiaries.

If VEON Ltd. is considered a PFIC, a U.S. Holder will also be subject to annual information reporting requirements. U.S. Holders should consult their tax advisors about the potential application of the PFIC rules to an investment in our ADSs or common shares.

*U.S. information reporting and backup withholding*

Dividend payments with respect to our ADSs or common shares and proceeds from the sale, exchange or redemption of our ADSs or common shares may be subject to information reporting to the IRS and possible U.S. backup withholding. A U.S. Holder may be eligible for an exemption from backup withholding if the U.S. Holder furnishes a correct U.S. federal taxpayer identification number and makes any other required certification or is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status may be required to provide such certification on IRS Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability, and such U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing an appropriate claim for refund with the IRS and furnishing any required information.

*Additional information reporting requirements*

Certain U.S. Holders who are individuals and certain entities may be required to file IRS Form 8938 (Statement of Specified Foreign Financial Assets) or otherwise report information relating to an interest in ADSs or common shares, subject to certain exceptions (including an exception for ADSs or common shares held in accounts maintained by certain financial institutions). Penalties can apply if U.S. Holders fail to satisfy such reporting requirements. U.S. Holders should consult their tax advisors regarding the applicability of these requirements to their acquisition and ownership of our ADSs or common shares.

**THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO YOU. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN OUR ADSs OR COMMON SHARES UNDER THE INVESTOR'S OWN CIRCUMSTANCES.**

*Material Bermuda Tax Considerations*

Under current Bermuda law, we are not subject to tax in Bermuda on our income or capital gains.

Furthermore, we have obtained from the Minister of Finance of Bermuda, under the Exempted Undertakings Tax Protection Act 1966, an undertaking that, in the event that Bermuda enacts any legislation imposing tax computed on any income or gains, that tax will not be applicable to us until March 31, 2035. This undertaking does not, however, prevent the imposition of any tax or duty on persons ordinarily resident in Bermuda or any property tax on real property interests we may have in Bermuda. We pay an annual government fee in Bermuda based on our authorized share capital and share premium. The annual government fee applicable to us is currently US\$8,780.

Under current Bermuda law, no income, withholding or other taxes or stamp or other duties are imposed in Bermuda upon the issue, transfer or sale of our common shares or ADSs representing common shares or on any payments in respect of our common shares or ADSs representing common shares (except, in certain circumstances, to persons ordinarily resident in Bermuda).

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### ***Dutch Tax Considerations***

This summary solely addresses the principal Dutch tax consequences of the acquisition, ownership and disposal of our ADSs or our common shares and does not purport to describe every aspect of taxation that may be relevant to a particular holder. Tax matters are complex, and the tax consequences of the acquisition, ownership and disposal to a particular holder of ADSs or common shares will depend in part on such holder's circumstances. Accordingly, you are urged to consult your own tax advisor for a full understanding of the tax consequences of the acquisition, ownership and disposal to you, including the applicability and effect of Dutch tax laws.

Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this summary the terms "the Netherlands" and "Dutch" are used, these refer solely to the European part of the Kingdom of the Netherlands. This summary assumes that VEON Ltd. is organized, and that its business will be conducted, in the manner outlined in this Annual Report on Form 20-F. A change to such organizational structure or to the manner in which VEON Ltd. conducts its business may invalidate the contents of this summary, which will not be updated to reflect any such change.

This summary is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of this Annual Report on Form 20-F. The tax law upon which this summary is based, is subject to changes, possibly with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

The summary in this Dutch tax considerations paragraph does not address your Dutch tax consequences if you are a holder of ADSs or common shares who:

- may be deemed an owner of ADSs or common shares for Dutch tax purposes pursuant to specific statutory attribution rules in Dutch tax law;
- is, although in principle subject to Dutch corporation tax, in whole or in part, specifically exempt from that tax in connection with income from ADSs or common shares;
- is an investment institution as defined in the Dutch Corporation Tax Act 1969;
- owns ADSs or common shares in connection with a membership of a management board or a supervisory board, an employment relationship, a deemed employment relationship or management role;
- has a substantial interest in VEON Ltd. or a deemed substantial interest in VEON Ltd. for Dutch tax purposes. Generally, you hold a substantial interest if (a) you - either alone or, in the case of an individual, together with your partner or any of your relatives by blood or by marriage in the direct line (including foster-children) or of those of your partner for Dutch tax purposes - own or are deemed to own, directly or indirectly, ADSs or common shares representing 5.0% or more of the shares or of any class of shares of VEON Ltd., or rights to acquire, directly or indirectly, ADSs or common shares representing such an interest in the shares of VEON Ltd. or profit participating certificates relating to 5.0% or more of the annual profits or to 5.0% or more of the liquidation proceeds of VEON Ltd., or (b) your ADSs or common shares, rights to acquire ADSs or common shares or profit participating certificates in VEON Ltd. are held by you following the application of a non-recognition provision; or
- is for Dutch tax purposes taxable as a corporate entity and resident of Aruba, Curacao or Saint Martin.

#### *Taxes on income and capital gains*

##### Non-resident individuals

If you are an individual who is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch income tax, you will not be subject to Dutch income tax in respect of any benefits derived or deemed to be derived from or in connection with your ADSs or common shares, except if:

- you derive profits from an enterprise, whether as an entrepreneur or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, and such enterprise is carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and your ADSs or common shares are attributable to such permanent establishment or permanent representative; or
- you derive benefits or are deemed to derive benefits from or in connection with ADSs or common shares that are taxable as benefits from miscellaneous activities performed in the Netherlands.

##### Non-resident corporate entities

If you are a corporate entity, or an entity including an association, a partnership and a mutual fund, taxable as a corporate entity, which is neither resident, nor deemed to be resident in the Netherlands for purposes of Dutch corporation tax, you will not

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be subject to Dutch corporation tax in respect of any benefits derived or deemed to be derived from or in connection with ADSs or common shares, except if:

- i. you derive profits from an enterprise directly which is carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and to which permanent establishment or permanent representative your ADSs or common shares are attributable; or
- ii. you derive profits pursuant to a co-entitlement to the net value of an enterprise which is managed in the Netherlands, other than as a holder of securities, and to which enterprise your ADSs or common shares are attributable.

General

If you are neither resident nor deemed to be resident in the Netherlands, you will for Dutch tax purposes not carry on or be deemed to carry on an enterprise, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands by reason only of the execution and/or enforcement of the documents relating to the issue of ADSs or common shares or the performance by VEON Ltd. of its obligations under such documents or under the ADSs or common shares.

*Dividend withholding tax*General

VEON Ltd. is generally required to withhold Dutch dividend withholding tax at a rate of 15.0% from dividends distributed by VEON Ltd., subject to possible relief under Dutch domestic law, the Treaty on the Functioning of the European Union or an applicable Dutch income tax treaty depending on a particular holder of ADSs' or common shares individual circumstances.

The concept "dividends distributed by VEON Ltd." as used in this Dutch tax considerations paragraph includes, but is not limited to, the following:

- distributions in cash or in kind, deemed and constructive distributions and repayments of capital not recognized as paid-in for Dutch dividend withholding tax purposes;
- liquidation proceeds and proceeds of repurchase or redemption of ADSs or common shares in excess of the average capital recognized as paid-in for Dutch dividend withholding tax purposes;
- the par value of ADSs or common shares issued by VEON Ltd. to a holder of its ADSs or common shares or an increase of the par value of ADSs or common shares, as the case may be, to the extent that it does not appear that a contribution, recognized for Dutch dividend withholding tax purposes, has been made or will be made; and
- partial repayment of capital, recognized as paid-in for Dutch dividend withholding tax purposes, if and to the extent that there are net profits, unless (a) VEON Ltd.'s shareholders have resolved in advance to make such repayment and (b) the par value of the ADSs or common shares concerned has been reduced by an equal amount by way of an amendment to its memorandum of association.

*Gift and inheritance taxes*

No Dutch gift tax or Dutch inheritance tax will arise with respect to an acquisition or deemed acquisition of ADSs or common shares by way of gift by, or upon the death of, a holder of ADSs or common shares who is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax except if, in the event of a gift whilst not being a resident nor being a deemed resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, the holder of ADSs or common shares becomes a resident or a deemed resident in the Netherlands and dies within 180 days after the date of the gift.

For purposes of Dutch gift tax and Dutch inheritance tax, a gift of ADSs or common shares made under a condition precedent is deemed to be made at the time the condition precedent is satisfied.

**F. Dividends and Paying Agents**

Not required.

**G. Statement by Experts**

Not required.

**H. Documents on Display**

We file and submit reports and other information with the SEC. Any documents that we file and submit with the SEC may be read and copied at the SEC's public reference room at 100 F Street, NE, Washington, D.C. 20549. We file our annual reports on Form 20-F and submit our quarterly results and other current reports on Form 6-K.

In addition, the SEC maintains a website that contains information filed electronically, which can be accessed over the internet at <http://www.sec.gov>.

**I. Subsidiary Information**

Not required.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risk from adverse movements in foreign currency exchange rates and changes in interest rates on our obligations.

As of December 31, 2018, the largest currency exposure risks for our group were in relation to the Russian ruble, the Pakistani rupee, the Algerian dinar, the Bangladeshi taka, the Ukrainian hryvnia and the Uzbekistani som, because the majority of our cash flows from operating activities in Russia, Pakistan, Algeria, Bangladesh, Ukraine and Uzbekistan are denominated in each of these local currencies, respectively, while our debt, if not incurred in or hedged to the aforementioned currencies, is primarily denominated in U.S. dollars.

We hold approximately 53% of our cash and bank deposits in U.S. dollars in order to hedge against the risk of local currency devaluation.

To reduce balance sheet currency mismatches, we hold part of our debt in Russian ruble, Pakistani rupee and other currencies, as well as selectively enter into foreign exchange derivatives. Nonetheless, if the U.S. dollar value of the Bangladeshi taka, the Russian ruble, the Georgian lari, the Pakistani rupee, the Uzbekistani som,

the Algerian dinar, the Ukrainian hryvnia or the Kazakh tenge were to dramatically decline, it could negatively impact our ability to repay or refinance our U.S. dollar denominated indebtedness as well as could adversely affect our financial condition and results of operations.

In accordance with our policies, we do not enter into any treasury transactions of a speculative nature.

As of December 31, 2018, the interest rate risk on the financing of our group was limited as 91% of our group's total debt was fixed rate debt.

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For more information regarding our translation of foreign currency-denominated amounts into U.S. dollars and our exposure to adverse movements in foreign currency exchange rates, see *Item 5 — Operating and Financial Review — Factors Affecting Comparability,— Net Foreign Exchange (Loss)/Gain* and *Note 18 — Financial Risk Management* to our Audited Consolidated Financial Statements.

Our treasury function has developed risk management policies that establish guidelines for limiting foreign currency exchange rate risk. For more information on risks associated with currency exchange rates, see *Item 3.D. Risk Factors — Market Risks — "We are exposed to foreign currency exchange loss and currency fluctuation and translation risks."*

The following table summarizes information, as of December 31, 2018, regarding the maturity of the part of our debt for which the foreign exchange revaluation directly affects our reported profit or loss:

	Aggregate nominal amount of total debt denominated in foreign currency outstanding as of December 31,					Fair Value as of December 31,
	2018	2019	2020	2021	2022	2018
<b>Total debt:</b>						
Fixed Rate (US\$)	565	263	262	-	-	606
Average interest rate	8.3%	7.8%	7.7%	-	-	-
Fixed Rate (RUB)	2,051	2,051	1,645	661	-	2,408
Average interest rate	9.6%	9.6%	9.6%	9.5%	-	-
Variable Rate (US\$)	137	106	37	-	-	136
Average interest rate	4.4%	4.4%	4.4%	-	-	-
TOTAL	2,754	2,420	1,944	661	-	2,790

In accordance with our policies, we do not enter into any treasury management transactions of a speculative nature.

As of December 31, 2018, the variable interest rate risk on the financing of our group was limited as 91% of the group's total debt was fixed rate debt (taking into account the effect of interest rate swaps).

For more information on our market risks and financial risk management for derivatives and other financial instruments, see *Note 16 — Financial Assets and Liabilities* and *Note 18 — Financial Risk Management* to our Audited Consolidated Financial Statements.

## ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

### A. Debt Securities

Not required.

### B. Warrants and Rights

Not required.

### C. Other Securities

Not required.

### D. American Depositary Shares

#### *Fees Payable by our ADS holders*

The Bank of New York Mellon is the depositary for our ADSs. Our depositary collects its fees for delivery and surrender of ADSs directly from investors (or their intermediaries) depositing shares or surrendering ADSs for the purpose of withdrawal. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deductions from cash distributions or by billing investors or by charging the book-entry system accounts of participants acting for them. According to our amended and restated deposit agreement with our depositary, dated December 29, 2017, holders of our ADSs may have to pay our depositary, either directly or indirectly, fees or charges up to the amounts set forth in the table below.

For:	Persons depositing or withdrawing shares or ADS holders must pay to the depositary:
Issuance of ADRs, including issuances resulting from a distribution of our shares or rights or other property	US\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)
Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates	US\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)
Any cash distribution to ADS holders	US\$0.05 (or less) per ADS
Depositary service	US\$0.05 (or less) per ADS per calendar year
Distribution of securities distributed to holders of deposited securities that are distributed to ADS holders	A fee equivalent to the fee that would be payable if securities distributed had been shares and the shares had been deposited for ADS issuance
Transfer and registration of shares on our share register to or from the name of the depositary or its agent when a shareholder deposits or withdraws shares	Registration or transfer fees
Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)	Expenses of the depositary
Converting foreign currency to U.S. dollars	Expenses of the depositary
Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the ADS depositary or its agents for servicing the deposited securities	As necessary

#### ***Fees Payable by the Depositary to Us***

Our depositary has agreed to reimburse us or pay us for:

- certain maintenance costs for the ADS program, including expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile and telephone calls; and
- certain investor relationship programs or special investor relations promotional activities.

In certain instances, our depositary has agreed to provide additional payments to us based on changes in certain conditions relating to the ADS facility and to waive certain fees and expenses.

From January 1, 2018 to December 31, 2018, the depositary reimbursed us or paid on our behalf approximately US\$2.5 million for investor relationship programs or special investor relations promotional activities.



**PART II****ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

For a summary of the modifications made to our bye-laws in July 2018, see *Item 10B. Memorandum and Articles of Association*.

**ITEM 15. CONTROLS AND PROCEDURES*****Disclosure Controls and Procedures***

An evaluation was carried out under the supervision of and with the participation of our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 20-F. These disclosure controls and procedures include our Disclosure Review Committee’s review of the preparation of our Exchange Act reports. The Disclosure Review Committee also provides an additional verification of our disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon the evaluation, our CEO and CFO have concluded that as of December 31, 2018, our disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed by us in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

***Management’s Annual Report on Internal Control Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of VEON Ltd.’s published consolidated financial statements under generally accepted accounting principles.

There are inherent limitations to the effectiveness of any system of controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the company’s policies and procedures may deteriorate.

Our management has assessed the effectiveness of our company’s internal control over financial reporting as of December 31, 2018. In making its assessment, our management has utilized the criteria set forth in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and the Securities and Exchange Commission’s Guidance Regarding Management’s Report on Internal Control Over Financial Reporting Under Section 13(a) or 15(d) of the Exchange Act.

As a result of management’s assessment of our internal control over financial reporting as of December 31, 2018, management concluded that our internal control over financial reporting was effective.

***Attestation report Independent Registered Public Accounting Firm***

PricewaterhouseCoopers Accountants N.V. (“PwC”), VEON Ltd.’s independent registered public accounting firm, has audited and issued an attestation report on the effectiveness of VEON Ltd.’s internal controls over financial reporting as of December 31, 2018, a copy of which appears in Item 18.

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### Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting identified in connection with an evaluation thereof that occurred during the period covered by this Annual Report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## ITEM 16. [RESERVED]

### ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The board of directors has determined that Robert Jan van de Kraats, a member of our audit and risk committee, is a “financial expert,” as defined in Item 16A of Form 20-F. Mr. van de Kraats is “independent,” as defined in Rule 10A-3 under the Exchange Act. For a description of Mr. Kraats’s experience, see “*Item 6-Directors, Senior Management and Employees-A. Directors and Senior Management-Board of Directors- Robert Jan van de Kraats.*”

### ITEM 16B. CODE OF ETHICS

Our group-wide Code of Conduct (“Code”) applies to all VEON employees, officers and directors, including its principal executive officer, principal financial officer, and principal accounting officer or controller. The Code includes a code of ethics, as defined in Item 16B of Form 20-F under the Exchange Act. Our Code is available on our website at <http://www.veon.com> (information appearing on the website is not incorporated by reference into this Annual Report on Form 20-F). In 2018, we revised our Code to be more interactive (for employees) and written in a more clear, concise and user-friendly fashion. The fundamental nature of the new Code remains the same: aiming to deter wrongdoing and to promote honest and ethical conduct; full, fair, accurate, timely, and understandable disclosure; compliance with applicable laws, rules, and regulations; prompt internal reporting of violations of the Code; and accountability for adherence to the Code. We will disclose any further amendment to the provisions of the Code or any waiver, including any implicit waiver, that our board of directors may grant on our website at the same address.

### ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

PricewaterhouseCoopers Accountants N.V. have served as our independent public accountants for the fiscal years ended December 31, 2018 and December 31, 2017, for which audited financial statements appear in this Annual Report on Form 20-F. The following table presents the aggregate fees for professional services and other services rendered by PricewaterhouseCoopers Accountants N.V. and their member firms in 2018 and 2017.

	Year ended December 31,	
	2018	2017
	<i>(in millions of U.S. dollars)</i>	
Audit Fees	11.0	11.2
Audit-Related Fees	1.1	1.1
Tax Fees	—	—
All Other Fees	—	—
<b>Total</b>	<b>12.1</b>	<b>12.3</b>

#### Audit Fees

Audit Fees mainly consisted of fees for the audit of the consolidated financial statements as of and for the years ended December 31, 2018 and 2017, the review of quarterly consolidated financial statements and services provided in connection with regulatory and statutory filings, including comfort letters, consents and Sarbanes-Oxley Section 404 attestation services.

[Table of Contents](#)***Audit-Related Fees***

Audit-Related Fees are fees for assurance and related services which are reasonably related to the performance of audit or review and generally include audit and assurance services related to transactional offerings and reporting procedures and other agreed-upon services related to accounting and billing records.

***Tax Fees***

None.

***All Other Fees***

None.

***Audit Committee Pre-Approval Policies and Procedures***

The Sarbanes-Oxley Act of 2002 required VEON Ltd. to implement a pre-approval process for all engagements with its independent public accountants. In compliance with Sarbanes-Oxley requirements pertaining to auditor independence, VEON Ltd.'s audit and risk committee pre-approves the engagement terms and fees of VEON Ltd.'s independent public accountant for audit and non-audit services, including tax services. VEON Ltd.'s audit and risk committee pre-approved the engagement terms and fees of PricewaterhouseCoopers Accountants N.V. and its affiliates for all services performed for the fiscal year ended December 31, 2018.

**ITEM 16D. Exemptions from the Listing Standards for Audit Committees**

None.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASES**

None.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

None.

**ITEM 16G. CORPORATE GOVERNANCE**

We comply with the corporate governance rules applicable to foreign private issuers listed on the NASDAQ Global Select Market.

We are permitted to follow "home country practice" in Bermuda in lieu of the provisions of NASDAQ's corporate governance rules, except that we are required to: (1) have a qualifying audit committee under NASDAQ listing rule 5605(c)(3); (2) ensure that our audit committee's members meet the independence requirement under NASDAQ listing rule 5605(c)(2)(A)(ii); and (3) comply with the voting rights requirements under NASDAQ listing rule 5640.

In accordance with NASDAQ listing rule 5615(a)(3)(B), the following is a summary of the "home country practices" in Bermuda that we follow in lieu of the relevant NASDAQ listing rules.

***Disclosure of Third Party Director and Nominee Compensation***

NASDAQ listing rule 5250(b)(3) provides that each U.S. company listed on NASDAQ must disclose the material terms of all agreements and arrangements between any director or nominee for director, and any person or entity other than the company, relating to compensation or other payment in connection with such person's candidacy or service as a director of the company. As a foreign private issuer, we are exempt from complying with this NASDAQ requirement, and some of our directors have agreements with persons or entities other than the company.

[Table of Contents](#)***Director Independence***

NASDAQ listing rule 5605(b)(1) provides that each U.S. company listed on NASDAQ must have a majority of independent directors, as defined in the NASDAQ rules. Bermuda law does not require that we have a majority of independent directors. As a foreign private issuer, we are exempt from complying with this NASDAQ requirement. However, our board has determined that a majority of our directors are independent.

***Executive Sessions***

NASDAQ listing rule 5605(b)(2) requires that the independent directors, as defined in the NASDAQ rules, of a U.S. company listed on the NASDAQ Global Select Market meet at regularly scheduled executive sessions at which only such independent directors are present. Bermuda law does not impose any such requirement on VEON Ltd. As a foreign private issuer, we are exempt from complying with this NASDAQ requirement and our internal corporate governance rules and procedures do not currently require independent directors to meet at regularly scheduled executive sessions.

From time to time, however, the board has requested that management not be present for portions of board meetings in order to allow the board to serve as a more effective check on management.

***Independent Director Oversight of Director Nominations***

NASDAQ rule 5605(e)(1) requires that director nominees of U.S. listed companies are selected, or recommended for the board's selection, either by (1) a majority of the board's independent directors, as defined in the NASDAQ rules, in a vote in which only such independent directors participate or (2) a nominations committee composed solely of independent directors, as defined in the NASDAQ rules. Bermuda law does not impose any such requirement on VEON Ltd. As a foreign private issuer, we are exempt from complying with the NASDAQ requirement regarding independent director oversight of director nominations. Our nominating and corporate governance committee is responsible for identifying and selecting candidates to serve as directors.

***Compensation Committee***

NASDAQ rule 5605(d)(2) requires that U.S. listed companies have a compensation committee with at least two members and composed entirely of independent directors, as defined in the NASDAQ rules. In addition, the NASDAQ rules require a U.S. listed company's compensation committee to have a charter that meets the requirements of rule 5605(d)(1) and the responsibilities and authorities listed in rule 5605(d)(3). Bermuda law does not impose any such requirements on VEON Ltd. As a foreign private issuer, we are exempt from complying with the NASDAQ requirements described in this paragraph. However, our board of directors has established a compensation committee, which currently comprises three directors and acts in an advisory capacity to our board of directors with respect to compensation issues. The compensation committee is responsible for approving the compensation of the directors, officers and employees of VEON Ltd. and its subsidiaries, our employee benefit plans, any equity compensation plans of VEON Ltd. and its subsidiaries, and any contract relating to a director, officer or shareholder of VEON Ltd or any of our subsidiaries or their respective family members or affiliates.

Our internal corporate governance rules and procedures do not require us to have independent directors (as defined under NASDAQ rules) on our compensation committee. We believe the structure and responsibilities of our compensation committee are adequate to ensure that appropriate incentives are in place for our officers and employees, and the current members of our compensation committee are not officers or employees of VEON Ltd.

***Audit Committee***

NASDAQ rule 5605(c)(2)(A) requires that U.S. listed companies have an audit committee composed of at least three members, each of whom is an independent director, as defined in the NASDAQ rules. Bermuda law does not impose any such requirement on VEON Ltd. As a foreign private issuer, we are exempt from complying with the NASDAQ requirement to have an audit committee with at least three members. However, our audit and risk committee currently comprises three directors, all of whom meet the criteria for independence set forth in Rule 10A-3 under the Exchange Act. The audit and risk committee is primarily responsible for the appointment, compensation, retention and oversight of the auditors, establishing procedures for addressing complaints related to accounting or audit matters and engaging necessary advisors.

***Equity Compensation Plans***

NASDAQ rule 5635(c) requires that U.S. listed companies give shareholders an opportunity to vote on all stock option or other equity compensation plans and material amendments thereto (with specific exceptions). Bermuda law does not impose

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any such requirement on VEON Ltd. As a foreign private issuer, we are exempt from complying with this NASDAQ requirement, and no equity compensation plans have been submitted for approval by our shareholders.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not required.

[Table of Contents](#)**PART III****ITEM 17. FINANCIAL STATEMENTS**

We have responded to Item 18 in lieu of this Item.

**ITEM 18. FINANCIAL STATEMENTS**

The financial information required by this item, together with the report of PricewaterhouseCoopers Accountants N.V., is set forth on pages F-1 through F-68.

[Table of Contents](#)**ITEM 19. Exhibits**

Number	Description of Exhibit	Incorporated by Reference			Exhibit	Date	Filed Herewith
		Form	File No.				
1.1	<a href="#">Bye-laws of VEON Ltd., Amended and Restated July 30, 2018</a>						*
1.2	<a href="#">Certificate of Incorporation, as amended, and Memorandum of Association Form of Deposit Agreement (common shares), as amended, between VEON Ltd. and The Bank of New York Mellon, as depositary</a>	20-F	001-34694		1.2	4/03/2017	
2.1	<a href="#">Registration Rights Agreement, dated as October 4, 2009, between and among VimpelCom Ltd., Eco Telecom Limited, Altimo Holdings &amp; Investments Ltd., Altimo Coöperatief U.A., Telenor Mobile Communications AS and Telenor East Invest AS</a>	F-6	333-164781		1	12/22/2017	
2.2	<a href="#">Assignment, Assumption and Amendment Agreement to the Registration Rights Agreement, dated as of November 27, 2013, by and among VimpelCom Ltd., Altimo Holdings &amp; Investments Ltd., Altimo Coöperatief U.A., Telenor Mobile Communications AS, Telenor East Invest AS and Telenor East Holding II AS</a>	F-4	333-164770		2.3	2/8/2010	
2.3	<a href="#">Assignment, Assumption and Second Amendment Agreement to the Registration Rights Agreement, dated as of September 21, 2016, by and among VimpelCom Ltd., Altimo Holdings &amp; Investments Ltd., Altimo Coöperatief U.A., Letterone Investment Holdings S.A., LIT VIP Holdings S.à r.l., Telenor Mobile Communications AS and Telenor East Holding II AS</a>	13D	005-85442		99.1	12/5/2013	
2.4	<a href="#">Registration Rights Agreement, dated as of September 21, 2016, by and among VimpelCom Ltd., Telenor East Holding and Morgan Stanley &amp; Co. International plc, J.P. Morgan Securities plc, Citigroup Global Markets Limited and Credit Suisse Securities (Europe) Limited</a>	6-K	001-34694		4.1	9/26/2016	
2.5	<a href="#">Multicurrency Term and Revolving Facilities Agreement, dated as of February 16, 2017, by and among, inter alios, VimpelCom Holdings B.V. and Citibank Europe plc, UK Branch</a>	6-K	001-34694		4.1	9/22/2016	
2.6	<a href="#">Form of Indemnification Agreement</a>	20-F	001-34694		2.6	4/03/2017	
4.1	<a href="#">Executive Investment Plan</a>	20-F	001-34694		4.3	6/30/2011	
4.2	<a href="#">Director Investment Plan</a>	S-8	333-180368		4.3	3/27/2012	
4.3	<a href="#">Vimpelcom 2010 Stock Option Plan</a>	S-8	333-183294		4.3	8/14/2012	
4.4	<a href="#">VimpelCom 2000 Stock Option Plan</a>	S-8	333-166315		4.3	4/27/2010	
4.5	<a href="#">Sale and purchase agreement, dated July 3, 2018, by and among VEON Luxembourg Holdings, VEON Luxembourg Finance Holdings S.à R.L., VEON Ltd., Hutchison Europe Telecommunications S.à R.L., CK Hutchison Holdings Limited, VIP-CKH Luxembourg S.à R.L., VIP-CKH Ireland Limited, VEON Amsterdam B.V., and HET Investments, in connection with VEON Ltd.'s sale of its 50% equity stake in Wind Tre to CK Hutchison Holdings Ltd.</a>	S-8	333-166315		4.4	4/27/2010	
4.6	<a href="#">List of Significant Subsidiaries</a>						*
8	<a href="#">Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 15 U.S.C. Section 7241</a>						*
12.1	<a href="#">Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 15 U.S.C. Section 7241</a>						*
12.2	<a href="#">Certification of CEO and CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350</a>						*
13.1							*

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15.1	<a href="#">Consent of PricewaterhouseCoopers Accountants N.V. (VEON Ltd.)</a>	*
99.1	<a href="#">Glossary of Telecommunications Terms</a>	*
99.2	<a href="#">Regulation of Telecommunications</a>	*
101.INS	XBRL Instance Document <sup>(2)</sup>	*
101.SCH	XBRL Taxonomy Extension Schema <sup>(2)</sup>	*
101.CAL	XBRL Taxonomy Extension Scheme Calculation Linkbase <sup>(2)</sup>	*
101.DEF	XBRL Taxonomy Extension Scheme Definition Linkbase <sup>(2)</sup>	*
101.LAB	XBRL Taxonomy Extension Scheme Label Linkbase <sup>(2)</sup>	*
101.PRE	XBRL Taxonomy Extension Scheme Presentation Linkbase <sup>(2)</sup>	*

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(1) The following materials from the our Annual Report on Form 20-F for the year ended December 31, 2018, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated income statement for the year ended December 31, 2018, 2017 and 2016; (ii) Consolidated statement of comprehensive income for the year ended December 31, 2018, 2017 and 2016; (iii) Consolidated statement of financial position for the year ended December 31, 2018, 2017 and 2016; (iv) Consolidated statement of changes in equity for the year ended December 31, 2018, 2017 and 2016; (v) Consolidated statement of cash flows for the year ended December 31, 2018, 2017 and 2016; and (vi) Notes to consolidated financial statements. Users of this data are advised, in accordance with Rule 406T of Regulation S-T promulgated by the SEC, that this Interactive Data File is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

VEON Ltd. has not filed as exhibits instruments relating to long-term debt, under which the total amount of securities authorized does not exceed 10% of the total assets of VEON Ltd. and its subsidiaries on a consolidated basis. VEON Ltd. agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.



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The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on Form 20-F on its behalf.

VEON LTD.

By: /s/ Ursula M. Burns

Name: Ursula M. Burns

Title: Chairman of the Board and Chief Executive Officer

Date: March 14, 2019

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Consolidated financial statements

**VEON Ltd.**  
As of December 31, 2018 and  
for the three years then ended

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## Report Of Independent Registered Public Accounting Firm

To: the Board of Directors and Shareholders of VEON Ltd.

### *Opinions on the Financial Statements and Internal Control over Financial Reporting*

We have audited the accompanying consolidated statements of financial position of VEON Ltd. and its subsidiaries (“the Company”) as of December 31, 2018 and 2017, and the related consolidated income statement, statement of comprehensive income, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of their operation and their cash flows for each of the three years in the period ended December 31, 2018 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### *Basis for Opinions*

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control Over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### *Definition and Limitations of Internal Control over Financial Reporting*

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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## Report Of Independent Registered Public Accounting Firm

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ F.P. Izeboud RA, CPA

PricewaterhouseCoopers Accountants N.V.

Amsterdam, the Netherlands

March 14, 2019

We have served as the Company's auditor since 2014.

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for the years ended December 31

	Note	2018	2017*	2016*
<i>(In millions of U.S. dollars, except per share amounts)</i>				
Service revenue		8,526	9,105	8,553
Sale of equipment and accessories		427	244	184
Other revenue		133	125	148
<b>Total operating revenue</b>	3	<b>9,086</b>	<b>9,474</b>	<b>8,885</b>
Service costs		(1,701)	(1,879)	(1,769)
Cost of equipment and accessories		(415)	(260)	(216)
Selling, general and administrative expenses	4	(3,697)	(3,748)	(3,668)
Depreciation	12	(1,339)	(1,491)	(1,439)
Amortization	13	(495)	(537)	(497)
Impairment (loss) / reversal	11	(858)	(66)	(192)
Gain / (loss) on disposal of non-current assets		(57)	(26)	(20)
Gain / (loss) on disposal of subsidiaries	15	30	—	—
<b>Total operating expenses</b>		<b>(8,532)</b>	<b>(8,007)</b>	<b>(7,801)</b>
<b>Operating profit</b>		<b>554</b>	<b>1,467</b>	<b>1,084</b>
Finance costs		(816)	(935)	(830)
Finance income		67	95	69
Other non-operating gain / (loss), net	5	(68)	(97)	(82)
Share of profit / (loss) of joint ventures and associates		—	(22)	(11)
Impairment of joint ventures and associates		—	(110)	(99)
Net foreign exchange gain / (loss)		15	(70)	157
<b>Profit / (loss) before tax from continuing operations</b>		<b>(248)</b>	<b>328</b>	<b>288</b>
Income tax expense	9	(369)	(472)	(635)
<b>Profit / (loss) for the period from continuing operations</b>		<b>(617)</b>	<b>(144)</b>	<b>(347)</b>
Profit / (loss) after tax from discontinued operations	10	(300)	(390)	979
Gain / (loss) on disposal of discontinued operations	10	1,279	—	1,788
<b>Profit for the period from discontinued operations</b>		<b>979</b>	<b>(390)</b>	<b>2,767</b>
<b>Profit / (loss) for the period</b>		<b>362</b>	<b>(534)</b>	<b>2,420</b>
<b>Attributable to:</b>				
The owners of the parent (continuing operations)		(397)	(115)	(439)
The owners of the parent (discontinued operations)		979	(390)	2,767
Non-controlling interest		(220)	(29)	92
		<b>362</b>	<b>(534)</b>	<b>2,420</b>
<b>Basic and diluted gain / (loss) per share attributable to ordinary equity holders of the parent:</b>				
From continuing operations	20	(\$0.23)	(\$0.07)	(\$0.25)
From discontinued operations	20	\$0.56	(\$0.22)	\$1.58
<b>Total</b>	20	<b>\$0.33</b>	<b>(\$0.29)</b>	<b>\$1.33</b>

\* Prior year comparatives are restated following the classification of Italy Joint Venture as a discontinued operation and retrospective recognition of depreciation charges in respect of Deodor (see Note 10).

[Table of Contents](#)**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the years ended December 31

	Note	2018	2017*	2016*
<i>(In millions of U.S. dollars)</i>				
<b>Profit / (loss) for the period</b>		<b>362</b>	<b>(534)</b>	<b>2,420</b>
<i>Items that may be reclassified to profit or loss</i>				
Share of other comprehensive loss of joint ventures	10	(18)	(12)	—
Foreign currency translation		(819)	(637)	85
Other		(2)	(7)	13
<i>Items reclassified to profit or loss</i>				
Accumulated share of other comprehensive income / (loss) of Italy Joint Venture	10	31	—	—
Accumulated foreign currency translation reserve	10	(79)	—	(259)
Accumulated cash flow hedge reserve		—	—	53
<b>Other comprehensive income / (loss) for the period, net of tax</b>		<b>(887)</b>	<b>(656)</b>	<b>(108)</b>
<b>Total comprehensive income / (loss) for the period, net of tax</b>		<b>(525)</b>	<b>(1,190)</b>	<b>2,312</b>
<b>Attributable to:</b>				
The owners of the parent		(138)	(1,081)	2,233
Non-controlling interests		(387)	(109)	(79)
		<b>(525)</b>	<b>(1,190)</b>	<b>2,312</b>

\* Prior year comparatives are restated following the retrospective recognition of depreciation charges in respect of Deodar (see Note 10).

[Table of Contents](#)**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as of December 31

	Note	2018	2017*
<i>(In millions of U.S. dollars)</i>			
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	12	4,932	6,237
Intangible assets	13	1,854	2,168
Goodwill	14	3,816	4,618
Investments in joint ventures and associates		—	1,921
Deferred tax assets	9	197	336
Other assets	7	193	263
<b>Total non-current assets</b>		<b>10,992</b>	<b>15,543</b>
<b>Current assets</b>			
Inventories		141	72
Trade and other receivables	6	577	755
Other financial assets	16	88	1,130
Other assets	7	479	648
Cash and cash equivalents	17	1,808	1,314
<b>Total current assets</b>		<b>3,093</b>	<b>3,919</b>
Assets classified as held for sale		17	22
<b>Total assets</b>		<b>14,102</b>	<b>19,484</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity attributable to equity owners of the parent	19	3,670	4,331
Non-controlling interests		(891)	(441)
<b>Total equity</b>		<b>2,779</b>	<b>3,890</b>
<b>Non-current liabilities</b>			
Financial liabilities	16	6,567	10,362
Provisions	8	110	123
Deferred tax liabilities	9	180	376
Other liabilities	7	53	83
<b>Total non-current liabilities</b>		<b>6,910</b>	<b>10,944</b>
<b>Current liabilities</b>			
Trade and other payables		1,432	1,544
Other financial liabilities	16	1,289	1,268
Provisions	8	398	422
Other liabilities	7	1,290	1,401
<b>Total current liabilities</b>		<b>4,409</b>	<b>4,635</b>
Liabilities associated with assets held for sale		4	15
<b>Total equity and liabilities</b>		<b>14,102</b>	<b>19,484</b>

\* Prior year comparatives are restated following the retrospective reversal of reclassification of Deodar assets and liabilities as held for sale and retrospective recognition of depreciation charges in respect of Deodar (see Note 10).



[Table of Contents](#)**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the year ended December 31, 2018

(In millions of U.S. dollars)	Note	Number of shares outstanding	Attributable to equity owners of the parent					Non-controlling interests	Total equity	
			Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit	Foreign currency translation			Total
As of December 31, 2017*		1,749,127,404	2	12,753	729	(1,486)	(7,667)	4,331	(441)	3,890
Adjustments arising due to new accounting standards	25	—	—	—	—	46	—	46	11	57
As of January 1, 2018		1,749,127,404	2	12,753	729	(1,440)	(7,667)	4,377	(430)	3,947
Profit / (loss) for the period		—	—	—	—	582	—	582	(220)	362
Other comprehensive income / (loss)		—	—	—	11	5	(736)	(720)	(167)	(887)
Total comprehensive income / (loss)		—	—	—	11	587	(736)	(138)	(387)	(525)
Dividends declared	21	—	—	—	—	(509)	—	(509)	(93)	(602)
Other		—	—	—	3	(50)	(13)	(60)	19	(41)
As of December 31, 2018		1,749,127,404	2	12,753	743	(1,412)	(8,416)	3,670	(891)	2,779

for the year ended December 31, 2017

(In millions of U.S. dollars)	Note	Number of shares outstanding	Attributable to equity owners of the parent					Non- controlling interests	Total equity	
			Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit	Foreign currency translation			
As of January 1, 2017		1,749,004,648	2	12,753	753	(439)	(7,109)	5,960	83	6,043
Loss for the period *		—	—	—	—	(505)	—	(505)	(29)	(534)
Other comprehensive loss		—	—	—	(18)	—	(558)	(576)	(80)	(656)
Total comprehensive loss		—	—	—	(18)	(505)	(558)	(1,081)	(109)	(1,190)
Dividends declared	21	—	—	—	—	(536)	—	(536)	(168)	(704)
Share-based payment transactions		122,756	—	—	—	—	—	—	—	—
Changes in ownership interest in a subsidiary that do not result in a loss of control	15	—	—	—	(12)	—	—	(12)	(247)	(259)
Reallocation to legal reserve in Algeria		—	—	—	6	(6)	—	—	—	—
As of December 31, 2017*		1,749,127,404	2	12,753	729	(1,486)	(7,667)	4,331	(441)	3,890

\* Prior year comparatives are restated following the retrospective recognition of depreciation charges in respect of Deodar (see Note 10).

[Table of Contents](#)**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the year ended December 31, 2016

(In millions of U.S. dollars, except for share amounts)	Note	Number of shares outstanding	Attributable to equity owners of the parent						Non- controlling interests	Total equity
			Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit	Foreign currency translation	Total		
<b>As at January 1, 2016</b>		<b>1,749,004,648</b>	<b>2</b>	<b>12,753</b>	<b>667</b>	<b>(2,706)</b>	<b>(6,951)</b>	<b>3,765</b>	<b>129</b>	<b>3,894</b>
Profit / (loss) for the period		—	—	—	—	2,328	—	2,328	92	2,420
Other comprehensive income		—	—	—	63	—	(158)	(95)	(13)	(108)
<b>Total comprehensive income</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>63</b>	<b>2,328</b>	<b>(158)</b>	<b>2,233</b>	<b>79</b>	<b>2,312</b>
Dividends declared	21	—	—	—	—	(61)	—	(61)	(106)	(167)
Changes in ownership interest in a subsidiary that do not result in a loss of control	15	—	—	—	23	—	—	23	(19)	4
<b>As at December 31, 2016</b>		<b>1,749,004,648</b>	<b>2</b>	<b>12,753</b>	<b>753</b>	<b>(439)</b>	<b>(7,109)</b>	<b>5,960</b>	<b>83</b>	<b>6,043</b>

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## CONSOLIDATED STATEMENT OF CASH FLOWS

for the years ended December 31

(In millions of U.S. dollars)		Note	2018	2017*	2016*
<b>Operating activities</b>					
Profit / (loss) before tax from continuing operations			(248)	328	288
<i>Non-cash adjustments to reconcile profit before tax to net cash flows:</i>					
Depreciation, amortization and impairment loss / (reversal)			2,692	2,094	2,128
(Gain) / loss on disposal of non-current assets			57	26	20
(Gain) / loss on disposal of subsidiaries	15		(30)	—	—
Finance income			(67)	(95)	(69)
Finance costs			816	935	830
Other non-operating (gain) / loss, net	5		68	97	82
Share of loss and impairment of joint ventures and associates	10		—	132	110
Net foreign exchange (gain) / loss			(15)	70	(157)
Changes in trade and other receivables and prepayments			96	(168)	(129)
Changes in inventories			(88)	54	(13)
Changes in trade and other payables			274	311	(107)
Changes in provisions and pensions			40	(119)	(645)
Interest paid	16		(736)	(834)	(789)
Interest received			60	89	63
Income tax paid	9		(404)	(445)	(420)
Net cash flows from operating activities of discontinued operations			—	—	683
<b>Net cash flows from operating activities</b>			<b>2,515</b>	<b>2,475</b>	<b>1,875</b>
<b>Investing activities</b>					
Purchase of property and equipment and intangible assets			(1,948)	(2,037)	(1,651)
Proceeds from sale of property and equipment and intangible assets			17	8	15
Proceeds from sale of Italy Joint Venture	10		2,830	—	—
Receipts from / (payment on) deposits	16		1,034	(898)	19
Receipts from / (investment in) financial assets			62	(101)	(87)
Acquisition of subsidiaries, net of cash acquired			—	—	7
Proceeds from sale of shares in subsidiaries, net of cash disposed			2	12	(325)
Net cash flows from investing activities of discontinued operations			—	—	(649)
<b>Net cash flows from / (used in) investing activities</b>			<b>1,997</b>	<b>(3,016)</b>	<b>(2,671 )</b>
<b>Financing activities</b>					
Acquisition of non-controlling interest			—	(259)	(5)
Proceeds from borrowings, net of fees paid **	16		807	6,193	1,882
Repayment of borrowings	16		(4,122)	(5,948)	(1,816)
Dividends paid to owners of the parent	21		(508)	(518)	(61)
Dividends paid to non-controlling interests	21		(93)	(201)	(106)
Net cash flows from financing activities of discontinued operations			—	—	(20)
<b>Net cash flows from / (used in) financing activities</b>			<b>(3,916 )</b>	<b>(733)</b>	<b>(126)</b>
Net increase / (decrease) in cash and cash equivalents			596	(1,274)	(922)
Net foreign exchange difference			(119)	(354)	(64)
Classified as held for sale at the beginning of period			—	—	314
Classified as held for sale at the end of the period			—	—	—
Cash and cash equivalents at beginning of period			1,314	2,942	3,614
<b>Cash and cash equivalents at end of period, net of overdraft</b>	17		<b>1,791</b>	<b>1,314</b>	<b>2,942</b>

\* Prior year comparatives are restated following the classification of Italy Joint Venture as a discontinued operation and retrospective recognition of depreciation charges in respect of Deodor (see Note 10).

\*\* Fees paid for borrowings were US\$64 (2017: US\$56, 2016: US\$31)

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## GENERAL INFORMATION ABOUT THE GROUP

### 1 General information

VEON Ltd. (“**VEON**”, the “**Company**”, and together with its consolidated subsidiaries, the “**Group**” or “**we**”) was incorporated in Bermuda on June 5, 2009. The registered office of VEON is Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda. VEON’s headquarters and the principal place of business are located at Claude Debussylaan 88, 1082 MD Amsterdam, the Netherlands.

VEON’s ADSs are listed on the NASDAQ Global Select Market and VEON’s common shares are listed on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V. (“**Euronext Amsterdam**”).

VEON earns revenues by providing voice and data telecommunication services through a range of mobile and fixed-line technologies. As of December 31, 2018, the Company operated telecommunications services in Russia, Pakistan, Algeria, Bangladesh, Ukraine, Uzbekistan, Kazakhstan, Armenia, Georgia and Kyrgyzstan. During 2018, VEON sold its operations in Tajikistan and Laos (see Note 15), as well as its 50% share in the Italy Joint Venture (see Note 10).

The consolidated financial statements were authorized by the Board of Directors for issuance on March 14, 2019. The Company has the ability to amend and reissue the consolidated financial statements.

The consolidated financial statements are presented in United States dollars (“**U.S. dollar**” or “**US\$**”). In these Notes, U.S. dollar amounts are presented in millions, except for share and per share (or American Depositary Shares (“**ADS**”)) amounts and as otherwise indicated.

In these Notes to the consolidated financial statements, prior year comparatives are restated following the retrospective reversal of reclassification of Deodar assets and liabilities as held for sale and retrospective recognition of depreciation charges in respect of Deodar assets (see Note 10). In addition, the Italy Joint Venture was classified as a discontinued operation during the year, resulting in the reclassification of share of profit / (loss) of the Italy Joint Venture to ‘Profit / (loss) after tax from discontinued operations’ for the current and comparative periods.

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## OPERATING ACTIVITIES OF THE GROUP

### 2 SEGMENT INFORMATION

Management analyzes the Company's operating segments separately because of different economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies. Management does not analyze assets or liabilities by reportable segments.

Management evaluates the performance of the Company's segments on a regular basis, primarily based on earnings before interest, tax, depreciation, amortization, impairment, gain / loss on disposals of non-current assets, other non-operating gains / losses and share of profit / loss of joint ventures and associates ("Adjusted EBITDA") along with assessing the capital expenditures excluding certain costs such as those for telecommunication licenses ("Capital expenditures").

As of December 31, 2018, the Italy Joint Venture is no longer a reportable segment, due to its classification as a discontinued operation in June 2018 and subsequent sale.

Financial information by reportable segment for the periods ended December 31 is presented in the following tables. Inter-segment transactions between operating segments are made on terms which are comparable to transactions with third parties.

Revenue	External customers			Inter-segment			Total revenue		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Russia	4,632	4,698	4,059	22	31	38	4,654	4,729	4,097
Pakistan	1,481	1,525	1,293	13	—	2	1,494	1,525	1,295
Algeria	810	914	1,040	3	1	—	813	915	1,040
Bangladesh	521	574	621	—	—	—	521	574	621
Ukraine	663	600	566	25	22	20	688	622	586
Uzbekistan	314	513	662	1	—	1	315	513	663
HQ	—	—	10	—	—	—	—	—	10
Others	665	650	634	(64)	(54)	(61)	601	596	573
<b>Total segments</b>	<b>9,086</b>	<b>9,474</b>	<b>8,885</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>9,086</b>	<b>9,474</b>	<b>8,885</b>

Other disclosures	Adjusted EBITDA			Capital expenditures excluding licenses		
	2018	2017	2016	2018	2017*	2016*
Russia	1,677	1,788	1,574	742	667	643
Pakistan	714	703	507	199	240	215
Algeria	363	426	547	107	132	165
Bangladesh	183	233	267	93	101	137
Ukraine	387	347	306	115	98	104
Uzbekistan	136	261	395	39	63	174
HQ	(357)	(325)	(421)	11	31	24
Other	170	154	57	109	128	130
<b>Total segments</b>	<b>3,273</b>	<b>3,587</b>	<b>3,232</b>	<b>1,415</b>	<b>1,460</b>	<b>1,592</b>

\* Prior period comparatives have been restated to exclude certain costs, such as cost to acquire telecommunication licenses.

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The following table provides the reconciliation of consolidated Adjusted EBITDA to consolidated income statement before tax for the years ended December 31:

	2018	2017*	2016*
<b>Total Segments Adjusted EBITDA</b>	<b>3,273</b>	<b>3,587</b>	<b>3,232</b>
Depreciation	(1,339)	(1,491)	(1,439)
Amortization	(495)	(537)	(497)
Impairment (loss) / reversal	(858)	(66)	(192)
Gain / (loss) on disposal of non-current assets	(57)	(26)	(20)
Gain / (loss) on sale of subsidiaries	30	—	—
Finance costs	(816)	(935)	(830)
Finance income	67	95	69
Other non-operating gain / (loss), net	(68)	(97)	(82)
Share of loss of joint ventures and associates	—	(22)	(11)
Impairment of joint ventures and associates	—	(110)	(99)
Net foreign exchange gain / (loss)	15	(70)	157
<b>Profit / (loss) before tax from continuing operations</b>	<b>(248)</b>	<b>328</b>	<b>288</b>

#### Geographical information of non-current assets

The total of non-current assets (other than financial instruments, investments in subsidiaries and deferred tax assets, which are included in Other, along with consolidation eliminations), broken down by location of the assets, is shown in the following tables:

	2018	2017
Russia	4,794	5,969
Pakistan	1,661	2,270
Algeria	1,890	2,151
Bangladesh	773	988
Ukraine	748	552
Uzbekistan	211	213
HQ	17	55
Other	898	3,345
<b>Total segments</b>	<b>10,992</b>	<b>15,543</b>

### 3 OPERATING REVENUE

VEON generates revenue from providing voice, data and other telecommunication services through a range of wireless, fixed and broadband Internet services, as well as selling equipment and accessories. Products and services may be sold separately or in bundled packages.

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in Note 25. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

#### Revenue from contracts with customers

The following table provides a breakdown of revenue from contracts with customers by mobile and fixed line for the years ended December 31:

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	Mobile			Fixed line			Total revenue		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Russia	4,085	4,053	3,430	569	676	667	4,654	4,729	4,097
Pakistan	1,494	1,525	1,295	—	—	—	1,494	1,525	1,295
Algeria	813	915	1,040	—	—	—	813	915	1,040
Bangladesh	521	574	621	—	—	—	521	574	621
Ukraine	644	581	545	44	41	41	688	622	586
Uzbekistan	313	510	659	2	3	4	315	513	663
HQ	—	—	—	—	—	10	—	—	10
Others	496	530	499	105	66	74	601	596	573
<b>Total segments</b>	<b>8,366</b>	<b>8,688</b>	<b>8,089</b>	<b>720</b>	<b>786</b>	<b>796</b>	<b>9,086</b>	<b>9,474</b>	<b>8,885</b>

**Assets and liabilities arising from contracts with customers**

The following table provides a breakdown of contract balances and capitalized customer acquisition costs.

	December 31, 2018	January 1, 2018
<b>Contract balances</b>		
Receivables (billed)	673	780
Contract assets (unbilled)	43	18
Contract liabilities	(161)	(157)
<b>Capitalized costs</b>		
Customer acquisition costs	83	93

**ACCOUNTING POLICIES**

The following accounting policies have been applied with effect from January 1, 2018, see Note 25 for further details.

**Revenue from contracts with customers**Service revenue

Service revenue includes revenue from airtime charges from contract and prepaid customers, monthly contract fees, interconnect revenue, roaming charges and charges for value added services ("VAS"). VAS includes short messages, multimedia messages, caller number identification, call waiting, data transmission, mobile internet, downloadable content, mobile finance services, machine-to-machine and other services. The content revenue relating to VAS is presented net of related costs when the Company acts as an agent of the content providers and gross when the Company acts as the primary obligor of the transaction.

Revenue for services with a fixed term, including fixed-term tariff plans and monthly subscriptions, is generally recognized over time, on a straight-line basis. For pay-as-you-use plans, in which the customer is charged based on actual usage, revenue is recognized over time, on a usage basis. Some tariff plans allow customers to rollover unused services to the following period. For these tariff plans, revenue is generally recognized over time, on a usage basis.

For contracts which include multiple service components (such as voice, text, data), revenue is allocated based on stand-alone selling price. The stand-alone selling price for these services is determined with reference the price charged per service under a pay-as-you-use plan to similar customers.

Upfront fees, including activation or connection fees, are recognized on a straight-line basis over the contract term. For contracts with an indefinite term (generally prepaid contracts), revenue from upfront fees is recognized over the average customer life.

Revenue from other operators, including interconnect and roaming charges, is recognized based on the price specified in the contract, net of any estimated retrospective volume discounts. Accumulated experience is used to estimate and provide for the discounts.

All service revenue is recognized over time.

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Sale of equipment and accessories

Equipment and accessories are usually sold to customers on a stand-alone basis or together with service bundles. Where sold together with service bundles, revenue is allocated pro-rata, based on the stand-alone selling price of the equipment and the service bundle.

Revenue for mobile handsets and accessories is recognized when the equipment is sold to a network customer, or, if sold via an intermediary, when the intermediary has taken control of the device and the intermediary has no remaining right of return. Revenue for fixed-line equipment is not recognized until installation and testing of such equipment are completed and the equipment is accepted by the customer.

All revenue from sale of equipment and accessories is recognized at a point in time.

**Contract balances**

Receivables and contracts assets mostly relate to amounts due from other operators and postpaid customers. Contract assets, often referred to as 'Accrued receivables' are transferred to receivables when the rights become unconditional, which usually occurs when the Group issues an invoice to the customer.

Contract liabilities, often referred to as 'Deferred revenue', relate primarily to non-refundable cash received from prepaid customers for fixed-term tariff plans or pay-as-you-use tariff plans. Contract liabilities are presented as 'Long-term deferred revenue' and 'Short-term deferred revenue' in Note 7. All 'Short-term deferred revenue' amounts outstanding at the beginning of the year have been recognized as revenue during the year.

**Customer acquisition costs**

Certain incremental costs incurred in acquiring a contract with a customer ("customer acquisition costs"), are deferred in the consolidated statement of financial position, within 'Other assets' (see Note 7). Such costs generally relate to commissions paid to third-party dealers and are amortized on a straight-line basis over the average customer life, within 'Selling, general and administrative expenses'.

The Group applies the practical expedient available for customer acquisition costs for which the amortization would have been shorter than 12 months. Such costs relate primarily to commissions paid to third-party dealers upon top-up of prepaid credit by customers and sale of top-up cards.

**SOURCE OF ESTIMATION UNCERTAINTY**
**Average customer life**

Management estimates the average customer life for revenue (such as upfront fees) from contracts with an indefinite term and for customer acquisition costs. The average customer life is calculated based on historical data, specifically churn rates for different customer segments (such as mobile and fixed line, prepaid and postpaid).

**4 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Selling, general and administrative expenses consisted of the following items for the years ended December 31:

	2018	2017	2016
Network and IT costs	1,176	1,185	1,043
Personnel costs	889	927	775
Customer associated costs	867	893	822
Losses on receivables	62	59	58
Taxes, other than income taxes	217	219	244
Other	486	465	726
<b>Total selling, general and administrative expenses</b>	<b>3,697</b>	<b>3,748</b>	<b>3,668</b>

Included within "Other" for the year ended December 31, 2017, is a reduction of US\$106 following the amendment of an agreement with a vendor, which resulted in certain payments to the Company.

**OPERATING LEASES**

Total operating lease expense recognized in the consolidated income statement amounted to US\$425 (2017: US\$444, 2016: US\$408).

Operating lease commitments mainly relate to the lease of base station sites and office spaces. Operating leases can be renewed but may be subject to renegotiations with lessors.

Operating lease commitments are as follows as of December 31:

	2018	2017
Less than 1 year	102	70
Between 1 and 3 years	211	151
Between 3 and 5 years	139	78
More than 5 years	180	167
<b>Total commitments</b>	<b>632</b>	<b>466</b>

**ACCOUNTING POLICIES**



**Customer associated costs**

Customer associated costs relate primarily to commissions paid to third-party dealers and marketing expenses. Certain dealer commissions are initially capitalized in the consolidated statement of financial position, see Note 3 for further details.

**Operating leases**

The following accounting policy has been applied for the Group for the current and comparative years. Refer to Note 25 for details regarding changes made to accounting for leases and impact for the Group in future years.

The rental payable under operating leases is recognized as an operating lease expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of VEON's benefit. No asset is capitalized. If the periodic payments or part of the periodic payments has been prepaid, the Company recognizes these prepayments in the statement of financial position as other assets.

**5 OTHER NON-OPERATING LOSSES, NET**

Other non-operating (losses) / gains consisted of the following for the years ended December 31:

	2018	2017	2016
Loss from early debt redemption	(30)	(124)	—
Change of fair value of other derivatives	(58)	(13)	(120)
Impairment loss of other financial assets	(2)	(20)	—
Gains relating to past acquisitions and divestments	4	70	21
Other gains / (losses)	18	(10)	17
<b>Other non-operating gain / (loss), net</b>	<b>(68)</b>	<b>(97)</b>	<b>(82)</b>

Loss from early debt redemption in 2018 and 2017 relates to the settlement of the cash tender offer for certain outstanding debt securities, see Note 16 for further details.

Included in 'Gains relating to past acquisitions and divestments' in 2017 is a net gain of US\$45 pertaining to indemnification from a past business acquisition, and a gain of US\$25 as a result of an increase in cash consideration receivable pertaining to the disposal of Italy operations in 2016.

**6 TRADE AND OTHER RECEIVABLES**

Trade and other receivables consisted of the following items as of December 31:

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	2018	2017	2016
Trade receivables (gross)*	716	798	769
Allowance for doubtful debt	(171)	(169)	(160)
<b>Trade receivables (net)</b>	<b>545</b>	<b>629</b>	<b>609</b>
Other receivables	32	126	76
<b>Total trade and other receivables</b>	<b>577</b>	<b>755</b>	<b>685</b>

\* Includes contract assets (unbilled receivables), see Note 3 for further details

As of December 31, 2018, an impairment of US\$171 (2017: US\$169, 2016: US\$160) is recorded against trade receivables. See below the movements in the allowance for doubtful debt:

	2018	2017	2016
<b>Balance as of January 1 before IFRS 9 adjustment</b>	<b>169</b>	<b>160</b>	<b>182</b>
Adjustment due to IFRS 9 (see Note 25)	14	—	—
<b>Balance as of January 1 after IFRS 9 adjustment</b>	<b>183</b>	<b>160</b>	<b>182</b>
Allowance for doubtful debts	47	36	73
Recoveries	(17)	(9)	(5)
Accounts receivable written off	(18)	(13)	(44)
Acquisitions and divestments of subsidiaries	—	—	(48)
Foreign currency translation adjustment	(15)	(4)	2
Other movements	(9)	(1)	—
<b>Balance as of December 31</b>	<b>171</b>	<b>169</b>	<b>160</b>

Set out below is the information about the Group's trade receivables and contract assets using a provision matrix:

December 31, 2018	Contract assets	Current	Days past due			Total
			< 30 days	Between 31 and 120 days	> 120 days	
Expected loss rate, %	0.2%	1.2%	9.6%	33.6%	81.5%	
Trade receivables, gross	44	389	61	44	178	716
Expected credit losses	(1)	(5)	(6)	(15)	(144)	(171)
<b>Trade receivables, net</b>	<b>43</b>	<b>384</b>	<b>55</b>	<b>29</b>	<b>34</b>	<b>545</b>

January 1, 2018	Contract assets	Current	Days past due			Total
			< 30 days	Between 31 and 120 days	> 120 days	
Expected loss rate, %	1.1%	1.3%	7.6%	27.6%	63.9%	
Trade receivables, gross	18	371	92	87	230	798
Expected credit losses	—	(5)	(7)	(24)	(147)	(183)
<b>Trade receivables, net</b>	<b>18</b>	<b>366</b>	<b>85</b>	<b>63</b>	<b>83</b>	<b>615</b>

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## ACCOUNTING POLICIES

### Trade and other receivables

Trade and other receivables are measured at amortized cost and include invoiced amounts less appropriate allowances for estimated uncollectible amounts.

### Expected credit losses

The following accounting policy has been applied with effect from January 1, 2018, see Note 25 for further details.

The expected credit loss allowance (ECL) is recognized for all receivables measured at amortized cost or fair value through OCI with recycling at each reporting date. This means that an allowance for doubtful debt is recognized for all receivables even though there may not be objective evidence that the trade receivable has been impaired.

VEON applies the Simplified approach (i.e. provision matrix) for calculating a lifetime ECL for its trade and other receivables, including unbilled receivables (contract assets). The provision matrix is based on the historical credit loss experience over the life of the trade receivables and is adjusted for forward-looking estimates. Forward looking estimates include macro-economic factors such as GDP (for receivables due from legal entities) and unemployment rates (for receivables due from individual customers). The provision matrix is reviewed on a quarterly basis.

## 7 OTHER ASSETS AND LIABILITIES

Other assets consisted of the following items as of December 31:

	2018	2017
<b>Other non-current assets</b>		
Customer acquisition costs (see Note 3)	83	—
Non-current income tax advances (see Note 9)	32	28
Other financial assets	58	34
Advances to suppliers	11	17
Deferred costs related to connection fees	6	7
Indemnification assets	3	177
<b>Total other non-current assets</b>	<b>193</b>	<b>263</b>
<b>Other current assets</b>		
Advances to suppliers	151	162
Input value added tax	149	181
Current income tax assets (see Note 9)	112	230
Prepaid taxes	39	31
Deferred costs related to connection fees	8	12
Other assets	20	32
<b>Total other current assets</b>	<b>479</b>	<b>648</b>

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Other liabilities consisted of the following items as of December 31:

	2018	2017
<b>Other non-current liabilities</b>		
Long-term deferred revenue (see Note 3)	10	12
Pensions and other post-employment benefits	29	54
Other liabilities	14	17
<b>Total other non-current liabilities</b>	<b>53</b>	<b>83</b>
<b>Other current liabilities</b>		
Short-term deferred revenue (see Note 3)	151	146
Customer advances	200	228
Customer deposits	192	189
Current income tax payables (see Note 9)	32	48
Other taxes payable	352	427
Other payments to authorities	86	91
Due to employees	198	173
Other liabilities	79	99
<b>Total other current liabilities</b>	<b>1,290</b>	<b>1,401</b>

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## 8 PROVISIONS AND CONTINGENT LIABILITIES

### PROVISIONS

The following table summarizes the movement in provisions for the years ended December 31:

	Income tax provisions	Non-income tax provisions	Decommissioning provision	Legal provision	Other provisions	Total
<b>Cost</b>						
<b>As of January 1, 2017</b>	<b>244</b>	<b>96</b>	<b>98</b>	<b>157</b>	<b>27</b>	<b>622</b>
Arising during the year	57	28	5	28	26	144
Reclassified to assets held for sale	(1)	—	(4)	—	—	(5)
Utilized	(4)	(16)	(1)	(66)	(13)	(100)
Unused amounts reversed	(32)	(4)	(2)	(68)	(9)	(115)
Discount rate adjustment and imputed interest (change in estimate)	—	—	10	—	—	10
Translation adjustments and other	(6)	(6)	—	(2)	3	(11)
<b>As of December 31, 2017</b>	<b>258</b>	<b>98</b>	<b>106</b>	<b>49</b>	<b>34</b>	<b>545</b>
Current	—	—	106	16	1	123
Non-current	258	98	—	33	33	422
<b>As of January 1, 2018</b>	<b>258</b>	<b>98</b>	<b>106</b>	<b>49</b>	<b>34</b>	<b>545</b>
Arising during the year	11	11	4	5	43	74
Reclassified to assets held for sale	(1)	(1)	(4)	—	—	(6)
Utilized	(6)	(11)	(1)	(2)	(15)	(35)
Unused amounts reversed	—	—	(2)	(8)	—	(10)
Transfer and reclassification	(65)	65	—	—	—	—
Discount rate adjustment and imputed interest (change in estimate)	—	—	8	—	—	8
Translation adjustments and other	(33)	(12)	(18)	—	(5)	(68)
<b>As of December 31, 2018</b>	<b>164</b>	<b>150</b>	<b>93</b>	<b>44</b>	<b>57</b>	<b>508</b>
Non-current	—	—	93	17	—	110
Current	164	150	—	27	57	398

Significant legal proceedings are discussed below, or in Note 9 for tax-related proceedings.

The timing of payments in respect of provisions is, with some exceptions, not contractually fixed and cannot be estimated with certainty. In addition, with respect to legal proceedings, given inherent uncertainties, there can be no guarantee that the ultimate outcome will be in line with VEON's current expectations. See "Sources of estimation uncertainty" below for further details regarding assumptions and sources of uncertainty.

The Group has recognized a provision for decommissioning obligations associated with future dismantling of its towers in various jurisdictions.

#### Investigations by SEC / DOJ / OM

During the first quarter of 2016, the Company reached resolutions through agreements with the U.S. Securities and Exchange Commission ("SEC"), the U.S. Department of Justice ("DOJ"), and the Dutch Public Prosecution Service (Openbaar Ministerie) ("OM") relating to the previously disclosed investigations under the U.S. Foreign Corrupt Practices Act (the "FCPA") and relevant Dutch laws, pertaining to the Company's business in Uzbekistan and prior dealings with Takilant Ltd. Pursuant to these agreements, the Company paid an aggregate amount of US\$795 in fines and disgorgements to the SEC, the DOJ and the OM in the first quarter of 2016.

On February 18, 2016, the United States District Court for the Southern District of New York (the "District Court") approved the agreements with the DOJ relating to charges that the Company and its subsidiary violated the anti-bribery, books-and-records and internal controls provisions of the FCPA. These agreements consisted of the deferred prosecution agreement (the "DPA"), entered into by VEON and the DOJ and a guilty

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plea by Unitel, a subsidiary of VEON operating in Uzbekistan. Under the agreements with the DOJ, VEON agreed to pay a total criminal penalty of US\$230 to the United States, including US\$40 in forfeiture.

In connection with the investigation by the OM, VEON and Silkway Holding BV, a wholly owned subsidiary of VEON, entered into a settlement agreement (the **“Dutch Settlement Agreement”**) related to anti-bribery and false books-and-records provisions of Dutch law. Pursuant to the Dutch Settlement Agreement, VEON agreed to pay criminal fines of US\$230 and to disgorge a total of US\$375, which was satisfied by the forfeiture to the DOJ of US\$40, a disgorgement to the SEC of US\$167.5 and a further payment to the OM of US\$167.5 beyond the criminal fines.

VEON also consented to the entry of a judgment and incorporated consent (the **“SEC Judgment”**), which was approved by the District Court on February 22, 2016, relating to the SEC’s complaint against VEON, which charged violations of the anti-bribery, books-and-records and internal controls provisions of the FCPA. Pursuant to the SEC Judgment, VEON agreed to a judgment ordering disgorgement of US\$375, to be satisfied by the forfeiture to the DOJ of US\$40, the disgorgement to the OM of US\$167.5, and a payment to the SEC of US\$167.5, and imposing a permanent injunction against future violations of the U.S. federal securities laws.

The DPA, the Unitel guilty plea, the Dutch Settlement Agreement and the SEC Judgment comprise the terms of the resolution of the Company’s potential liabilities in the previously disclosed DOJ, SEC and OM investigations regarding VEON and Unitel.

All amounts to be paid under the DPA, the Unitel guilty plea, the Dutch Settlement Agreement and the SEC Judgment were paid in the first quarter of 2016 and were deducted from the already existing provision of US\$900 recorded in the third quarter of 2015 and disclosed in the 2015 annual consolidated financial statements. The remaining provision of US\$105 as of December 31, 2015, related to future direct and incremental expected legal fees associated with the resolutions.

In 2018, the Company paid US\$7 in legal fees (2017: US\$14), utilizing this provision. The Company did not change its estimates in 2018, keeping the provision at US\$26 as of December 31, 2018 (2017: US\$33).

The Company cannot currently estimate the magnitude of future costs to be incurred to comply with the DPA, the SEC Judgment and the Dutch Settlement Agreement, but these costs could be significant.

## CONTINGENT LIABILITIES

The Group had contingent liabilities as of December 31, 2018 as set out below.

### VEON - Securities Class Action

On November 4, 2015, a class action lawsuit was filed in the United States against VEON and certain of its current and former officers by Charles Kux-Kardos, on behalf of himself and other investors in the Company alleging certain violations of the United States federal securities laws in connection with the Company’s public disclosures relating to its operations in Uzbekistan. On December 4, 2015, a second complaint was filed by Westway Alliance Corp. that asserts essentially the same claims in connection with essentially the same disclosures.

On April 27, 2016, the court consolidated the two actions and appointed Westway as lead plaintiff. On May 6, 2016, a motion for reconsideration was filed on the appointment of Westway as lead plaintiff and on September 26, 2016, the court affirmed the selection of Westway as the lead plaintiff. An amended complaint was filed on December 9, 2016.

On September 19, 2017, the Court in the Southern District of New York rendered a decision granting in part VEON’s motion to dismiss the Amended Complaint.

On February 9, 2018, VEON filed its Answer and Affirmative Defenses to the allegations that remain in the Amended Complaint after the Court’s September 19, 2017 Order. Motions to dismiss were filed by all the individual defendants on February 9, 2018. On April 13, 2018, plaintiff dismissed its claims voluntarily against one of the individual defendants. On August 30, 2018, the Court granted the motions to dismiss by all of the individual defendants remaining in the action, and the time for appeal has now expired. On December 3, 2018, VEON requested permission from the Court to file a motion for judgment on the pleadings, arguing Westway lacked standing as a result of the September 19, 2017 order because it had not purchased any securities on or after the date of the earliest alleged misstatement. That same day, Westway requested permission to file a Second Amended Complaint to add three additional named plaintiffs in an effort to cure this deficiency. On December 6, 2018, VEON and Westway filed oppositions to each other’s applications. The parties’ cross-applications remain pending with the Court. The Company intends to vigorously defend the action at all phases moving forward.

### GTH - License Fees Tax Litigation

The Egyptian Tax Authority (**“ETA”**) conducted a review of Global Telecom Holding S.A.E (**“GTH”**) tax filings for the years 2000-2004. Following the review, in May 2010, the Internal Committee of the ETA assessed additional tax liabilities in the amount of approximately Egyptian pound (**“EGP”**) 2 billion (US\$113) against GTH for these years. The basis for the assessment was that, according to the ETA, GTH’s investments

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in Algeria, Syria, Iraq, Tunisia and Sub-Saharan Africa during these years were actually license fees paid to foreign governments for which Egyptian withholding tax was due according to Egyptian tax laws.

On May 14, 2012, the Appellate Committee reduced the assessed amount to EGP 323 million (US\$18).

GTH agreed to pay the assessed amount of EGP 323 million (US\$18) in instalments on a without prejudice basis, which it has satisfied, and also appealed the Appellate Committee's decision to the North Cairo Court of First Instance. The ETA also challenged the Appellate Committee's decision and is seeking to reinstitute its original assessment of EGP 2 billion (US\$113) plus late payment interest. The proceedings remain ongoing before the court.

On December 20, 2018 GTH submitted a settlement application to the Tax Settlement Committee to review this case.

Separately, on January 18, 2016, GTH, through its tax advisors, received a demand from the ETA claiming an amount of EGP 429 million (US\$24) in late payment interest on the Appellate Committee's assessment of EGP 323 million (US\$18). The demand threatened administrative seizure of GTH's assets in the event of non-payment. On February 17, 2016, GTH filed an appeal in the Administrative Court to challenge the demand and intends to vigorously defend itself.

#### **GTH – Iraqi Profits and Dividends Tax Litigation**

##### 2005 Tax Year

In March 2011, the ETA conducted an audit of GTH's tax filings for the year 2005. Following its review, the ETA concluded that income derived by TICL from Iraqna ("**TICL-Iraqna Income**") for that year should be included in GTH's tax return and taxed at 20%, and accordingly claimed additional corporate income tax of EGP 235 million (US\$13). GTH challenged the ETA's claim before the Internal Committee of the ETA arguing that the TICL-Iraqna Income should be fully exempt from Egyptian corporate income tax pursuant to the Iraq-Egypt double taxation treaty. On December 20, 2018 GTH submitted a settlement application to the Tax Settlement Committee to review this case

Separately, on January 18, 2016, GTH, through its tax advisors, received a demand from the ETA claiming an amount of EGP 235 million (US\$13) assessed together with late payment interest of EGP 258 million (US\$15). The demand threatened administrative seizure of GTH's assets in the event of non-payment. On February 17, 2016, GTH filed an appeal in the Administrative Court to challenge the demand and intends to vigorously defend itself. On February 24, 2016, GTH received an updated demand from the ETA claiming EGP 505 million (EGP 235 million principal plus EGP 270 million interest), which GTH objected to.

On December 28, 2017, GTH was notified that administrative seizure orders had been issued against various banks used by GTH in Egypt. On January 14, 2018, GTH registered a contestation of the enforcement which suspended the operability of the seizure orders until the matter can be heard by the court.

##### 2007 Tax Year

In addition, during the audit conducted by the ETA in 2011 in respect GTH's tax filings for the year 2007, the ETA concluded that GTH owed additional corporate income tax of EGP 282 million (US\$16) in respect of dividends distributed by Iraqna to OTIL in 2007. After GTH disputed the claim on the basis of the Iraq-Egypt double taxation treaty, the ETA referred the dispute to the Internal Committee, who upheld the ETA's position. GTH appealed the Internal Committee's decision to the Appeal Committee, which notified GTH of its decision to uphold the ETA's position on August 2, 2018.

On September 30, 2018, GTH appealed the Appellate Committee's decision to the Administrative Court where proceedings are ongoing.

On December 20, 2018 GTH submitted a settlement application to the Tax Settlement Committee to review this case.

#### **Canadian action brought by the Catalyst Capital group Inc.**

VEON is a defendant in an action brought in 2016 by The Catalyst Capital Group Inc. ("**Catalyst**") for CAD 1.3 billion (US\$1,034) alleging breach of contract in the Superior Court of Justice in Ontario, Canada. In 2014, Catalyst and the company entered into an exclusivity agreement in connection with negotiations for the sale of the company's WIND Mobile business. Catalyst alleges that the company and its financial advisor, UBS Securities Canada Inc., breached their exclusivity agreement obligations, which in turn enabled the sale of WIND Mobile to a consortium of other investors, who are also named co-defendants. The company filed a Statement of Defense denying all allegations and intends to vigorously contest the matter. VEON's motion to dismiss the claim (as well as motions of all other defendants) was heard August 16-18, 2017.

On April 18, 2018, VEON's motion was granted (as well as the motions of all the other defendants) and Catalyst's claim was dismissed as an abuse of process. On May 18, 2018, Catalyst appealed the decision to the Ontario Court of Appeal. The appeal hearing was held on February 19-20, 2019. A decision remains pending.

[Table of Contents](#)**VAT on Replacement SIMs**June 2009 to December 2011

On April 1, 2012, the National Board of Revenue (“NBR”) issued a demand to Banglalink for BDT 7.74 billion (US\$94) for unpaid SIM tax (VAT and supplementary duty). The NBR alleged that Banglalink evaded SIM tax on new SIM cards by issuing them as replacements. On the basis of 5 random SIM card purchases made by the NBR, the NBR concluded that all SIM card replacements issued by Banglalink between June 2009 and December 2011 (7,021,834 in total) were new SIM connections and subject to tax. Similar notices were sent to three other operators in Bangladesh. Banglalink and the other operators filed separate petitions in the High Court, which stayed enforcement of the demands.

In an attempt to assist the NBR in resolving the dispute, the Government ordered the NBR to form a Review Committee comprised of the NBR, the Commissioner of Taxes (“LTU”), Bangladesh Telecommunication Regulatory Commission (“BTRC”), AMTOB and the operators (including Banglalink). The Review Committee identified a methodology to determine the amount of unpaid SIM tax and, after analyzing 1,200 randomly selected SIM cards issued Banglalink, determined that only 4.83% were incorrectly registered as replacements. The Review Committee’s interim report was signed off by all the parties, however, the Convenor of the Review Committee reneged on the interim report and unilaterally published a final report that was not based on the interim report or the findings of the Review Committee. The operators objected to the final report.

The NBR Chairman and operators’ representative agreed that the BTRC would prepare further guidelines for verification of SIM users. Although the BTRC submitted its guidelines (under which Banglalink’s exposure was determined to be 8.5% of the original demand), the Convenor of the Review Committee submitted a supplementary report which disregarded the BTRC’s guidelines and assessed Banglalink’s liability for SIM tax to be BDT 7.62 billion (US\$92). The operators refused to sign the supplementary report.

On May 18, 2015, Banglalink received an updated demand from the LTU claiming Banglalink had incorrectly issued 6,887,633 SIM cards as replacement SIM cards between June 2009 and December 2011 and required Banglalink to pay BDT 5.32 billion (US\$64) in SIM tax. The demand also stated that interest may be payable. Similar demands were sent to the other operators.

On June 25, 2015, Banglalink filed an application to the High Court to stay the updated demand, and a stay was granted. On August 13, 2015, Banglalink filed its appeal against the demand before the Appellate Tribunal and deposited 10% of the amount demanded in order to proceed. The other operators also appealed their demands. On May 26, 2016, Banglalink presented its legal arguments and on September 28, 2016, the appeals of all the operators were heard together.

The Bangladesh Appellate Tribunal rejected the appeal of Banglalink and all other operators on June 22, 2017. On July 11, 2017, Banglalink filed an appeal of the Appellate Tribunal’s judgment with the High Court Division of the Supreme Court of Bangladesh.

July 2012 to June 2015

On November 20, 2017 the LTU issued a final demand to Banglalink for BDT 1.69 billion (US\$20) for unpaid tax on SIM card replacements issued by Banglalink between July 2012 and June 2015. On February 20, 2018, Banglalink filed its appeal against this demand before the Appellate Tribunal and deposited 10% of the amount demanded in order to proceed.

The operators continue to engage in discussions with the government in an attempt to resolve the dispute. As of December 31, 2017, the Company has recorded a provision of US\$11 (2016: US\$11).

**Other contingencies and uncertainties**

In addition to the individual matters mentioned above, the Company is involved in other disputes, litigation and regulatory inquiries and investigations, both pending and threatened, in the ordinary course of its business. The total value of all other individual contingencies above US\$5 other than disclosed above amounts to US\$68 (2017: US\$107). The Company does not expect any liability arising from these contingencies to have a material effect on the results of operations, liquidity, capital resources or financial position of the Company. Furthermore, the Company believes it has provided for all probable liabilities arising in the ordinary course of its business.

For the ongoing matters described above, where the Company has concluded that the potential loss arising from a negative outcome in the matter cannot be estimated, the Company has not recorded an accrual for the potential loss. However, in the event a loss is incurred, it may have an adverse effect on the results of operations, liquidity, capital resources, or financial position of the Company.

**ACCOUNTING POLICIES**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted using a current pre-tax rate if the time value of money is significant.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.



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## SOURCE OF ESTIMATION UNCERTAINTY

The Group is involved in various legal proceedings, disputes and claims, including regulatory discussions related to the Group's business, licenses, tax positions and investments, and the outcomes of these are subject to significant uncertainty. Management evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount recorded for a matter that has not been previously recorded because it was not considered probable.

In the ordinary course of business, VEON may be party to various legal and tax proceedings, including as it relates to compliance with the rules of the telecom regulators in the countries in which VEON operates, competition law and anti-bribery and corruption laws, including the U.S. Foreign Corrupt Practices Act ("FCPA"). Non-compliance with such rules and laws may cause VEON to be subject to claims, some of which may relate to the developing markets and evolving fiscal and regulatory environments in which VEON operates. In the opinion of management, VEON's liability, if any, in all pending litigation, other legal proceeding or other matters, other than what is discussed in this Note, will not have a material effect upon the financial condition, results of operations or liquidity of VEON.

## 9 INCOME TAXES

Current income tax is the expected tax expense, payable or receivable on taxable income or loss for the period, using tax rates enacted or substantively enacted at reporting date, and any adjustment to tax payable in respect of previous years.

Income tax expense consisted of the following for the years ended December 31:

	2018	2017	2016
<b>Current income taxes</b>			
Current year	477	397	615
Adjustments in respect of previous years	9	(28)	(3)
<b>Total current income taxes</b>	<b>486</b>	<b>369</b>	<b>612</b>
<b>Deferred income taxes</b>			
Origination / reversal of temporary differences	(419)	(159)	(217)
Changes in tax rates	6	10	(7)
Current year tax losses unrecognized	283	146	172
Recognition / utilization of previously unrecognized tax losses or tax credits	(16)	—	(15)
Derecognition of previously recognized tax losses	—	—	95
Write off deferred tax assets	—	20	—
Adjustments in respect of previous years	28	86	—
Other	1	—	(5)
<b>Total deferred tax expense</b>	<b>(117)</b>	<b>103</b>	<b>23</b>
<b>Income tax expense</b>	<b>369</b>	<b>472</b>	<b>635</b>

[Table of Contents](#)**EFFECTIVE TAX RATE**

The table below outlines the reconciliation between the statutory tax rate in the Netherlands (25%) and the effective income tax rates for the Group, together with the corresponding amounts, for the years ended December 31:

	2018	2017	2016
Profit / (loss) before tax from continuing operations	(248)	328	288
<b>Income tax benefit / (expense) at statutory tax rate (25.0%)</b>	<b>62</b>	<b>(82)</b>	<b>(72)</b>
<b>Difference due to the effects of:</b>			
Different tax rates in different jurisdictions	89	84	(152)
Non-deductible expenses	(120)	(117)	(89)
Non-taxable income	49	35	66
Adjustments in respect of previous years	(39)	(52)	3
Movement in (un)recognized deferred tax assets	(354)	(166)	(247)
Withholding taxes	45	(123)	(62)
Tax claims	(17)	(24)	(59)
Change in income tax rate	(6)	(10)	7
Minimum taxes and other	(78)	(17)	(30)
<b>Income tax benefit / (expense)</b>	<b>(369)</b>	<b>(472)</b>	<b>(635)</b>
<b>Effective tax rate</b>	<b>-148.8 %</b>	<b>143.9%</b>	<b>220.5%</b>

**EXPLANATORY NOTES TO THE EFFECTIVE TAX RATE**

Reason	Explanation
Different tax rates in different jurisdictions	Certain jurisdictions in which VEON operates have income tax rates which are different to the Dutch statutory tax rate of 25%. Profitability in countries with higher tax rates (including Pakistan, Uzbekistan and Bangladesh) has a negative impact on the effective tax rate.
Non-deductible expenses	Impairment losses on property and equipment, intangible assets and goodwill are generally treated as non-deductible expenses for tax purposes, except where the impairment loss results in a change to a temporary difference. In 2018, impairment losses described in Note 11 had a negative impact on the effective tax rate, except for Bangladesh, where existing deferred tax liabilities on these assets had the effect of offsetting this impact.
Non-taxable income	The Group earns non-taxable income primarily in its holding companies, relating to gains on sale of subsidiaries, unrealized foreign exchange gains and certain income classified as non-taxable in accordance with the Final Tax Regime in Pakistan.
Adjustments in respect of previous years	The tax legislation in the markets in which VEON operates is unpredictable and gives rise to significant uncertainties (see 'Sources of estimation uncertainty' below). The effect of prior year adjustments mainly related to updated tax positions in these countries.
Movement in (un)recognized deferred tax assets	Movements in recognized deferred tax assets are primarily caused by tax losses for which no deferred tax asset has been recognized. This generally occurs in holding entities in the Netherlands (2018: \$147, 2017: \$112, 2016: \$247) and in GTH (2018: \$213, 2017: \$49, 2016: \$21).
Withholding taxes	Withholding taxes are recognized to the extent that dividends from foreign operations are expected to be paid in the foreseeable future. In 2018, the cancellation of dividends in Pakistan resulted in a reversal of withholding tax liabilities equal to US\$45. In previous years, expenses relating to withholding taxes were primarily influenced by dividends expected from Russia, Algeria and Pakistan.
Tax claims	Tax claims relate primarily to increases in uncertain tax positions in GTH.
Change in income tax rate	Changes in tax rates impact the valuation of existing temporary differences. The nominal tax rates in decreased Uzbekistan in 2018 and 2017, and also decreased in Pakistan in 2018 and 2016. Minimum taxes and other relate primarily to the recording of alternative minimum taxes in Pakistan.
Minimum taxes and other	Minimum taxes and other relate primarily to the recording of alternative minimum and local taxes in Pakistan.

[Table of Contents](#)**DEFERRED TAXES**

The Group reported the following deferred tax assets and liabilities in the statement of financial position as of December 31:

	2018	2017
Deferred tax assets	197	336
Deferred tax liabilities	(180)	(376)
<b>Net deferred tax position</b>	<b>17</b>	<b>(40)</b>

The following table shows the movements of the deferred tax assets and liabilities in 2018:

	Opening balance	Movement in deferred taxes				Closing balance
		Net income statement movement	Changes in composition of the group	Other comprehensive & other	Currency translation	
Property and equipment	(443)	126	—	(3)	45	(275)
Intangible assets	(165)	94	—	(2)	13	(60)
Trade receivables	36	(6)	—	3	(1)	32
Provisions	33	2	—	(5)	—	30
Accounts payable	133	7	—	(11)	(16)	113
Withholding tax on distributed earnings	(116)	70	—	(3)	(1)	(50)
Tax losses and other balances carried forwards	2,434	(191)	—	(19)	(51)	2,173
Non-recognized deferred tax assets	(1,980)	—	—	25	—	(1,955)
Other	28	15	—	(33)	(1)	9
<b>Net deferred tax positions</b>	<b>(40)</b>	<b>117</b>	<b>—</b>	<b>(48)</b>	<b>(12)</b>	<b>17</b>

The following table shows the movements of the deferred tax assets and liabilities in 2017:

	Opening balance	Movement in deferred taxes				Closing balance
		Net income statement movement	Changes in composition of the group	Other comprehensive & other	Currency translation	
Property and equipment	(420)	(6)	—	(13)	(4)	(443)
Intangible assets	(166)	—	—	(4)	5	(165)
Trade receivables	30	19	—	(4)	(9)	36
Provisions	29	3	—	(3)	4	33
Accounts payable	94	38	—	28	(27)	133
Withholding tax on distributed earnings	(73)	(43)	—	1	(1)	(116)
Tax losses and other balances carried forwards	2,270	(47)	—	261	(50)	2,434
Non-recognized deferred tax assets	(1,849)	—	—	(131)	—	(1,980)
Other	97	(67)	—	(35)	33	28
<b>Net deferred tax positions</b>	<b>12</b>	<b>(103)</b>	<b>—</b>	<b>100</b>	<b>(49)</b>	<b>(40)</b>

[Table of Contents](#)**Unused tax losses and other credits carried forwards**

VEON recognizes a deferred tax asset for unused tax losses and other credits carried forwards, to the extent that it is probable that the deferred tax asset will be utilized. The amount and expiry date of unused tax losses and other carry forwards for which no deferred tax asset is recognized are as follows:

As of December 31, 2018	0-5 years	6-10 years	More than 10 years	Indefinite	Total
<b>Tax losses expiry</b>					
Recognized losses	(83)	—	—	(425)	(508)
Recognized DTA	17	—	—	146	163
Non-recognized losses	(968)	(2,421)	—	(6,346)	(9,735)
Non-recognized DTA	198	497	—	1,260	1,955
<b>Other credits carried forwards expiry</b>					
Recognized credits	(55)	—	—	—	(55)
Recognized DTA	55	—	—	—	55
Non-recognized credits	—	—	—	—	—
Non-recognized DTA	—	—	—	—	—

As of December 31, 2017	0-5 years	6-10 years	More than 10 years	Indefinite	Total
<b>Tax losses expiry</b>					
Recognized losses	(347)	(12)	—	(833)	(1,192)
Recognized DTA	85	3	—	234	322
Non-recognized losses	(420)	(2,639)	—	(6,396)	(9,455)
Non-recognized DTA	95	660	—	1,232	1,987
<b>Other credits carried forwards expiry</b>					
Recognized credits	(68)	—	—	—	(68)
Recognized DTA	68	—	—	—	68
Non-recognized credits	—	—	—	—	—
Non-recognized DTA	—	—	—	—	—

Losses mainly relate to our holding entities in Luxembourg (2018: US\$6,135; 2017: US\$6,532) and the Netherlands (2018: US\$2,762; 2017: US\$2,474).

VEON reports the tax effect of the existence of undistributed profits that will be distributed in the foreseeable future. The Company has a deferred tax liability of US\$50 (2017: US\$116), relating to the tax effect of the undistributed profits that will be distributed in the foreseeable future, primarily in its Russian, Algerian and Pakistan operations.

As of December 31, 2018, undistributed earnings of VEON's foreign subsidiaries (outside the Netherlands) which are indefinitely invested and will not be distributed in the foreseeable future, amounted to US\$6,330 (2017: US\$6,833). Accordingly, no deferred tax liability is recognized for this amount of undistributed profits.

**TAXES RECORDED OUTSIDE THE INCOME STATEMENT**

In 2018, the amount of current and deferred taxes reported outside of the income statement amounts to US\$(69) comprising of US\$(22) current tax charge and US\$(47) deferred tax charge.

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## INCOME TAX ASSETS

The Company reported both current and non-current income tax assets, totaling US\$144 (2017: US\$258), see Note 7. These tax assets mainly relate to advance tax payments in Pakistan, Bangladesh and Ukraine which can only be offset against income tax liabilities in fiscal periods subsequent to balance sheet date.

## ACCOUNTING POLICIES

### Income taxes

Income tax expense represents the aggregate amount determined on the profit for the period based on current tax and deferred tax.

In cases where the tax relates to items that are charged to other comprehensive income or directly to equity, the tax is also charged respectively to other comprehensive income or directly to equity.

### Uncertain tax positions

The Group's policy is to comply with the applicable tax regulations in the jurisdictions in which its operations are subject to income taxes. The Group's estimates of current income tax expense and liabilities are calculated assuming that all tax computations filed by the Company's subsidiaries will be subject to a review or audit by the relevant tax authorities. The Company and the relevant tax authorities may have different interpretations of how regulations should be applied to actual transactions (refer below for details regarding risks and uncertainties).

### Deferred taxation

Deferred taxes are recognized using the liability method and thus are computed as the taxes recoverable or payable in future periods in respect of deductible or taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Company's financial statements.

## SOURCE OF ESTIMATION UNCERTAINTY

### Tax risks

The tax legislation in the markets in which VEON operates is unpredictable and gives rise to significant uncertainties, which could complicate our tax planning and business decisions. Tax laws in many of the emerging markets in which we operate have been in force for a relatively short period of time as compared to tax laws in more developed market economies. Tax authorities in our markets are often somewhat less advanced in their interpretation of tax laws, as well as in their enforcement and tax collection methods.

Any sudden and unforeseen amendments of tax laws or changes in the tax authorities' interpretations of the respective tax laws and/or double tax treaties, could have a material adverse effect on our future results of operations, cash flows or the amounts of dividends available for distribution to shareholders in a particular period (e.g. introduction of transfer pricing rules, Controlled Foreign Operation ("CFC") legislation and more strict tax residency rules).

Management believes that VEON has paid or accrued all taxes that are applicable. Where uncertainty exists, VEON has accrued tax liabilities based on management's best estimate. From time to time, we may also identify tax contingencies for which we have not recorded an accrual. Such unaccrued tax contingencies could materialize and require us to pay additional amounts of tax.

### Recoverability of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that the assets will be realized. Significant judgment is required to determine the amount that can be recognized and depends foremost on the expected timing, level of taxable profits, tax planning strategies and the existence of taxable temporary differences. Estimates made relate primarily to losses carried forward in some of the Group's foreign operations. When an entity has a history of recent losses, the deferred tax asset arising from unused tax losses is recognized only to the extent that there is convincing evidence that sufficient future taxable profit will be generated. Estimated future taxable profit is not considered such evidence unless that entity has demonstrated the ability by generating significant taxable profit for the current year or there are certain other events providing sufficient evidence of future taxable profit. New transactions and the introduction of new tax rules may also affect judgments due to uncertainty concerning the interpretation of the rules and any transitional rules.

### Uncertain tax positions

Uncertain tax positions are recognized when it is probable that a tax position will not be sustained, and the amount can be reliably measured. The expected resolution of uncertain tax positions is based upon management's judgment of the likelihood of sustaining a position taken through tax audits, tax courts and/or arbitration, if necessary. Circumstances and interpretations of the amount or likelihood of sustaining a position may

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change through the settlement process. Furthermore, the resolution of uncertain tax positions is not always within the control of the Group and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve.

## INVESTING ACTIVITIES OF THE GROUP

### 10 SIGNIFICANT TRANSACTIONS

#### Sale of Italy Joint Venture

On July 3, 2018, VEON entered into an agreement with CK Hutchison Holdings Ltd for the sale of its 50% stake in the Italy Joint Venture. The Italy Joint Venture included VIP-CKH Luxembourg S.à r.l and its subsidiaries, which hold the combined businesses of Wind and 3 Italia, and the financing company VIP-CKH Ireland Limited.

On September 7, 2018 the transaction was completed, and cash consideration was received in the amount of EUR 2,450 million (US\$2,830).

The effect of the disposal is detailed below:

	2018
<b>Cash consideration received</b>	<b>2,830</b>
Derecognition of assets classified as held for sale	(1,599)
Release cumulative share of other comprehensive income / (loss) of Italy Joint Venture	(31)
Release cumulative foreign currency translation reserve related to Italy Joint Venture *	79
<b>Gain / (loss) on disposal of discontinued operations</b>	<b>1,279</b>

\* Included in the release of cumulative foreign currency translation reserve is an accumulated loss of US\$80, arising from the release of the net investment hedge related to the Company's investment in the Italy Joint Venture.

Following the classification as a disposal group held for sale, on June 30, 2018, the Company ceased accounting for the investment in the Italy Joint Venture using the equity method of accounting.

The table below provides the details of share of profit / (loss) and share of other comprehensive income / (loss) of the Italy Joint Venture for the following years:

Discontinued operations	2018	2017	2016
Share of profit / (loss) of Italy Joint Venture	(300)	(390)	59
Share of other comprehensive income / (loss) of Italy Joint Venture	(18)	(12)	—

#### Termination of Deodar sale

On September 15, 2018, VEON terminated the agreement for the sale of its subsidiary, Deodar, which was previously classified as a disposal group held for sale on June 30, 2017. The transaction was terminated due to the parties failing to receive all required regulatory approvals and the extended long-stop date of September 14, 2018 having passed. As a result of this termination, the Company amended prior periods presented in these consolidated financial statements to retrospectively recognize the depreciation charge that would have been recognized, had the disposal group not been classified as held for sale.

The following table shows the impact of the retrospective recognition of depreciation expense in profit or loss for the period ended December 31, 2017 and reversal of the reclassification of Deodar assets and liabilities as held for sale on VEON's balance sheet as of December 31, 2017:

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	Balance sheet as reported	Retrospective depreciation recorded in 2017	Reclassification	Adjusted balance sheet
<b>Assets</b>				
Property and equipment	6,097	(37)	177	6,237
Goodwill	4,394	—	224	4,618
Deferred tax assets	272	—	64	336
Other non-current assets	199	—	2	201
Other current assets	2,443	—	44	2,487
Assets classified as held for sale	533	—	(511)	22
<b>Equity</b>				
Equity attributable to equity owners of the parent	4,352	(21)	—	4,331
Equity of non-controlling interest	(425)	(16)	—	(441)
<b>Liabilities</b>				
Non-current liabilities	10,937	—	7	10,944
Current liabilities	4,607	—	28	4,635
Liabilities associated with assets held for sale	50	—	(35)	15

**Exit from Euroset Holding N.V. Joint Venture**

On July 7, 2017, PJSC VimpelCom, a subsidiary of the Company, entered into a Framework Agreement with PJSC MegaFon (“**MegaFon**”) to unwind their retail joint venture, Euroset Holding N.V. (“**Euroset**”). Under the agreement, MegaFon acquired PJSC VimpelCom’s 50% interest in Euroset and PJSC VimpelCom paid RUB 1.20 billion (US\$21) and acquired rights to 50% of Euroset’s approximately 4,000 retail stores in Russia. The transaction was completed on February 22, 2018 and was accounted for as an asset acquisition, primarily the acquisition of contract-based intangible assets (see Note 13) representing the right to use retail stores.

**Withdrawal of mandatory tender offer in relation to Global Telecom Holding S.A.E**

On April 2, 2018, VEON notified the Egyptian Financial Regulatory Authority (FRA) that, given the lapse of time and absence of FRA approval, VEON was withdrawing the Mandatory Tender Offer (MTO) filed on November 8, 2017, and did not intend to proceed with another MTO at that time. Cash in an amount of US\$987, which had been pledged as collateral for the MTO, was released during the first quarter of 2018.

**ACCOUNTING POLICIES****Transactions with non-controlling interests that do not result in loss of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**Non-current assets (or disposal groups) held for sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction or loss of control rather than through continuing use, and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Assets and liabilities of a disposal group classified as held for sale are presented separately from the other assets and liabilities in the statement of financial position.

A discontinued operation is a component that is classified as held for sale and that represents a separate major line of business or geographical area of operations. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in the income statement. All other Notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

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## 11 IMPAIRMENT OF ASSETS

Property and equipment and intangible assets are tested regularly for impairment. The Company assesses, at the end of each reporting period, whether there exist any indicators that an asset may be impaired (i.e. asset becoming idle, damaged or no longer in use). If there are such indicators, the Company estimates the recoverable amount of the asset. Impairment losses of continuing operations are recognized in the income statement in a separate line item.

Goodwill is tested for impairment annually (at October 1) or when circumstances indicate the carrying value may be impaired. The Company's impairment test is primarily based on fair value less cost of disposal calculations (Level 3 in the fair value hierarchy) that use a discounted cash flow model, using cash flow projections from business plans prepared by management. The Company considers the relationship between its market capitalization and its book value, as well as weighted average cost of capital and the quarterly financial performances of each cash-generating units ("CGU") when reviewing for indicators of impairment in interim periods.

### Impairment losses in 2018

In 2018, due to operational underperformance of its operations in Algeria, Armenia, Bangladesh, Georgia and Kyrgyzstan, the Company has revised its previous estimates and assumptions regarding the future cash flows of these CGU's. As a result, the Company recorded an impairment of US\$858 against the carrying values of these CGU's as of September 30, 2018.

2018	Property and equipment	Intangible assets	Goodwill	Total impairment
Algeria	—	—	125	125
Armenia	46	10	25	81
Bangladesh	221	230	—	451
Georgia	31	19	—	50
Kyrgyzstan	—	—	74	74
Other	37	40	—	77
	<b>335</b>	<b>299</b>	<b>224</b>	<b>858</b>

For these CGU's, impairment losses were allocated first to the existing carrying value of goodwill, and then subsequently to property and equipment and intangible assets based on relative carrying values.

Additionally, in regard with the Company's commitment to network modernization, the Company continuously reevaluates the plans for its existing network, including equipment purchased but not installed and intangible assets, and consequently recorded an impairment loss of US\$77.

### Impairment losses in 2017

During the 2017 annual impairment test, the Company recognized impairment losses in respect of the subsidiaries in Armenia and Kyrgyzstan in amounts of US\$34 and US\$17, respectively, allocated to the existing carrying value of goodwill. The impairments were concluded largely due to lower cash flow outlook in those countries.

2017	Property and equipment	Goodwill	Total impairment
Armenia	—	34	34
Kyrgyzstan	—	17	17
Other	15	—	15
	<b>15</b>	<b>51</b>	<b>66</b>

Additionally, in connection with the rollout of the Company's transformation strategy and commitment to network modernization, the Company continuously re-evaluates the plans for its existing network, including equipment purchased but not installed, and consequently recorded an impairment loss of US\$15.

### Impairment losses in 2016

During the 2016 annual impairment test, the Company concluded impairments for the CGUs Georgia and Kyrgyzstan in amounts of US\$29 and US\$49, respectively. The impairments were concluded largely due to lower operating performances in those countries. The recoverable amounts of US\$49 and US\$219, respectively, were determined based on a fair value less costs of disposal calculation using the latest cash flow projections (Level 3 fair value). The Company applied a post-tax discount of 10.3% and 14.5%, respectively.



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For the Georgia CGU, the carrying amount of goodwill was already nil prior to the impairment test. As such, the total amount of the impairment loss was allocated to the carrying amounts of property and equipment and intangible assets based on relative carrying value before the impairment.

2016	Property and equipment	Intangible assets	Goodwill	Other assets*	Total impairment
Georgia	16	13	—	—	29
Kyrgyzstan	—	—	49	—	49
Tajikistan	54	1	21	12	88
Other	30	—	8	—	38
	<b>100</b>	<b>14</b>	<b>78</b>	<b>12</b>	<b>204</b>

\* Other assets include trade and other receivables and deferred tax assets. Impairment of these assets has been recognized on the income statement accounts relating to these assets, i.e. Selling, general and administrative expenses and Income tax expense.

## KEY ASSUMPTIONS

The recoverable amounts of CGUs have been determined based on fair value less costs of disposal calculations, using cash flow projections from business plans prepared by management.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGUs. These budgets and forecast calculations are prepared for a period of five years. A long-term growth rate is applied to project future cash flows after the fifth year.

The table below shows key assumptions used in fair value less costs of disposal calculations.

	Discount rate (local currency)			Average annual revenue growth rate during forecast period			Terminal growth rate		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Russia	10.3%	10.6%	9.7%	1.1%	1.9 %	2.4 %	1.3%	1.0%	1.0%
Ukraine	16.3%	17.1%	17.2%	4.4%	3.9 %	3.6 %	4.0%	2.0%	1.0%
Algeria	11.1%	10.7%	9.8%	0.7%	1.0 %	(0.8)%	0.9%	3.0%	3.0%
Pakistan	14.4%	15.0%	14.3%	3.5%	5.0 %	7.6 %	4.0%	4.0%	4.0%
Bangladesh	12.2%	12.7%	11.9%	0.6%	5.0 %	6.4 %	4.0%	4.6%	4.7%
Kazakhstan	8.4%	10.8%	12.4%	2.8%	3.2 %	4.4 %	1.1%	2.4%	2.0%
Kyrgyzstan	14.8%	15.5%	14.5%	2.8%	(1.5)%	(1.8)%	5.0%	3.5%	2.5%
Uzbekistan	13.1%	15.3%	15.4%	5.5%	6.9 %	1.7 %	6.3%	6.5%	1.0%
Armenia	12.5%	13.0%	12.0%	0.2%	(1.0)%	(2.8)%	0.8%	3.0%	1.0%
Georgia	10.6%	11.0%	10.3%	2.1%	5.6 %	6.4 %	3.0%	1.0%	1.0%

	Average operating margin			Average CAPEX as a percentage of revenue		
	2018	2017	2016	2018	2017	2016
Russia	34.6%	36.4%	38.6%	19.8%	15.7%	15.9%
Ukraine	54.0%	49.9%	44.9%	16.3%	15.6%	17.0%
Algeria	44.0%	46.2%	50.8%	15.1%	14.8%	15.8%
Pakistan	47.9%	43.6%	33.3%	16.7%	15.3%	14.3%
Bangladesh	35.4%	38.7%	44.9%	14.9%	14.3%	14.6%
Kazakhstan	46.5%	44.5%	43.6%	17.7%	17.9%	18.8%
Kyrgyzstan	39.9%	42.0%	43.9%	17.2%	16.4%	17.0%
Uzbekistan	43.9%	42.9%	58.2%	16.2%	14.1%	18.2%
Armenia	23.6%	29.7%	37.8%	21.0%	19.6%	14.1%
Georgia	24.5%	25.2%	25.7%	23.8%	23.3%	17.3%

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Assumption	Description
<b>Discount rate</b>	<p>Discount rates are initially determined in US\$ based on the risk-free rate for 20-year maturity bonds of the United States Treasury, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU relative to the market as a whole.</p> <p>The equity market risk premium used was 5.4% (2017: 6.0%). The systematic risk, beta, represents the median of the raw betas of the entities comparable in size and geographic footprint with the ones of the Company (“<b>Peer Group</b>”).</p> <p>The debt risk premium is based on the median of Standard &amp; Poor’s long-term credit rating of the Peer Group.</p> <p>The weighted average cost of capital is determined based on target debt-to-equity ratios representing the median historical five-year capital structure for each entity from the Peer Group.</p> <p>The discount rate in functional currency of a CGU is adjusted for the long-term inflation forecast of the respective country in which the business operates, as well as applicable country risk premium.</p>
<b>Projected revenue growth rates</b>	The revenue growth rates vary based on numerous factors, including size of market, GDP (Gross Domestic Product), foreign currency projections, traffic growth, market share and others.
<b>Projected average operating margin</b>	The Company estimates operating margin based on Adjusted EBITDA divided by Total Operating Revenue for each CGU and each future year. The forecasted operating margin is based on the budget of the following year and assumes cost optimization initiatives which are part of on-going operations, as well as regulatory and technological changes known to date, such as telecommunication license issues and price regulation among others.
<b>Average capital expenditure as a percentage of revenue</b>	Capital expenditure (“ <b>CAPEX</b> ”) is defined as purchases of property and equipment and intangible assets other than goodwill. The cash flow forecasts for capital expenditure are based on past experience and amounts budgeted for the following year(s) and include the network roll-outs plans and license requirements.
<b>Projected license and spectrum payments</b>	The cash flow forecasts for license and spectrum payments for each operating company for the initial five years include amounts for expected renewals and newly available spectrum. Beyond that period, a long-run cost of spectrum is assumed.
<b>Long-term growth rate</b>	A long-term growth rate into perpetuity is estimated based on a percentage that is lower than or equal to the country long-term inflation forecast, depending on the CGU.

## SOURCE OF ESTIMATION UNCERTAINTY

The Group has significant investments in property and equipment, intangible assets, goodwill and other investments.

Estimating recoverable amounts of assets and CGUs must, in part, be based on management’s evaluations, including the determination of the appropriate CGUs, the relevant discount rate, estimation of future performance, the revenue-generating capacity of assets, timing and amount of future purchases of property and equipment, assumptions of future market conditions and the long-term growth rate into perpetuity (terminal value). In doing this, management needs to assume a market participant perspective. Changing the assumptions selected by management, in particular, the discount rate and growth rate assumptions used to estimate the recoverable amounts of assets, could significantly impact the Group’s impairment evaluation and hence results.

A significant part of the Group’s operations is in countries with emerging markets. The political and economic situation in these countries may change rapidly and recession may potentially have a significant impact on these countries. On-going recessionary effects in the world economy and increased macroeconomic risks impact our assessment of cash flow forecasts and the discount rates applied.

There are significant variations between different markets with respect to growth, mobile penetration, average revenue per user (“**ARPU**”), market share and similar parameters, resulting in differences in operating margins. The future development of operating margins is important in the Group’s impairment assessments, and the long-term estimates of these margins are highly uncertain. This is particularly the case for emerging markets that are not yet in a mature phase.

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## 12 PROPERTY AND EQUIPMENT

The following table summarizes the movement in the net book value of property and equipment for the years ended December 31:

Net book value	Telecomm-unications equipment	Land, buildings and constructions	Office and other equipment	Equipment not installed and assets under construction	Total
<b>As of January 1, 2017</b>	<b>5,166</b>	<b>243</b>	<b>456</b>	<b>854</b>	<b>6,719</b>
Additions	39	14	26	1,194	1,273
Disposals	(36)	—	(7)	(6)	(49)
Depreciation charge for the year	(1,307)	(32)	(152)	—	(1,491)
Impairment	(5)	—	—	(10)	(15)
Transfers	1,440	16	147	(1,603)	—
Reclassified to assets held for sale	(13)	(1)	(2)	(1)	(17)
Translation adjustment	(152)	—	2	(33)	(183)
<b>As of December 31, 2017</b>	<b>5,132</b>	<b>240</b>	<b>470</b>	<b>395</b>	<b>6,237</b>
Additions	52	8	14	1,173	1,247
Disposals	(51)	(2)	(10)	(5)	(68)
Depreciation charge for the year	(1,165)	(31)	(143)	—	(1,339)
Impairment	(280)	(10)	(8)	(37)	(335)
Transfers	979	22	136	(1,137)	—
Reclassified to assets held for sale	(15)	(1)	—	—	(16)
Translation adjustment	(644)	(24)	(66)	(60)	(794)
<b>As of December 31, 2018</b>	<b>4,008</b>	<b>202</b>	<b>393</b>	<b>329</b>	<b>4,932</b>
Cost	10,758	443	1,271	459	12,931
Accumulated depreciation and impairment	(6,750)	(241)	(878)	(130)	(7,999)

There were no material changes in estimates related to property and equipment in 2018 other than the impairment described in Note 11 of US\$335 (2017: US\$15).

During 2018, VEON acquired property and equipment in the amount of US\$346 (2017: US\$441), which were not paid for as of year-end.

Property and equipment pledged as security for bank borrowings amounts to US\$750 as of December 31, 2018 (2017: US\$875), and primarily relate to securities for borrowings of PMCL (refer to Note 16 for details regarding amounts borrowed).

## COMMITMENTS

Capital commitments for the future purchase of equipment are as follows as of December 31:

	2018	2017
Less than 1 year	433	555
Between 1 and 5 years	4	262
<b>Total commitments</b>	<b>437</b>	<b>817</b>

### Telecom license capital commitments

VEON's ability to generate revenue in the countries it operates is dependent upon the operation of the wireless telecommunications networks authorized under its various licenses under GSM-900/1800 and "3G" (UMTS / WCDMA) mobile radiotelephony communications services and "4G" (LTE).

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Under the license agreements, operating companies are subject to certain commitments, such as territory or population coverage, level of capital expenditures, and number of base stations to be fulfilled within a certain timeframe. If we are found to be involved in practices that do not comply with applicable laws or regulations, we may be exposed to significant fines, the risk of prosecution or the suspension or loss of our licenses, frequency allocations, authorizations or various permissions, any of which could harm our business, financial condition, results of operations, or cash flows.

After expiration of the license, our operating companies might be subject to additional payments for renewals, as well as new license capital and other commitments.

In July 2012, PJSC VimpelCom was awarded a mobile license, a data transmission license, a voice transmission license and a telematic license for the provision of LTE services in Russia. The roll-out of the LTE network will occur through a phased approach based on a pre-defined schedule pursuant to the requirements of the license. The LTE services were launched in the middle of 2013 and offered in six regions in Russia by the end of the year. The services must be extended to a specific number of additional regions each year through to December 1, 2019 by when services must cover all of Russia. PJSC VimpelCom is required to comply with the following conditions among others under the terms of the license: (i) invest at least RUB 15 billion (US\$260) in each calendar year, for which the Company continues to comply with to date in the construction of its federal LTE network until the network is completed, which must occur before December 1, 2019; (ii) provide certain data transmission services in all secondary and higher educational institutions in specified areas with population over 50 thousand; and (iii) provide interconnection capability to telecommunications operators that provide mobile services using virtual networks in any five regions in Russia not later than July 25, 2016. The latter requirement was fulfilled by PJSC VimpelCom within the required time.

## ACCOUNTING POLICIES

Property and equipment is stated at cost, net of any accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Class of property and equipment	Useful life
Telecommunication equipment	3 – 20 years
Buildings and constructions	10 – 50 years
Office and other equipment	3 – 10 years

Each asset's residual value, useful life and method of depreciation is reviewed at the end of each financial year and adjusted prospectively, if necessary.

## SOURCE OF ESTIMATION UNCERTAINTY

### Depreciation and amortization of non-current assets

Depreciation and amortization expenses are based on management estimates of useful life, residual value and amortization method of property and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. Technological developments are difficult to predict and our views on the trends and pace of development may change over time. Some of the assets and technologies, in which the Group invested several years ago, are still in use and provide the basis for new technologies.

The useful lives of property and equipment and intangible assets are reviewed at least annually, taking into consideration the factors mentioned above and all other relevant factors. Estimated useful lives for similar types of assets may vary between different entities in the Group due to local factors such as growth rate, maturity of the market, historical and expected replacements or transfer of assets and quality of components used.

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### 13 INTANGIBLE ASSETS

The following table summarizes the movement in the net book value of intangible assets for the years ended December 31:

Net book value	Telecommuni-cation licenses, frequencies & permissions	Software	Brands and trademarks	Customer relationships	Other intangible assets	Total
<b>As of January 1, 2017</b>	<b>1,128</b>	<b>380</b>	<b>358</b>	<b>337</b>	<b>54</b>	<b>2,257</b>
Additions	332	178	—	—	8	518
Disposals	(1)	(2)	—	—	(1)	(4)
Amortization charge for the year	(161)	(206)	(83)	(75)	(12)	(537)
Transfer	—	4	—	—	(4)	—
Translation adjustment	(42)	(3)	(13)	(7)	(1)	(66)
<b>As of December 31, 2017</b>	<b>1,256</b>	<b>351</b>	<b>262</b>	<b>255</b>	<b>44</b>	<b>2,168</b>
Additions	526	171	—	—	20	717
Disposals	(6)	(1)	—	—	—	(7)
Amortization charge for the year	(176)	(179)	(74)	(54)	(12)	(495)
Impairment	(251)	(48)	—	—	—	(299)
Transfer	—	2	—	—	(2)	—
Translation adjustment	(154)	(32)	(10)	(24)	(10)	(230)
<b>As of December 31, 2018</b>	<b>1,195</b>	<b>264</b>	<b>178</b>	<b>177</b>	<b>40</b>	<b>1,854</b>
<i>Cost</i>	<i>2,365</i>	<i>1,006</i>	<i>527</i>	<i>1,675</i>	<i>254</i>	<i>5,827</i>
<i>Accumulated amortization and impairment</i>	<i>(1,170)</i>	<i>(742)</i>	<i>(349)</i>	<i>(1,498)</i>	<i>(214)</i>	<i>(3,973)</i>

During 2018, there were no material change in estimates related to intangible assets 2018 other than the impairment described in Note 11 of US\$299 (2017: nil, 2016: US\$14).

During 2018, VEON acquired intangible assets in the amount of US\$100 (2017: US\$92), which were not yet paid for as of year-end.

#### Acquisition of spectrum in Ukraine

In January 2018, the Company's wholly-owned subsidiary in Ukraine, Kyivstar, secured one of three licenses to provide nationwide 4G/LTE services. All approvals and licenses were obtained, and company successfully launched 4G throughout Ukraine on 08.04.2018 at 2600 MHZ and on 01.07.2018 at 1800 Mhz.

Kyivstar has fulfilled all its current license obligations for 2600 MHz and 1800 MHz licenses required, some license obligations will arise in the future and will be fulfilled on ongoing basis. Kyivstar paid UAH 0.9 billion (US\$32) for 15MHz (paired) of contiguous frequency in the 2600 MHz band.

In addition, in March 2018, Kyivstar was awarded the following spectrum in the 1800MHz band suitable for 4G/LTE:

- 25MHz (paired) at UAH 1.325 billion (US\$47); and
- two lots of 5MHz (paired) at UAH 1.512 billion (US\$53).

#### Acquisition of additional spectrum and 4G/LTE License in Bangladesh

In February 2018, the Company's wholly-owned subsidiary in Bangladesh, Banglalink, was awarded technology neutral spectrum in the 1800 and 2100 MHz bands.

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Banglalink will pay a total of US\$308.6 for the spectrum excluding VAT. An upfront payment of 60% for the spectrum was paid in February 2018, with the remaining 40% payable over 4 years. In addition, Banglalink has paid US\$35 to convert its existing spectrum holding in 900MHz and 1800MHz into technology neutral spectrum and a fee of BDT 100 million (US\$1.2) to acquire the 4G/LTE license.

## COMMITMENTS

Capital commitments for the future purchase of intangible assets are as follows as of December 31:

	2018	2017
Less than 1 year	23	40
Between 1 and 5 years	—	4
<b>Total commitments</b>	<b>23</b>	<b>44</b>

## ACCOUNTING POLICIES

Intangible assets acquired separately are measured initially at cost and are subsequently measured at cost less accumulated amortization and impairment losses.

Intangible assets with a finite useful life are generally amortized with the straight-line method over the estimated useful life of the intangible asset. The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least annually.

## SOURCE OF ESTIMATION UNCERTAINTY

### Depreciation and amortization of non-current assets

Refer also to Note 12 for further details regarding source of estimation uncertainty.

Significant estimates in the evaluation of useful lives for intangible assets include, but are not limited to, the estimated average customer relationship based on churn, the remaining license or concession period and the expected developments in technology and markets.

The actual economic lives of intangible assets may be different than estimated useful lives, thereby resulting in a different carrying value of intangible assets with finite lives. We continue to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods. A change in estimated useful lives is a change in accounting estimate, and depreciation and amortization charges are adjusted prospectively.

## 14 GOODWILL

The movement in goodwill for the Group, per cash generating unit (“CGU”), consisted of the following as of December 31, 2018:

CGU	December 31, 2018	Impairment	Currency translation	December 31, 2017
Russia	2,018	—	(416)	2,434
Algeria	1,176	(125)	(39)	1,340
Pakistan	371	—	(97)	468
Kazakhstan	153	—	(24)	177
Kyrgyzstan	54	(74)	—	128
Uzbekistan	44	—	(2)	46
Armenia	—	(25)	—	25
<b>Total</b>	<b>3,816</b>	<b>(224)</b>	<b>(578)</b>	<b>4,618</b>

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CGU	December 31, 2017	Impairment	Translation adjustment	December 31, 2016
Russia	2,434	—	122	2,312
Algeria	1,340	—	(53)	1,393
Pakistan	468	—	(29)	497
Kazakhstan	177	—	1	176
Kyrgyzstan	128	(17)	—	145
Uzbekistan	46	—	(68)	114
Armenia	25	(34)	—	59
<b>Total</b>	<b>4,618</b>	<b>(51)</b>	<b>(27)</b>	<b>4,696</b>

## ACCOUNTING POLICIES

Goodwill is recognized for the future economic benefits arising from net assets acquired that are not individually identified and separately recognized. Goodwill is not amortized but is tested for impairment annually and as necessary when circumstances indicate that the carrying value may be impaired.

## 15 INVESTMENTS IN SUBSIDIARIES

The Company held investments in the material subsidiaries for the years ended December 31 as detailed in the table below. The equity interest presented represents the economic rights available to the Company.

Name of significant subsidiary	Country of incorporation	Nature of subsidiary	Equity interest held by the Group	
			2018	2017
VEON Amsterdam B.V.	Netherlands	Holding	100%	100%
VEON Holdings B.V.	Netherlands	Holding	100%	100%
PJSC VimpelCom	Russia	Operating	100%	100%
JSC “Kyivstar”	Ukraine	Operating	100%	100%
LLP “KaR-Tel”	Kazakhstan	Operating	75%	75%
LLC “Unitel”	Uzbekistan	Operating	100%	100%
LLC “VEON Georgia”	Georgia	Operating	80%	80%
CJSC “VEON Armenia”	Armenia	Operating	100%	100%
LLC “Sky Mobile”	Kyrgyzstan	Operating	50%	50%
VEON Luxembourg Holdings S.à r.l.	Luxembourg	Holding	100%	100%
VEON Luxembourg Finance Holdings S.à r.l.	Luxembourg	Holding	100%	100%
VEON Luxembourg Finance S.A.	Luxembourg	Holding	100%	100%
Global Telecom Holding S.A.E	Egypt	Holding	58%	58%
Omnium Telecom Algérie S.p.A.*	Algeria	Holding	26%	26%
Optimum Telecom Algeria S.p.A.*	Algeria	Operating	26%	26%
Pakistan Mobile Communications Limited	Pakistan	Operating	49%	49%
Banglalink Digital Communications Limited	Bangladesh	Operating	58%	58%
LLC “Tacom” **	Tajikistan	Operating	—	98%
VimpelCom Lao Co. Ltd. **	Lao PDR	Operating	—	78%

\* The Group has concluded that it controls Omnium Telecom Algérie S.p.A and Optimum Telecom Algeria S.p.A even though its subsidiary, Global Telecom Holding S.A.E. owns less than 50% of the ordinary shares. This is because the Company can exercise operational control through terms of a shareholders’ agreement.

\*\* During 2018, the Group sold its operations in Tajikistan and Laos, see below in this Note for further details.

Pursuant to local laws and regulations and covenants in agreements relating to indebtedness, subsidiaries may be restricted from declaring or paying dividends to VEON.

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The company holds and controls its investments in Omnium Telecom Algérie S.p.A., Optimum Telecom Algeria S.p.A, Pakistan Mobile Communications Limited, Warid Telecom Limited and Banglalink Digital Communications Limited (“**Banglalink**”) through its subsidiary GTH, in which it holds a 57.7% interest as of balance sheet date.

## GAIN ON SALE OF SUBSIDIARIES

During the second quarter of 2018, the Company sold its operations in Laos and Tajikistan to external parties, which were previously classified as disposal groups held for sale. The effect of the disposals is detailed below:

	Laos	Tajikistan	Other	Total
<b>Net cash consideration received</b>	22	—	—	22
Derecognition of assets classified as held for sale	(21)	(13)	—	(34)
Derecognition of liabilities classified as held for sale	13	25	10	48
Derecognition of non-controlling interests	(6)	—	—	(6)
Release cumulative other comprehensive income related to disposal group	1	(1)	—	—
<b>Gain on disposal</b>	<b>9</b>	<b>11</b>	<b>10</b>	<b>30</b>

### Laos operations

On October 27, 2017, VimpelCom Holding Laos B.V. (“**VimpelCom Laos**”), a subsidiary of the Company, entered into a Sale and Purchase Agreement for the sale of its operations in Laos to the Lao People’s Democratic Republic (“**Government of Laos**”). Under the agreement, VimpelCom Laos transferred its 78% interest in VimpelCom Lao Co. Limited (“**VIP Lao**”) to the Government of Laos, the minority shareholder, on a debt-free basis, in exchange for a purchase consideration of US\$22.

Purchase consideration was received in two separate payments, on December 8, 2017 and February 22, 2018. The sale of Laos was completed on May 3, 2018.

### Tajikistan operations

On April 5, 2018, VEON Holdings B.V., a fully-owned subsidiary of the Company, signed an agreement with ZET Mobile Limited (“**ZET**”) for the sale of 100% of shares in its subsidiary, Vimpelcom (BVI) AG, which owns 98% of shares in Tacom LLC (“**Tacom**”). The remaining 2% interest in Tacom was owned by the shareholder of ZET. Under the agreement, ZET has indirectly acquired 98% of shares in Tacom.

The transaction was completed on June 8, 2018.

### Other gains

In December 2018, the Group completed the liquidation of Ring Distribution Company S.A.E., one of its subsidiaries in Egypt, which resulted in a gain of US\$10.

## MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests (“**NCIs**”) is provided below:

Name of significant subsidiary	Equity interest held by NCIs		Book values of material NCIs		Profit / (loss) attributable to material NCIs	
	2018	2017	2018	2017	2018	2017
LLP “KaR-Tel” (“ <b>Kar-Tel</b> ”)	25.0%	25.0%	228	252	19	8
LLC “Sky Mobile” (“ <b>Sky Mobile</b> ”)	49.8%	49.8%	133	167	(32)	3
Global Telecom Holding S.A.E (“ <b>GTH</b> ”)	42.3%	42.3%	(1,190)	(793)	(217)	(40)
Omnium Telecom Algérie S.p.A. (“ <b>OTA</b> ”)	73.7%	73.7%	1,091	1,235	1	100



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The summarized financial information of these subsidiaries before intercompany eliminations for the years ended December 31 are detailed below. Note that the amount of non-controlling interests presented for OTA of 73.7% represents the non-controlling interests in Algeria of 54.4% and the non-controlling interests in GTH, the intermediate parent company in Egypt, of 42.3%.

**Summarized income statement**

	Kar-Tel			Sky Mobile			GTH			OTA		
	2018	2017	2016	2018	2017	2016	2018	2017*	2016	2018	2017	2016
Operating revenue	410	348	308	81	108	136	2,828	3,015	2,955	813	915	1,040
Operating expenses	(319)	(296)	(255)	(144)	(97)	(162)	(2,810)	(2,421)	(2,463)	(754)	(703)	(753)
Other (expenses) / income	6	(7)	2	—	(2)	(12)	(377)	(450)	(213)	(11)	(27)	(33)
<b>Profit / (loss) before tax</b>	97	45	55	(63)	9	(38)	(359)	144	279	48	185	254
Income tax expense	(20)	(13)	(14)	(1)	(4)	(5)	(124)	(375)	(144)	(47)	(49)	(69)
<b>Profit / (loss) for the year</b>	77	32	41	(64)	5	(43)	(483)	(231)	135	1	136	185
<b>Total comprehensive income / (loss)</b>	77	32	41	(64)	5	(43)	(483)	(231)	135	1	136	185
Attributed to NCIs	19	8	10	(32)	3	(21)	(204)	(56)	116	1	100	141
<b>Dividends paid to NCIs</b>	—	—	—	—	—	—	80	116	—	76	82	—

**Summarized statement of financial position**

	Kar-Tel		Sky Mobile		GTH		OTA	
	2018	2017	2018	2017	2018	2017*	2018	2017
Property and equipment	192	184	76	79	1,652	2,166	498	517
Intangible assets	69	92	10	12	1,042	1,324	214	291
Other non-current assets	177	204	55	131	1,766	2,094	1,178	1,361
Trade and other receivables	13	22	3	6	263	260	48	31
Cash and cash equivalents	29	14	43	32	420	385	53	125
Other current assets	15	74	12	12	317	363	88	66
Financial liabilities	—	—	—	—	(2,938)	(3,072)	(63)	(128)
Provisions	(4)	(5)	(2)	(4)	(312)	(348)	(25)	(31)
Other liabilities	(85)	(84)	(19)	(22)	(1,690)	(1,865)	(355)	(400)
<b>Total equity</b>	406	501	178	246	520	1,307	1,636	1,832
<b>Attributed to:</b>								
Equity holders of the parent	178	249	45	79	1,710	2,100	545	597
Non-controlling interests	228	252	133	167	(1,190)	(793)	1,091	1,235

[Table of Contents](#)**Summarized statement of cash flows**

	Kar-Tel			Sky Mobile			GTH			OTA		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
Net operating cash flows	148	105	99	29	23	58	900	877	1,077	245	345	446
Net investing cash flows	(42)	(73)	(124)	(18)	(24)	45	(695)	(924)	(473)	(118)	(172)	(238)
Net financing cash flows	(90)	(48)	(83)	—	—	(115)	(110)	(157)	(492)	(193)	(350)	(288)
Effect of exchange rate changes on cash and cash equivalents	(3)	—	1	—	—	(1)	(60)	(18)	(14)	(5)	(7)	(14)
<b>Net increase / (decrease) in cash equivalents</b>	<b>13</b>	<b>(16)</b>	<b>(107)</b>	<b>11</b>	<b>(1)</b>	<b>(13)</b>	<b>35</b>	<b>(222)</b>	<b>98</b>	<b>(71)</b>	<b>(184)</b>	<b>(94)</b>

**SIGNIFICANT ACCOUNTING JUDGEMENT****Control over subsidiaries**

Subsidiaries, which are those entities over which the Company is deemed to have control, are consolidated. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In certain circumstances, significant judgment is required to assess if the Company is deemed to have control over entities where the Company's ownership interest does not exceed 50%.

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## FINANCING ACTIVITIES OF THE GROUP

### 16 FINANCIAL ASSETS AND LIABILITIES

Set out below is the carrying value and fair value of the Company's financial instruments as of December 31. Details regarding how fair value is determined for each class of financial instruments is disclosed later in this Note.

#### FINANCIAL ASSETS

The Company holds the following financial assets as of December 31:

Financial assets	Carrying value		Fair value	
	2018	2017	2018	2017
<b>Financial assets at fair value through profit or loss</b>				
Derivatives not designated as hedges	14	10	14	10
Derivatives designated as net investment hedges	45	—	45	—
Investments in debt instruments *	36	71	36	71
Other	3	—	3	—
	<b>98</b>	<b>81</b>	<b>98</b>	<b>81</b>
<b>Financial assets at amortized cost</b>				
Cash pledged as collateral **	31	998	31	998
Other investments	17	85	17	85
	<b>48</b>	<b>1,083</b>	<b>48</b>	<b>1,083</b>
<b>Total financial assets</b>	<b>146</b>	<b>1,164</b>	<b>146</b>	<b>1,164</b>
Non-current	58	34		
Current	88	1,130		

\* Investments in debt instruments relate primarily to government bonds and are measured at fair value through other comprehensive income (with recycling). Balances in the comparative year were classified as Available for sale financial asset, see Note 25 for further details.

\*\* Amount in 2017 relates to the mandatory tender offer in relation to GTH, which was subsequently withdrawn, see Note 10 for further details.

[Table of Contents](#)**FINANCIAL LIABILITIES**

The Company holds the following financial liabilities as of December 31:

Financial Liabilities	Carrying value		Fair value	
	2018	2017	2018	2017
<b>Financial liabilities at fair value through profit or loss</b>				
Derivatives not designated as hedges	65	—	65	—
Derivatives designated as net investment hedges	—	59	—	59
Contingent consideration	40	49	40	49
Other	2	1	2	1
	<b>107</b>	<b>109</b>	<b>107</b>	<b>109</b>
<b>Financial liabilities at amortized cost</b>				
Principal amount outstanding	7,298	11,103	7,349	11,548
Interest accrued	81	129	81	130
Discounts, unamortized fees, hedge basis adjustment	(13)	(34)	—	—
Bank loans and bonds	7,366	11,198	7,430	11,678
Put-option liability over non-controlling interest	306	310	306	310
Other financial liabilities	77	13	77	13
	<b>7,749</b>	<b>11,521</b>	<b>7,813</b>	<b>12,001</b>
<b>Total financial liabilities</b>	<b>7,856</b>	<b>11,630</b>	<b>7,920</b>	<b>12,110</b>
Non-current	6,567	10,362		
Current	1,289	1,268		

Subsequent to the sale of the Italy Joint Venture, the Company entered into cross-currency interest rate swaps opposite to those originally used for hedging the Euro exposure (arising on the net investment in the joint venture) which resulted in locking-in the valuation of the original instruments. Although the opposite swaps were entered into with original counterparties, the transactions do not meet the criteria for set-off according to IFRS.

**Bank loans and bonds**

The Company had the following principal amounts outstanding for interest-bearing loans and bonds at December 31:

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Borrower	Type of debt	Guarantor	Currency	Interest rate	Maturity	Principal amount outstanding	
						2018	2017
VEON Holdings	Loans	None	RUB	8.75% - 10.0%	2022	2,051	2,474
VEON Holdings	Notes	None	US\$	5.2% - 5.95%	2019 - 2023	1,100	1,554
VEON Holdings	Notes	None	US\$	3.95% - 4.95%	2021 - 2024	1,133	1,500
VEON Holdings	Loans	None	EUR	3mEURIBOR + 1.9% - 2.75%	2022	—	752
VEON Holdings	Notes	PJSC VimpelCom	US\$	7.5%	2022	417	628
VEON Holdings	Syndicated loan (RCF)	None	US\$	1mLIBOR + 2.25%	2018	—	250
VEON Holdings	Notes	None	RUB	9.0%	2018	—	208
GTH Finance B.V.	Notes	VEON Holdings B.V.	US\$	6.25% - 7.25%	2020 - 2023	1,200	1,200
VIP Finance Ireland	Eurobonds	None	US\$	7.748% 2017: 7.748% - 9.1%	2021	262	543
PMCL	Loans	None	PKR	6mKIBOR + 0.35% - 0.8%	2020 - 2022	256	379
PMCL	Loans	EKN *	US\$	6mLIBOR + 1.9%	2020	137	212
Banglalink	Senior Notes	None	US\$	8.6%	2019	300	300
Banglalink	Loans	None	BDT	Average bank deposit rate + 3.0% - 4.25%	2020 - 2022	146	—
Other loans						296	1,103
<b>Total bank loans and bonds</b>						<b>7,298</b>	<b>11,103</b>

\* Exportkreditnämnden (The Swedish Export Credit Agency)

Termination of Guarantees

On June 30, 2017, the guarantees issued by VEON Holdings under each of the RUB 12,000 million 9.00% notes due 2018 (the “**RUB Notes**”), the US\$600 5.20% notes due 2019 (the “**2019 Notes**”) and the US\$1,000 5.95% notes due 2023 (the “**2023 Notes**”), and together with the RUB Notes and the 2019 Notes, the “**Guaranteed Notes**”), issued by PJSC VimpelCom, were terminated. VEON Holdings exercised its option to terminate the guarantees pursuant to the terms of the trust deeds entered into in respect of the Notes, between VEON Holdings, PJSC VimpelCom and BNY Mellon Corporate Trustee Services Limited, each dated February 13, 2013 (together the “**Trust Deeds**”).

**Reconciliation of cash flows from financing activities**

Bank loans and bonds at amortized cost	2018	2017
<b>Balance as of January 1</b>	<b>11,198</b>	<b>10,702</b>
Cash flows		
Proceeds from borrowings, net of fees paid	807	6,193
Repayment of borrowings	(4,122)	(5,948)
Interest paid	(736)	(834)
Non-cash movements		
Interest expense	738	774
Early redemption premium accrued *	44	168
Foreign currency translation	(573)	138
Other non-cash movements	10	5
<b>Balance as of December 31</b>	<b>7,366</b>	<b>11,198</b>

\* Early redemption premium accrued in respect of the settlement of the cash tender offer for certain outstanding debt securities, see below for further information. The amount accrued relates to the excess of purchase price over the principal amount outstanding, which, together with the release of unamortized debt issuance costs and unamortized fair value hedge basis adjustment, resulted in a loss from early debt redemption of US\$30 (2017: US\$124), recorded within “Other non-operating gains/losses” (refer to Note 5).

[Table of Contents](#)**Cash tender offer for certain outstanding bonds and modification of covenants**

In November 2018, the Company commenced a cash tender offer in respect of (A) any and all of the outstanding (i) US\$1,000 7.748% Loan Participation Notes due 2021 issued by, but with limited recourse to, VIP Finance Ireland Limited (the “**2021 Notes**”), (ii) US\$1,500 7.5043% Guaranteed Notes due 2022 issued by VEON Holdings B.V. (the “**2022 Notes**”), (iii) US\$1,000 5.95% Notes due 2023 issued by VEON Holdings B.V. (the “**2023 Notes**”, and together with the 2021 Notes and the 2022 Notes, the “**Any and All Notes**”), and (B) up to maximum tender consideration of US\$400 of the US\$900 4.950% Notes due 2024 issued by VEON Holdings B.V. (the “**2024 Notes**”, and together with the Any and All Notes, the “**Notes**”).

The aggregate principal amount of the Notes accepted for repurchase was US\$1,147, which was settled on December 17, 2018 for the 2024 Notes, and on December 31, 2018 for the Any and All Notes. The unamortized debt issuance costs and unamortized fair value hedge basis adjustment were released to the income statement at the date of the closing, which, together with the early redemption premium, resulted in a loss from early debt redemption of US\$30, recorded within “Other non-operating gains/losses” (refer to Note 5).

Simultaneously with the tender, the Company requested bondholders’ consent to amend or remove certain covenants contained in the Any and All Notes, including the negative pledge covenant. Supplemental trust deeds and an amendment agreement documenting those changes were executed on December 28, 2018.

**Issuance of new notes and cash tender offer for certain outstanding debt securities**

In May 2017, VEON Holdings commenced a cash tender offer in respect of the outstanding (i) US\$1,000 9.125% Loan Participation Notes due 2018 issued by, but with limited recourse to, VIP Finance Ireland Limited (the “**2018 Notes**”), (ii) the 2021 Notes and (iii) the 2022 Notes (together with the 2018 Notes and the 2021 Notes, the “**Existing Notes**”).

The aggregate principal amount accepted for repurchase was US\$1,259, which was settled in June 2017. The unamortized debt issuance costs and unamortized fair value hedge basis adjustment were released to the income statement at the date of the closing, which, together with the early redemption premium, resulted in a loss from early debt redemption of US\$124, recorded within “Other non-operating gains/losses” (refer to Note 5).

In June 2017, VEON Holdings issued US\$600 3.95% Senior Notes due 2021 and US\$900 4.95% Senior Notes due 2024 (together, the “**New Notes**”). The net proceeds of the New Notes were used to finance the purchase of the Existing Notes and for general corporate purposes.

**FAIR VALUES**

The fair value of financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date. The fair values were estimated based on quoted market prices for our bonds, derived from market prices or by discounting contractual cash flows at the rate applicable for the instruments with similar maturity and risk profile.

The carrying amount of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their respective fair value.

The fair value of derivative financial instruments is determined using the discounted cash flows technique. Observable inputs (Level 2) used in the valuation techniques include LIBOR, EURIBOR, swap curves, basis swap spreads, foreign exchange rates and credit default spreads.

**Fair value hierarchy**

As of December 31, 2018 and 2017, the Group recognized financial instruments at fair value in the statement of financial position.

The fair value hierarchy ranks fair value measurements based on the type of inputs used in the valuation; it does not depend on the type of valuation techniques used:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs are used for the asset or liability

As of December 31, 2018 and 2017, all financial assets or financial liabilities carried at fair value were measured based on Level 2 inputs, except for Contingent consideration, for which fair value is classified as Level 3.

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Transfers into and out of fair value hierarchy levels are recognized at the end of the reporting period (or the date of the event or change in circumstances that caused the transfer). On a quarterly basis, the Company reviews if there are any indicators for a possible transfer between Level 2 and Level 3. This depends on how the Company is able to obtain the underlying input parameters when assessing the fair valuations.

During the years ended December 31, 2018 and 2017, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

The following table summarizes the movements relating to financial instruments classified as Level 3 in the fair value hierarchy for the years ended December 31, 2018 and 2017:

	Financial assets at fair value	Financial liabilities at fair value
	Investments in debt instruments	Contingent consideration
<b>As of January 1, 2017</b>	<b>29</b>	<b>47</b>
Impairment loss	(20)	—
Change in fair value recognized in other comprehensive income	(9)	—
Change in fair value recognized in the income statement	—	2
<b>As of December 31, 2017</b>	<b>—</b>	<b>49</b>
Change in fair value recognized in the income statement	—	(9)
<b>As of December 31, 2018</b>	<b>—</b>	<b>40</b>

All impairment losses and changes in fair values of financial instruments are unrealized and are recorded in “Other non-operating losses” in the consolidated income statement or “Other” in the consolidated statement of comprehensive income.

## HEDGE ACCOUNTING

The following table sets out the Company’s hedging instruments designated as net investment hedges as of December 31:

Hedging instruments*	Designated rate	Excluded component	Hedged item	Currency	Aggregated designated nominal value of hedged items, million	
					2018	2017
Cross currency interest rate swaps **	Forward	foreign currency basis spread	Italy Joint Venture	EUR	—	537 ***
Euro-denominated loans **	Spot	n/a	Italy Joint Venture	EUR	—	627
Foreign currency forward contracts	Forward	foreign currency basis spread	PJSC VimpelCom	RUB	68,639 ****	—

\* Refer to Note 16 for information regarding the carrying amounts of the hedging instruments.

\*\* Hedging relationships were terminated due to disposal of the hedged item. Refer to Note 10 for further details.

\*\*\* Exchanged to US\$600 at maturity on June 16, 2021.

\*\*\*\* Hedging instruments have a weighted average term to maturity of 2 years as of December 31, 2018.

There is economic relationship between the hedged net investments and the hedging instruments because the hedged items create a translation risk that matches the foreign exchange risk of the hedging instruments. The hedge ratio for each of the above relationships was set at 1:1 as the underlying risk of the hedging instruments is identical to the hedged risk and the nominal value of hedging instruments has not exceeded the amounts of respective net investments. The hedge ineffectiveness might arise from:

- the value of a net investment falling below the related designated nominal value of the hedging items, or
- counterparties’ credit risk impacting the hedging item (where applicable) but not the hedged net investment.

During the periods covered by these consolidated financial statements, the value of ineffectiveness was immaterial for all hedging relationships.

[Table of Contents](#)**Impact of hedge accounting on equity**

The below table sets out the reconciliation of each component of equity and the analysis of other comprehensive income:

	Foreign currency translation reserve	Cost of hedging reserve
<b>As of January 1, 2017</b>	<b>(7,109)</b>	<b>—</b>
Foreign currency revaluation of the foreign operations and other	(433)	—
Effective portion of foreign currency revaluation of the hedging instruments *	(125)	—
<b>As of December 31, 2017</b>	<b>(7,667)</b>	<b>—</b>
Foreign currency revaluation of the foreign operations	(753)	—
Effective portion of foreign currency revaluation of the hedging instruments *	83	—
Change in fair value of foreign currency basis spreads	—	(4)
Amortization of time-period related foreign currency basis spreads	—	5
Net investment hedge amount reclassified to profit or loss – sale of Italy Joint Venture	80	4
Disposal of subsidiaries – reclassification to profit or loss	(159)	—
<b>As of December 31, 2018</b>	<b>(8,416)</b>	<b>5</b>

\* Amounts represent the changes in fair value of the hedging financial instruments and closely approximate the changes in value of the hedged items used to recognize hedge ineffectiveness.



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## OFFSETTING FINANCIAL ASSETS AND LIABILITIES

For financial assets and liabilities subject to netting arrangements, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities are settled on a gross basis.

The major arrangements applicable for the Group are agreements with national and international interconnect operators and agreements with roaming partners.

Several entities of the Group have entered into International Swaps and Derivatives Association, Inc. (“ISDA”) Master Agreements or equivalent documents with their counterparties, governing the derivative transactions entered into between these entities and their counterparties. These documents provide for set-off of outstanding derivative positions in the event of termination if an Event of Default of either entity or the counterparty occurs.

				Related amounts not set off in the statement of financial position		
	Gross amounts recognized	Gross amounts set off in the statement of financial position	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount
As of December 31, 2018						
Other financial assets (non-current)	58	—	58	—	—	58
Other financial liabilities (non-current)	6,567	—	6,567	—	—	6,567
Other financial assets (current)	88	—	88	—	—	88
Other financial liabilities (current)	1,289	—	1,289	—	—	1,289
Trade and other receivables	617	(40)	577	—	—	577
Trade and other payables	1,472	(40)	1,432	—	—	1,432
As of December 31, 2017						
Other financial assets (non-current)	34	—	34	—	—	34
Other financial liabilities (non-current)	10,362	—	10,362	—	—	10,362
Other financial assets (current)	1,130	—	1,130	—	—	1,130
Other financial liabilities (current)	1,268	—	1,268	—	—	1,268
Trade and other receivables	817	(72)	745	—	—	745
Trade and other payables	1,595	(72)	1,523	—	—	1,523

## ACCOUNTING POLICIES

### Put options over non-controlling interest

Put options over non-controlling interest of a subsidiary are accounted for as financial liabilities in the Company’s consolidated financial statements. The put-option redemption liability is measured at the discounted redemption amount. Interest over the put-option redemption liability will accrue in line with the effective interest rate method, until the options have been exercised or are expired.

### Derivative contracts

VEON enters into derivative contracts, including swaps and forward contracts, to manage certain foreign currency and interest rate exposures. Any derivative instruments for which no hedge accounting is applied are recorded at fair value with any fair value changes recognized directly in profit or loss. Although some of the derivatives entered into by the Company have not been designated in hedge accounting relationships, they act as economic hedges and offset the underlying transactions when they occur.

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**Hedges of a net investment**

The Company applies net investment hedge accounting to mitigate foreign currency translation risk related to the Company's investments in foreign operations. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income within the "Foreign currency translation" line item. Where the hedging instrument's foreign currency retranslation is greater (in absolute terms) than that of the hedged item, the excess amount is recorded in profit or loss as ineffectiveness. The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation. Cash flows arising from derivative instruments for which hedge accounting is applied are reported in the statement of cash flows within the line item where the underlying cash flows of the hedged item are recorded.

**SOURCE OF ESTIMATION UNCERTAINTY****Fair value of financial instruments**

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques, including discounted cash flows model. The inputs to these models are taken from observable markets, but when this is not possible, a degree of judgment is required in establishing fair values. The judgments include considerations regarding inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**17 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents are comprised of cash at bank and on hand and highly liquid investments that are readily convertible to known amounts of cash, are subject to only an insignificant risk of changes in value and have an original maturity of less than three months.

Cash and cash equivalents consisted of the following items as of December 31:

	December 31, 2018	December 31, 2017
Cash and cash equivalents at banks and on hand	756	850
Cash equivalents with original maturity of less than three months	1,052	464
<b>Cash and cash equivalents</b>	<b>1,808</b>	<b>1,314</b>
Less overdrafts	(17)	—
<b>Cash and cash equivalents, net of overdrafts, as presented in the consolidated statement of cash flows</b>	<b>1,791</b>	<b>1,314</b>

Cash at bank earns interest at floating rates based on bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

The imposition of currency exchange controls or other similar restrictions on currency convertibility in the countries in which VEON operates could limit VEON's ability to convert local currencies or repatriate local cash in a timely manner or at all, as well as remit dividends from the respective countries. As of December 31, 2018, there were no restricted cash and cash equivalent balances (2017: nil).

Cash balances include investments in money market funds of US\$349 (2017: US\$91).

As of December 31, 2018, some bank accounts forming part of a cash pooling program and being an integral part of the Company's cash management remained overdrawn by US\$17 (2017: US\$ nil). Even though the total balance of the cash pool remained positive, the Company has no legally enforceable right of set-off and therefore the overdrawn accounts are presented as financial liabilities within the statement of financial position. At the same time, because the overdrawn accounts are an integral part of the Company's cash management, they were included as cash and cash equivalents within the statement of cash flows.

**18 FINANCIAL RISK MANAGEMENT**

The Group's principal financial liabilities consist of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables, cash and short-term deposits that are derived directly from its operations.

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The Group is exposed to market risk, credit risk and liquidity risk. The Company's Board of Directors manages these risks with support of the treasury function, who proposes the appropriate financial risk governance framework for the Group, identifies and measures financial risks and suggests mitigating actions. The Company's Board of Directors, supported by its Finance Committee, approves the financial risk management framework and oversees its enforcement.

## MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk and foreign currency risk.

## INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations. The Company manages its interest rate risk exposure through a portfolio of fixed and variable rate borrowings and hedging activities.

As of December 31, 2018, after taking into account the effect of interest rate swaps, approximately 91% of the Company's borrowings are at a fixed rate of interest (2017: 80%).

The Group is exposed to possible changes in interest rates on variable interest loans and borrowings, partially mitigated through related derivative financial instruments, cash and cash equivalents and current deposits. With all other variables held constant, the Company's profit before tax is affected through changes in the floating rate of borrowings while the Company's equity is affected through the impact of a parallel shift of the yield curve on the fair value of hedging derivatives. An increase or decrease of 100 basis points in interest rates would have an immaterial impact on the Company's income statement and other comprehensive income.

## FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the debt denominated in currencies other than the functional currency of the relevant entity, the Company's operating activities (predominantly capital expenditures at subsidiary level denominated in a different currency from the subsidiary's functional currency) and the Company's net investments in foreign subsidiaries.

The Company manages its foreign currency risk by selectively hedging committed exposures.

The Company hedges part of its exposure to fluctuations on the translation into U.S. dollars of its foreign operations by holding the borrowings in foreign currencies or by foreign exchange swaps and forwards. During the periods covered by these financial statements, the Company used cross currency interest rate swaps and foreign exchange forwards to mitigate foreign currency translation risk related to the Company's net investments in the Italy Joint Venture and PJSC VimpelCom.

### Foreign currency sensitivity

The following table demonstrates the sensitivity to a possible change in exchange rates against the US dollar with all other variables held constant. Additional sensitivity changes to the indicated currencies are expected to be approximately proportionate. The table shows the effect on the Company's profit before tax (due to changes in the value of monetary assets and liabilities, including foreign currency derivatives) and equity (due to application of hedge accounting or existence of quasi equity loans). The Company's exposure to foreign currency changes for all other currencies is not material.

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Change in foreign exchange rate against US\$	Effect on profit / (loss) before tax		Effect on other comprehensive income	
	10% depreciation	10% appreciation	10% depreciation	10% appreciation
<b>2018</b>				
Euro	(2)	3	—	—
Russian Ruble	(32)	35	70	(77)
Bangladeshi Taka	(76)	83	—	—
Pakistani Rupee	(19)	20	—	—
Georgian Lari	(34)	37	—	—
Other currencies	—	—	—	—
<b>2017</b>				
Euro	(18)	20	132	(145)
Russian Ruble	44	(48)	—	—
Bangladeshi Taka	(69)	76	—	—
Pakistani Rupee	(27)	30	—	—
Georgian Lari	(32)	35	—	—
Other currencies	(11)	12	—	—

**CREDIT RISK**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily from trade receivables), and from its treasury activities, including deposits with banks and financial institutions, derivative financial instruments and other financial instruments. See Note 17 for further information on restrictions on cash balances.

Trade receivables consist of amounts due from customers for airtime usage and amounts due from dealers and customers for equipment sales. VEON's credit risk arising from the services the Company provides to customers is mitigated to a large extent due to the majority of its active customers being subscribed to a prepaid service as of December 31, 2018 and 2017, and accordingly not giving rise to credit risk. For postpaid services, in certain circumstances, VEON requires deposits as collateral for airtime usage. Equipment sales are typically paid in advance of delivery, except for equipment sold to dealers on credit terms.

VEON's credit risk arising from its trade receivables from dealers is mitigated due to the risk being spread across a large number of dealers. Management periodically reviews the history of payments and credit worthiness of the dealers. The Company also has receivables from other local and international operators from interconnect and roaming services provided to their customers, as well as receivables from customers using fixed-line services, such as business services, wholesale services and services to residents. Receivables from other operators for roaming services are settled through clearing houses, which helps to mitigate credit risk in this regard.

VEON holds available cash in bank accounts, as well as other financial assets with financial institutions in countries where it operates. To manage credit risk associated with such asset holdings, VEON allocates its available cash to a variety of local banks and local affiliates of international banks within the limits set forth by its treasury policy. Management periodically reviews the creditworthiness of the banks with which it holds assets. In respect of financial instruments used by the Company's treasury function, the aggregate credit risk the Group may have with one counterparty is managed by reference to, amongst others, the long-term credit ratings assigned for that counterparty by Moody's, Fitch Ratings and Standard & Poor's and CDS spreads of that counterparty. Counterparty credit limits are reviewed and approved by the Company's CFO. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

Value Added Tax ("VAT") is recoverable from tax authorities by offsetting it against VAT payable to the tax authorities on VEON's revenue or direct cash receipts from the tax authorities. Management periodically reviews the recoverability of the balance of input value added tax and believes it is fully recoverable.

VEON issues advances to a variety of its vendors of property and equipment for its network development. The contractual arrangements with the most significant vendors provide for equipment financing in respect of certain deliveries of equipment. VEON periodically reviews the financial position of vendors and their compliance with the contract terms.

The Company's maximum exposure to credit risk for the components of the statement of financial position at December 31, 2018 and 2017 is the carrying amount as illustrated in Note 7, Note 16 and Note 17.

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## LIQUIDITY RISK

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares and lease arrangements. The Company's policy is to create a balanced debt maturity profile. As of December 31, 2018, 17% of the Company's debt (2017: 10%) will mature in less than one year based on the carrying value of bank loans, bonds and other borrowings reflected in the financial statements. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low based on liquidity in the markets the Company has access to, and recent history of refinancing. The Company believes that access to sources of funding is sufficiently available and the Company's policy is to diversify the funding sources where possible.

### Available facilities

The Company had the following available facilities as of balance sheet date for the years indicated below:

	Amounts in millions of transactional currency				US\$ equivalent amounts		
	Final availability period	Facility amount	Utilized	Available	Facility amount	Utilized	Available
<b>2018</b>							
VEON Holdings B.V. – Revolving Credit Facility	Feb 2022	US\$1,688*	—	US\$1,688	1,688	—	1,688
Pakistan Mobile Communications Limited - Syndicated Term Loan Facility	Jun 2019	PKR 26,750	PKR 17,000	PKR 9,750	191	122	69
Pakistan Mobile Communications Limited - Term Loan Facility	Jun 2019	PKR 10,000	PKR 5,463	PKR 4,537	72	39	33

\* Facility amount of US\$1,688 is available until February 2020. Subsequently a reduced facility amount of US\$1,586 is available until February 2021 and further reduced facility amount of US\$1,382 is available until February 2022

	Amounts in millions of transactional currency				US\$ equivalent amounts		
	Final availability period	Facility amount	Utilized	Available	Facility amount	Utilized	Available
<b>2017</b>							
VEON Holdings B.V. – Revolving Credit Facility *	Feb 2021	US\$1,688	US\$250	US\$1,438	1,688	250	1,438
VEON Holdings B.V. – Term Loan Facility	May 2018	RUB 45,000	RUB 30,000	RUB 15,000	781	520	261
Banglalink Digital Communications Ltd. – Syndicated Term Loan Facility	Sep 2018	BDT 29,300	—	BDT 29,300	353	—	353
Pakistan Mobile Communications Limited - Syndicated Term Loan Facility	Jun 2018	PKR 26,750	PKR 17,000	PKR 9,750	242	154	88
Pakistan Mobile Communications Limited - Term Loan Facility	Jun 2018	PKR 10,000	PKR 5,000	PKR 5,000	90	45	45

\* Facility amount of US\$1,688 is available until February 2020. Subsequently a reduced facility amount of US\$1,586 is available until February 2021.

[Table of Contents](#)**Maturity profile**

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. Payments related to variable interest rate financial liabilities and derivatives are included based on the interest rates and foreign currency exchange rates applicable as of December 31, 2018 and 2017, respectively. The total amounts in the table differ from the carrying amounts as stated in Note 16 as the below table includes both undiscounted principal amounts and interest while the carrying amounts are measured using the effective interest rate method.

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
<b>At December 31, 2018</b>					
Bank loans and bonds	1,697	3,866	2,642	579	8,784
Derivative financial liabilities					
Gross cash inflows	(368)	(54)	—	—	(422)
Gross cash outflows	394	68	—	—	462
Trade and other payables	1,425	—	—	—	1,425
Other financial liabilities	—	62	—	—	62
Warid non-controlling interest put option liability	—	306	—	—	306
<b>Total financial liabilities</b>	<b>3,148</b>	<b>4,248</b>	<b>2,642</b>	<b>579</b>	<b>10,617</b>
Related derivatives financial assets					
Gross cash inflows	(300)	(610)	(330)	—	(1,240)
Gross cash outflows	286	634	354	—	1,274
<b>Related derivative financial assets</b>	<b>(14)</b>	<b>24</b>	<b>24</b>	<b>—</b>	<b>34</b>
<b>Total financial liabilities, net of derivative assets</b>	<b>3,134</b>	<b>4,272</b>	<b>2,666</b>	<b>579</b>	<b>10,651</b>
	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
<b>At December 31, 2017</b>					
Bank loans and bonds	1,862	4,141	4,958	2,774	13,735
Derivative financial liabilities					
Gross cash inflows	(37)	(49)	(12)	—	(98)
Gross cash outflows	29	27	51	—	107
Trade and other payables	1,523	—	—	—	1,523
Other financial liabilities	—	62	—	—	62
Warid non-controlling interest put option liability	—	310	—	—	310
<b>Total financial liabilities</b>	<b>3,377</b>	<b>4,491</b>	<b>4,997</b>	<b>2,774</b>	<b>15,639</b>
Related derivatives financial assets					
Gross cash inflows	(275)	—	—	—	(275)
Gross cash outflows	270	—	—	—	270
<b>Related derivative financial assets</b>	<b>(5)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(5)</b>
<b>Total financial liabilities, net of derivative assets</b>	<b>3,372</b>	<b>4,491</b>	<b>4,997</b>	<b>2,774</b>	<b>15,634</b>

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## CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios, so as to secure access to debt and capital markets at all times and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Current credit ratings of the Company support its capital structure objectives. There were no changes made in the Company's objectives, policies or processes for managing capital during 2018.

VEON is committed to paying a sustainable and progressive dividend. A continuation of this progressive dividend policy is dependent on the evolution of the Group's equity free cash flow, including development of the U.S. dollar exchange rate against the Company's functional currencies.

The Net Debt to Adjusted EBITDA ratio is an important measure used by the Company to assess its capital structure. Net Debt represents the principal amount of interest-bearing debt less cash and cash equivalents and bank deposits. Adjusted EBITDA is defined as last twelve months earnings before interest, tax, depreciation, amortization and impairment, loss on disposals of non-current assets, other non-operating losses and share of profit / (loss) of joint ventures. For reconciliation of Adjusted EBITDA to Profit / (loss) before tax, refer to Note 2.

Further, this ratio is included as a financial covenant in the credit facilities of the Company. For most of our credit facilities the Net Debt to Adjusted EBITDA ratio is calculated at consolidated level of VEON Ltd. and is "pro-forma" adjusted for acquisitions and divestments of any business bought or sold during the relevant period. Under these credit facilities, the Company is required to maintain the Net Debt to Adjusted EBITDA ratio below 3.5x. The Company has not breached any financial covenants during the periods ended.

## 19 ISSUED CAPITAL AND RESERVES

The following table details the common shares of the Company as of December 31:

	2018	2017
<b>Authorized common shares (nominal value of US\$0.001 per share)</b>	<b>1,849,190,670</b>	<b>2,759,171,830</b>
Issued shares	1,756,731,135	1,756,731,135
Treasury shares	(7,603,731)	(7,603,731)
<b>Outstanding shares</b>	<b>1,749,127,404</b>	<b>1,749,127,404</b>

On July 30, 2018, the Annual General Meeting approved to cancel 909,981,160 of authorized unissued common shares with par value USD 0.001. Following the cancellation, the authorized share capital of the Company has become US\$1,849,190.67 divided into 1,849,190,670 common shares of par value USD 0.001 each, of which 1,756,731,135 are common shares in issue and fully paid. The rights of holders of issued shares are unaffected by the proposed reduction of authorized share capital.

The holders of common shares are, subject to our by-laws and Bermuda law, generally entitled to enjoy all the rights attaching to common shares.

As of December 31, 2018, the Company's largest shareholders and remaining free float are as follows:

Shareholder	Common shares	% of common and voting shares
LIT VIP Holdings S.à r.l. ("LetterOne")	840,625,001	47.9 %
Telenor East Holding II AS ("Telenor")	256,703,840	14.6 %
Stichting Administratiekantoor Mobile Telecommunications Investor *	145,947,562	8.3 %
Free Float	513,454,732	29.6 %
Shares held by the Company or its subsidiaries ("Treasury shares")	(7,603,731)	(0.40)%
<b>Total outstanding common shares</b>	<b>1,749,127,404</b>	<b>100 %</b>

\* LetterOne is the holder of the depositary receipts issued by Stichting and is therefore entitled to the economic benefits (dividend payments, other distributions and sale proceeds) of such depositary receipts and, indirectly, of the 145,947,562 common shares represented by the depositary receipts. According to the conditions of administration entered into between Stichting and LetterOne ("Conditions of Administration") in connection with the transfer of 145,947,562 ADSs from LetterOne to Stichting on March 29, 2016, Stichting has the power to vote and direct the voting of, and the power to dispose and direct the disposition of, the ADSs, in its sole discretion, in accordance with the Conditions of Administration and Stichting's articles of association.

[Table of Contents](#)**Nature and purpose of reserves**

Other capital reserves are mainly used to recognize the results of transactions that do not result in a change of control with non-controlling interest (see Note 15). The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries, net of any related hedging activities (see Note 16).



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## 20 EARNINGS PER SHARE

Earnings per common share for all periods presented has been determined by dividing profit available to common shareholders by the weighted average number of common shares outstanding during the period.

The following table sets forth the computation of basic and diluted earnings per share (“EPS”) for continuing operations, for the years ended December 31:

Continuing operations	2018	2017	2016
<i>(In millions of U.S. dollars, except share and per share amounts)</i>			
<b>Numerator:</b>			
Profit / (loss) for the period attributable to the owners of the parent	(397)	(115)	(439)
<b>Denominator:</b>			
Weighted average common shares outstanding for basic earnings per share (in millions)	1,749	1,749	1,749
Denominator for diluted earnings per share (in millions)	1,749	1,749	1,749
<b>Basic (loss) / earnings per share</b>	<b>(\$0.23)</b>	<b>(\$0.07)</b>	<b>(\$0.25)</b>
<b>Diluted (loss) / earnings per share</b>	<b>(\$0.23)</b>	<b>(\$0.07)</b>	<b>(\$0.25)</b>

The following table sets forth the computation of basic and diluted earnings per share (“EPS”) for discontinued operations, for the years ended December 31:

Discontinued operations	2018	2017	2016
<i>(In millions of U.S. dollars, except share and per share amounts)</i>			
<b>Numerator:</b>			
Profit / (loss) for the period attributable to the owners of the parent	979	(390)	2,767
<b>Denominator:</b>			
Weighted average common shares outstanding for basic earnings per share (in millions)	1,749	1,749	1,749
Denominator for diluted earnings per share (in millions)	1,749	1,749	1,749
<b>Basic (loss) / earnings per share</b>	<b>\$0.56</b>	<b>(\$0.22)</b>	<b>\$1.58</b>
<b>Diluted (loss) / earnings per share</b>	<b>\$0.56</b>	<b>(\$0.22)</b>	<b>\$1.58</b>

## 21 DIVIDENDS PAID AND PROPOSED

Pursuant to Bermuda law, VEON is restricted from declaring or paying a dividend if there are reasonable grounds for believing that

- (a) VEON is, or would after the payment be, unable to pay its liabilities as they become due, or
- (b) the realizable value of VEON assets would, as a result of the dividend, be less than the aggregate of VEON liabilities.

Following table provides an overview of the dividends announced by VEON for years 2018 and 2017:

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Description	Dividends declared	Payment date	Dividends, US\$ cents per share
Final for 2018	February 25, 2019	Expected March 20, 2019	17
Interim for 2018	August 2, 2018	August 20, 2018	12
Final for 2017	February 22, 2018	March 13, 2018	17
Interim for 2017	August 3, 2017	September 6, 2017	11

The Company make appropriate tax withholdings of up to 15% when the dividends are being paid to the Company's share depositary, The Bank of New York Mellon.

## DIVIDENDS DECLARED TO NON-CONTROLLING INTERESTS

During the 2018 and 2017 years, certain subsidiaries of the Company declared dividends, of which a portion was paid or payable to non-controlling interests.

Name of subsidiary	Dividend declared	Dividend paid	Paid or payable to non-controlling interests
Omnium Telecom Algeria S.p.A	June 21, 2018	August 29, 2018	76
TNS Plus LLP	April 19, 2018	August 29, 2018	2
Rascom CJSC	June 27, 2018	July 24, 2018	2
TNS Plus LLP	April 19, 2018	April 23, 2018	11
VIP Kazakhstan Holding AG	October 6, 2017	October 10, 2017	11
Omnium Telecom Algeria S.p.A	June 21, 2017	August 18, 2017	82
TNS Plus LLP	May 12, 2017	May 15, 2017	12
VIP Kyrgyzstan Holding AG	February 13, 2017	February 16, 2017	55
TNS Plus LLP	January 24, 2017	January 25, 2017	7

In 2018, PMCL, a subsidiary of the Company, declared dividends to its shareholders, of which US\$11 (2017: US\$54) was declared to the non-controlling interest holders of PMCL. Dividends declared to non-controlling interests reduces the principal amount of the put-option liability over non-controlling interest on the date of declaration. As of December 31, 2018, an amount of US\$7 (2017: US\$26) remained payable to non-controlling interests.

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## ADDITIONAL INFORMATION

### 22 RELATED PARTIES

As of December 31, 2018, the Company has no ultimate controlling shareholder. See also Note 19 for details regarding ownership structure.

Since December 8, 2017, VEON does not consider Telenor group to be related party. The transactions with Telenor include roaming operations between our operating companies and Telenor and its affiliates.

VEON was a party to a General Services Agreement with LetterOne Corporate Advisor Limited, dated December 1, 2010, under which LetterOne Corporate Advisor Limited renders to VEON and its affiliates services related to telecommunication operations. On December 12, 2017 VEON received a notice confirming termination of the agreement.

As a result of the completion of the sale transaction of the 50% stake in the Italy Joint Venture and the transaction to unwind the retail joint venture, Euroset Holding N.V., VEON Group is no longer considering these entities to be a related party to the Group (see Note 10).

### COMPENSATION TO DIRECTORS AND SENIOR MANAGERS OF THE COMPANY

The following table sets forth the total compensation paid to our directors and senior managers:

	2018	2017	2016
Short-term employee benefits	33	42	37
Long-term employee benefits	—	1	—
Share-based payments	—	1	—
Termination benefits	2	1	4
<b>Total compensation to directors and senior management *</b>	<b>35</b>	<b>45</b>	<b>41</b>

*\*The number of directors and senior managers vary from year to year. Amounts disclosed in previous years for 'Long-term employee benefits' represented total nominal values of the grants covering multiple years.*

Under the Company's bye-laws, the Board of Directors of the Company established a Compensation Committee, which has the overall responsibility for approving and evaluating the compensation and benefit plans, policies and programs of the Company's directors, officers and employees and for supervising the administration of the Company's equity incentive plans and other compensation and incentive programs.

[Table of Contents](#)**Compensation of Key Senior Managers**

The following table sets forth the total compensation paid to the key senior managers in 2018 and 2017 (gross amounts in whole euro and whole US\$ equivalents):

	Ursula Burns Group CEO and Chairman <sup>(i)</sup>		Jean-Yves Charlier Former Group CEO <sup>(iv)</sup>		Trond Westlie Group CFO <sup>(v)</sup>		Andrew Davies Former Group CFO <sup>(v)</sup>		Kjell Johnsen Group COO		Scott Dresser Group General Counsel	
	EUR	US\$	EUR	US\$	EUR	US\$	EUR	US\$	EUR	US\$	EUR	US\$
<b>2018</b>												
Short-term employee benefits												
Base salary <sup>(i)</sup>	4,602,902	5,429,871	1,902,600	2,244,426	1,500,000	1,769,494	—	—	1,425,000	1,681,019	1,233,333	1,454,917
Annual incentive <sup>(ii)</sup>	—	—	7,717,900	9,104,518	127,313	150,186	—	—	—	—	405,899	478,824
Other	104,645	123,446	489,070	576,938	21,695	25,593	—	—	70,442	83,098	927,489	1,094,124
Long-term employee benefits												
Share-based payments	—	—	—	—	—	—	—	—	—	—	—	—
Termination benefits	—	—	1,340,278	1,581,076	—	—	—	—	—	—	—	—
<b>Total gross remuneration</b>	<b>4,707,547</b>	<b>5,553,317</b>	<b>11,449,848</b>	<b>13,506,958</b>	<b>1,649,008</b>	<b>1,945,273</b>	<b>—</b>	<b>—</b>	<b>1,495,442</b>	<b>1,764,117</b>	<b>2,566,721</b>	<b>3,027,865</b>
<b>2017</b>												
Short-term employee benefits												
Base salary <sup>(i)</sup>	—	—	2,500,000	2,819,125	375,000	422,869	1,125,000	1,268,606	—	—	925,000	1,043,076
Annual incentive <sup>(ii)</sup>	—	—	4,125,000	4,651,556	—	—	3,518,295	3,967,405	—	—	977,272	1,102,021
Other	—	—	91,916	103,649	5,400	6,089	1,284,248	1,448,182	—	—	31,186	35,166
Long-term employee benefits												
Share-based payments	—	—	709,661	800,249	—	—	—	—	—	—	—	—
Termination benefits	—	—	—	—	—	—	250,000	281,912	—	—	—	—
<b>Total gross remuneration</b>	<b>—</b>	<b>—</b>	<b>7,426,577</b>	<b>8,374,579</b>	<b>380,400</b>	<b>428,958</b>	<b>6,177,543</b>	<b>6,966,105</b>	<b>—</b>	<b>—</b>	<b>1,933,458</b>	<b>2,180,263</b>

<sup>(i)</sup> Base salary includes holiday and/or pension allowances pursuant to the terms of an individual's employment agreement.

<sup>(ii)</sup> Annual Incentive includes amounts paid under the short-term incentive in respect of performance during the previous year, except for amounts shown for Jean-Yves Charlier during 2018, which also Andrew Davies during 2017, which also includes amounts paid under the STI Scheme in respect of performance during the current year.

<sup>(iii)</sup> Includes total compensation paid to Ursula Burns in respect of her roles as Chairman of the VEON Ltd. board of directors through March 26, 2018, Executive Chairman and Chairman of the VEON Ltd. board of directors from March 27, 2018 to December 11, 2018, and as newly appointed Group CEO and Chairman of the VEON Ltd. board of directors from December 12, 2018.

<sup>(iv)</sup> Jean-Yves Charlier stepped down from the role of Group CEO on March 27, 2018.

<sup>(v)</sup> Andrew Davies stepped down from the role of Group CFO, and Trond Westlie commenced duties as newly appointed Group CFO on November 9, 2017.

[Table of Contents](#)**Compensation of Board of Directors**

The following table sets forth the total compensation paid to the members of the Board of Directors members in 2018 and 2017 (gross amounts in whole euro and whole US\$ equivalents):

	Retainer		Committees		Other compensation		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Guillaume Bacuvier</b>								
In whole euro	105,000	—	21,000	—	—	—	126,000	—
US\$ equivalent	123,869	—	24,774	—	—	—	148,643	—
<b>Osama Bedier</b>								
In whole euro	105,000	—	10,500	—	—	—	115,500	—
US\$ equivalent	123,869	—	12,387	—	—	—	136,256	—
<b>Ursula Burns</b>								
In whole euro *	—	436,213	—	12,500	—	1,517,500	—	1,966,213
US\$ equivalent *	—	491,896	—	14,096	—	1,711,209	—	2,217,201
<b>Stan Chudnovsky</b>								
In whole euros	145,833	193,918	—	—	—	—	145,833	193,918
US\$ equivalent	172,039	218,672	—	—	—	—	172,039	218,672
<b>Mikhail Fridman</b>								
In whole euro	40,000	40,000	—	—	—	—	40,000	40,000
US\$ equivalent	47,188	45,106	—	—	—	—	47,188	45,106
<b>Gennady Gazin</b>								
In whole euro	250,000	194,048	65,500	55,000	—	4,757	315,500	253,805
US\$ equivalent	294,925	218,818	77,270	62,021	—	5,364	372,195	286,203
<b>Andrei Gusev</b>								
In whole euro	40,000	40,000	—	—	—	—	40,000	40,000
US\$ equivalent	47,188	45,106	—	—	—	—	47,188	45,106
<b>Gunnar Holt</b>								
In whole euro	250,000	133,950	50,000	20,833	—	—	300,000	154,783
US\$ equivalent	294,925	151,049	58,985	23,492	—	—	353,910	174,541
<b>Sir Julian Horn-Smith</b>								
In whole euro	250,000	194,048	10,500	—	—	5,145	260,500	199,193
US\$ equivalent	294,925	218,818	12,387	—	—	5,802	307,312	224,620
<b>Nils Katla</b>								
In whole euro	—	36,666	—	—	—	—	—	36,666
US\$ equivalent	—	41,346	—	—	—	—	—	41,346
<b>Jørn P. Jensen</b>								
In whole euro	163,333	195,538	—	30,000	—	—	163,333	225,538
US\$ equivalent	192,684	220,498	—	33,829	—	—	192,684	254,327
<b>Robert Jan van de Kraats</b>								
In whole euro	105,000	—	12,600	—	—	—	117,600	—
US\$ equivalent	123,869	—	14,864	—	—	—	138,733	—
<b>Guy Laurence</b>								
In whole euro	250,000	110,619	41,600	20,833	16,250	1,250	307,850	132,702
US\$ equivalent	294,925	124,740	49,076	23,492	19,170	1,410	363,171	149,642
<b>Alexander Pertsovsky</b>								
In whole euro	40,000	—	—	—	—	—	40,000	—
US\$ equivalent	47,188	—	—	—	—	—	47,188	—
<b>Alexey M. Reznikovich</b>								
In whole euro	—	40,000	—	—	—	—	—	40,000
US\$ equivalent	—	45,106	—	—	—	—	—	45,106
<b>Total (in whole euro)</b>	<b>1,744,166</b>	<b>1,615,000</b>	<b>211,700</b>	<b>139,166</b>	<b>16,250</b>	<b>1,528,652</b>	<b>1,972,116</b>	<b>3,282,818</b>
<b>Total (US\$ equivalent)</b>	<b>2,057,594</b>	<b>1,821,155</b>	<b>249,743</b>	<b>156,930</b>	<b>19,170</b>	<b>1,723,785</b>	<b>2,326,507</b>	<b>3,701,870</b>

\* Ursula Burns was appointed Group CEO and Chairman of the VEON Ltd. board of directors on December 12, 2018. Accordingly, her total compensation for 2018 has been included in the section "Compensation of Key Senior Managers" above.

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Members of our Board of Directors are eligible to participate in a value growth cash-based long-term incentive plan discussed below.

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**Value growth cash-based long-term incentive plan**

To stimulate and reward leadership efforts that result in sustainable success, the value growth cash-based long-term incentive plan (the “**LTI Plan**”) has been designed for members of our recognized leadership community. The participants in the LTI Plan may receive cash payouts after the end of each relevant award performance period. The vesting of each award is subject to continued employment (except in limited “good leaver” circumstances) of a specific Qualifying Period. For participants joining after the start, or leaving before the end of a Qualifying Period, vested awards will be subject to pro-rata reduction in accordance with the actual period of employment during this Qualifying Period. Awards may vest early upon the occurrence of certain corporate events relating to VEON Ltd., subject to the Compensation Committee’s determination of the attainment of Key Performance Indicators (“**KPIs**”) at the time of the relevant event and a potential pro-rata reduction to reflect the early vesting.

As of December 31, 2018, the total target amount (all unvested) granted for awards launched under the LTI Plan was equal to US\$107 (2017: US\$127). The carrying value of obligations under the LTI Plan as of December 31, 2018, was equal to US\$35 (2017: US\$58). Included within ‘Selling, general and administrative expenses’ for 2018 is a gain of US\$18 (2017: expense of US\$43) relating to share-based payments under the LTI Plan. The awards launched under the LTI Plan are detailed below.

Tranche	Grant date	Performance period	KPIs based on	Other information
2015 Tranche	March 2016	January 1, 2015 to June 30, 2018 (42 months)	TSR evolution compared to peer companies in the markets in which VEON operates	The Compensation Committee regularly reviews the peer group to ensure that its composition is still appropriate.
2016 Tranche	October 2017	January 1, 2016 to June 30, 2019 (42 months)	TSR evolution compared to peer companies in the markets in which VEON operates	The Compensation Committee regularly reviews the peer group to ensure that its composition is still appropriate.
2017 Tranche	October 2017	January 1, 2017 to June 30, 2020 (42 months)	Absolute share price performance target	KPIs designed to create a direct link between management focus and real return to shareholders.
2018 Tranche	July 2018	July 1, 2017 to December 31, 2020 (42 months)	Absolute share price performance target	KPIs designed to create a direct link between management focus and real return to shareholders.

**Short Term Incentive Scheme**

The Company’s Short Term Incentive (“**STI**”) Scheme provides cash pay-outs to participating employees based on the achievement of established KPIs over the period of one calendar year. KPIs are set every year at the beginning of the year and evaluated in the first quarter of the next year. The KPIs are partially based on the financial and operational results (such as EBITDA and total operating revenue) of the Company, or the affiliated entity employing the employee, and partially based on individual targets that are agreed upon with the participant at the start of the performance period based on his or her specific role and activities. The weight of each KPI is decided on an individual basis.

Pay-out of the STI award is scheduled in March of the year following the assessment year and is subject to continued active employment during the year of assessment (except in limited “good leaver” circumstances in which case there is a pro-rata reduction) and is also subject to a pro-rata reduction if the participant commenced employment after the start of the year of assessment. Pay-out of the STI award is dependent upon final approval by the Compensation Committee.

## 23 EVENTS AFTER THE REPORTING PERIOD

**Final 2018 Dividend of US 17 cents per share approved by Board of Directors**

On February 25, 2019, the Company announced that the VEON’s Board of Directors approved a final dividend of US 17 cents per share, bringing total 2018 dividends to US 29 cents per share, in line with the Group’s progressive dividend policy. The record date for the Company’s shareholders entitled to receive the final dividend payment has been set for March 8, 2019. It is expected that the final dividend will be paid on March 20, 2019. The Company will make appropriate tax withholdings of up to 15% when the dividend is paid to the Company’s share depository, The Bank of New York Mellon. For ordinary shareholders via Euronext Amsterdam, the final dividend of US 17 cents will be paid in euro.

**Revised technology infrastructure partnership with Ericsson**

On February 25, 2019, the Company announced a revised arrangement with Ericsson to upgrade its core IT systems in several countries in the coming years and to release Ericsson from the development and delivery of the Full Stack Revenue Manager Solution. This revised arrangement enables VEON to continue upgrading IT infrastructure with new digital business support systems (DBSS) using existing software from Ericsson which is already deployed in certain operating companies within VEON. The parties have signed binding terms to vary the existing agreements and as a result VEON will receive US\$350 during the first half of 2019.

**Mandatory tender offer application in relation to Global Telecom Holding S.A.E.**

On February 10, 2019, VEON submitted an application to the Egyptian Financial Regulatory Authority (the “**FRA**”) to approve a mandatory tender offer (“**MTO**”) by VEON Holdings B.V. for any and all of the outstanding shares of GTH which are not owned by VEON (up to 1,997,639,608 shares, representing approximately 42.31% of GTH’s issued shares). The MTO will be funded by cash on hand and/or the utilization of undrawn credit facilities. The proposed offer price under the MTO is EGP 5.30 per share. The MTO is currently being reviewed by the FRA and will commence when FRA approval is granted. Any increase of the Company’s interest in GTH will be accounted for directly in equity upon closing of the transaction.

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## 24 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

### BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board, effective at the time of preparing the consolidated financial statements and applied by VEON.

The consolidated income statement has been presented based on the nature of the expense, other than ‘Selling, general and administrative expenses’, which has been presented based on the function of the expense.

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise disclosed. Certain comparative amounts have been reclassified to conform to the current period presentation.

### BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Company has control. Please refer to Note 15 for a list of significant subsidiaries.

Intercompany transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

When the Group ceases to consolidate a subsidiary due to loss of control, the related subsidiary’s assets (including goodwill), liabilities, non-controlling interest and other components of equity are de-recognized. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss. Any consideration received is recognized at fair value, and any investment retained is re-measured to its fair value, and this fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest. Any resultant gain or loss is recognized in the income statement.

### FOREIGN CURRENCY TRANSLATION

The consolidated financial statements of the Group are presented in U.S. dollars. Each entity in the Group determines its own functional currency and amounts included in the financial statements of each entity are measured using that functional currency.

Upon consolidation, the assets and liabilities measured in the functional currency are translated into U.S. dollars at exchange rates prevailing on the balance sheet date; whereas revenue, expenses, gains and losses are translated into U.S. dollars at historical exchange rates prevailing on the transaction dates. Foreign currency translation adjustments resulting from the process of translating financial statements into U.S. dollars are reported in other comprehensive income and accumulated within a separate component of equity.

## 25 SIGNIFICANT ACCOUNTING POLICIES

### SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements has required management to apply accounting policies and methodologies based on complex and subjective judgments, as well as estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The use of these judgements, estimates and assumptions affects the amounts reported in these consolidated financial statements. The final amounts for items for which estimates and assumptions were made in the consolidated financial statements may differ from those reported in these statements due to the uncertainties that characterize the assumptions and conditions on which the estimates are based.

The sources of uncertainty identified by the Group are described together with the applicable Note, as follows:



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Significant accounting judgement / source of estimation uncertainty	Described in
Revenue recognition	Note 3
Deferred tax assets and uncertain tax positions	Note 8 and Note 9
Provisions	Note 8
Impairment of non-current assets	Note 11
Control over subsidiaries	Note 15
Depreciation and amortization of non-current assets	Note 12 and Note 13
Fair value of financial instruments	Note 16

## CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Accounting policies are included as relevant in the Notes to these consolidated financial statements. A number of new or amended standards became effective as of January 1, 2018. As a result, the Company has amended its accounting policies accordingly.

The following table presents the transitional impact that adoption of IFRS 9, 'Financial Instruments' ("IFRS 9") and IFRS 15, 'Revenue from contracts with customers' ("IFRS 15") had on the opening balance sheet of the Group, as of January 1, 2018. Further details regarding the impact of IFRS 9 and IFRS 15 can be found below.

		Impact of IFRS 9		Impact of IFRS 15	
	December 31, 2017*	Classification and measurement	Impairment	Revenue and customer acquisition costs	January 1, 2018
Assets					
Non-current assets					
Investments in joint ventures and associates	1,921	(25)	(10)	38	1,924
Deferred tax assets	336	—	2	(12)	326
Other financial assets					
Available for sale	18	(18)	—	—	—
Fair value through other comprehensive income	—	18	—	—	18
Other assets	263	—	—	93	356
Current assets					
Trade and other receivables					
Trade and other receivables, gross	924	—	—	—	924
Allowance for doubtful debt	(169)	—	(14)		(183)
Other financial assets					
Available for sale	53	(53)	—	—	—
Fair value through profit or loss		20			20
Fair value through other comprehensive income	—	33	—	—	33
Other assets	418	—	—	(4)	414
Equity					
Equity attributable to equity owners of the parent	4,331	(25)	(16)	87	4,377
Non-controlling interests	(441)	—	(4)	15	(430)
Liabilities					
Other liabilities (current)	1,353	—	—	(1)	1,352
Deferred tax liabilities	376	—	(2)	14	388

\* Opening balance sheet numbers are represented following retrospective reversal of reclassification of Deodar assets and liabilities as held for sale and retrospective recognition of depreciation charges in respect of Deodar (Note 10)

[Table of Contents](#)**IFRS 15 ‘Revenue from contracts with customers’**

IFRS 15 replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpretations. IFRS 15 addresses revenue recognition for contracts with customers as well as treatment of incremental costs incurred to obtain a contract with a customer, described in more detail below.

Revenue recognition

Due to the nature of the Group’s existing product offerings (i.e. prevailing pre-paid service offerings), as well as the Group’s accounting policies applied prior to January 1, 2018, the impact of IFRS 15 on revenue recognition by the Group was immaterial, as shown in the table presented earlier in this Note.

Costs of obtaining a contract with customer

Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer (“**customer acquisition costs**”), which previously did not qualify for recognition as an asset under any of the other accounting standards, are deferred in the consolidated statement of financial position.

The impact of capitalizing customer acquisition costs upon implementation of IFRS 15 is shown in the table earlier in this Note.

Transition

The standard is effective for annual periods beginning on or after January 1, 2018. The Group has adopted the standard using the modified retrospective approach, which means that the cumulative impact of the adoption has been recognized in retained earnings as of January 1, 2018 and that comparatives have not been restated.

The impact that adoption of IFRS 15 has had on the opening balance sheet of the Group, as of January 1, 2018, is shown in the table presented earlier in this Note. The impact that adoption of IFRS 15 has had on the Group’s profit / (loss) for 2018, if compared to accounting policies that were applied in previous years, was immaterial.

**IFRS 9 ‘Financial instruments’**

IFRS 9 replaces IAS 39 ‘Financial instruments: Recognition and Measurement’ (“**IAS 39**”). IFRS 9 impacts the Group’s classification and measurement of financial instruments, impairment of financial assets and hedge accounting, described in more detail below.

Classification and measurement

The new standard requires the Company to assess the classification of financial assets on its balance sheets in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Company has for a specific class of financial assets.

IFRS 9 no longer has an “Available-for-sale” classification for financial assets. The new standard has different requirements for debt or equity financial assets.

Debt instruments should be classified and measured either at:

- Amortized cost, where the effective interest rate method will apply;
- Fair value through other comprehensive income, with subsequent recycling to the income statement upon disposal of the financial asset; or
- Fair value through profit or loss.

Investments in equity instruments, other than those to which consolidation or equity accounting apply, should be classified and measured either at:

- Fair value through other comprehensive income, with no subsequent recycling to the income statement upon disposal of the financial asset; or
- Fair value through profit or loss.

The Company continues to initially measure financial assets at its fair value plus transaction cost upon initial recognition, except for financial assets measured at fair value through profit and loss, consistent with current practices. The classification for the majority of financial assets has

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not been impacted by the transition to IFRS 9 on January 1, 2018. The reclassifications upon transition to IFRS 9 are shown in the table presented earlier in this Note.

Impairment (allowance for doubtful debt)

IFRS 9 introduces the Expected Credit Loss model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the Expected Credit Loss model requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost (including, for example, 'Trade receivables'), as well as debt instruments classified as financial assets carried at fair value through other comprehensive income (for example, government bonds held for liquidity purposes), since initial recognition, irrespective whether a loss event has occurred.

As a result, the allowance for doubtful debt of the Company has increased upon implementation of IFRS 9 on January 1, 2018. The impact of applying the Expected Credit Loss model is shown in the table earlier in this Note.

Hedge Accounting

IFRS 9 allows for more possibilities for the Company to apply hedge accounting (for example, risk components of non-financial assets or liabilities may be designated as part of a hedging relationship). In addition, the requirements of the standard have been more closely aligned with the Company's risk management policies and hedge effectiveness will be measured prospectively.

Transition

The Group has adopted the standard using the modified retrospective approach for classification and measurement and impairment. This means that the cumulative impact of the adoption has been recognized in retained earnings as of January 1, 2018 and that comparatives are not restated.

All hedge accounting relationships existing as of January 1, 2018 have been continued under IFRS 9.

The Company has retrospectively adopted the cost of hedging approach for foreign currency basis spreads existing in cross-currency interest rate swaps used in a hedging relationship, the impact of which is immaterial to the consolidated financial results and position of the Group.

**NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET ADOPTED BY THE GROUP****IFRIC 23 'Uncertainty over income tax treatments'**

The Interpretation clarifies the application of recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over income tax treatments. The Group has assessed the impact of IFRIC 23, which will not be material to the consolidated financial statements of the Group upon adoption in 2019.

**IFRS 16 'Leases'**

IFRS 16 replaces IAS 17 *Leases*, the current lease accounting standard and will become effective on January 1, 2019. The new lease standard will require assets leased by the Company to be recognized on the statement of financial position of the Company with a corresponding liability.

During 2018, the Group has performed a detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is expected to be, as follows:

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	December 31, 2018	Impact of IFRS 16	January 1, 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment			
Property and equipment	4,932	(71)	4,861
Right-of-use assets	—	2,023	2,023
Intangible assets	1,854	(15)	1,839
Goodwill	3,816	—	3,816
Deferred tax assets	197	—	197
Other financial assets	193	(1)	192
<b>Total non-current assets</b>	<b>10,992</b>	<b>1,936</b>	<b>12,928</b>
<b>Current assets</b>			
Trade and other receivables	577	(61)	516
Other current assets	2,516	—	2,516
<b>Total current assets</b>	<b>3,093</b>	<b>(61)</b>	<b>3,032</b>
Assets classified as held for sale	17	4	21
<b>Total assets</b>	<b>14,102</b>	<b>1,879</b>	<b>15,981</b>
<b>Equity</b>			
Equity attributable to equity owners of the parent	3,670	(3)	3,667
Non-controlling interest	(891 )	(1)	(892)
<b>Total equity</b>	<b>2,779</b>	<b>(4)</b>	<b>2,775</b>
<b>Non-current liabilities</b>			
Financial liabilities	6,567	(45)	6,522
Provisions	110	—	110
Lease liabilities	—	1,638	1,638
Deferred tax liabilities	180	—	180
Other liabilities	53	(9)	44
<b>Total non-current liabilities</b>	<b>6,910</b>	<b>1,584</b>	<b>8,494</b>
<b>Current liabilities</b>			
Trade and other payables	1,432	(54)	1,378
Other financial liabilities	1,289	(6)	1,283
Lease liabilities	—	361	361
Provisions	398	(3)	395
Other liabilities	1,290	(3)	1,287
<b>Total current liabilities</b>	<b>4,409</b>	<b>295</b>	<b>4,704</b>
Liabilities associated with assets held for sale	4	4	8
<b>Total equity and liabilities</b>	<b>14,102</b>	<b>1,879</b>	<b>15,981</b>

The Company, as a lessee, will recognize a right-of-use asset and a lease liability on the lease commencement date.

Upon initial recognition the right of use asset is measured as the amount equal to initially measure lease liability adjusted for lease prepayments, initial direct cost, lease incentives and the discounted estimated asset retirement obligation. Subsequently the right of use assets will be measured at cost net of any accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the shorter estimated useful lives of the right-of-use assets or the lease term.

The lease liability is measured upon initial recognition at the present value of the future lease and related fixed services payments over the lease term, discounted with the interest rate implicit to the lease or Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

Right-of-use assets and lease liabilities will be remeasured subsequently if one of the following events occurs:

- Change in lease price due to indexation or rate which has become effective in reporting period
- Modifications to the lease contract

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- Reassessment of the lease term

Leases which are short term in nature (less than 12 months including extension options) and leases of low value items will continue to be expensed in the Income Statement as incurred.

#### Transition

The Company will adopt IFRS 16 on the date the standard becomes effective, January 1, 2019. The Group will adopt the standard using the modified retrospective approach. This means that the cumulative impact of the adoption will be recognized in retained earnings as of January 1, 2019 and that comparatives will not be restated.

The Group will use the following practical expedients when adopting IFRS 16 on its effective date:

- to apply IFRS 16 only to contracts that were previously assessed as leases in accordance with the previous IFRS standards (IAS 17 *Leases* and IFRIC 4 *Determining whether and Arrangement contains a Lease*)
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics as permitted by IFRS 16
- to exclude initial direct cost from the measurement of if the right-of-use asset as at January 1, 2019.
- Application of the Group onerous contract provision process as the impairment assessment of right-of-use assets upon transition.

The weighted-average incremental rate applied to lease liabilities expected to be recognized on January 1, 2019 is 9.62%.

Carrying values of property and equipment and financial liabilities related to finance leases as of December 31, 2018 will be reclassified to right-of-use assets and lease liabilities, respectively on January 1, 2019. These carrying values related to finance leases will not be remeasured at the transition date.

#### Significant judgments upon adoption IFRS 16

Lease term judgments: IFRS 16 requires the Company to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Company has extension options which the Company is reasonably certain to exercise and the periods for which the Company has termination options for which the Company is not reasonably certain to exercise those termination options.

A significant portion of the lease contracts included within Company's lease portfolio includes lease contracts which are extendable through mutual agreement between VEON and the lessor or lease contracts which are cancelable by the Company on immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Company concluded that these cancelable future lease periods should be included within the lease term, which represents an increase to the future lease payments used in determining the lease liability upon initial recognition. The reasonably certain period used to determine the lease term is based on facts and circumstances related to the underlying leased asset and lease contracts.

The following table reconciles the Company's operating lease commitments as of December 31, 2018, to the lease liabilities expected to be recognized upon initial application of IFRS 16 on January 1, 2019.

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	US\$
Operating lease commitments as of December 31, 2018 (see Note 4)	632
Increase in lease commitments of cancellable leases included in reasonably certain lease term	1,846
Use of IFRS 16 practical expedients (old lease accounting continues for exceptions)	(4)
Leases commencing subsequent to transition date committed to as of December 31, 2018	(47)
Accruals included in the lease liability calculation	59
Other	22
<b>Total undiscounted lease payments which are reasonably certain</b>	<b>2,508</b>
Discounting effect using incremental borrowing rate	(559)
IAS 17 finance lease liabilities recognized on balance sheet as of December 31, 2018 (discounted)	54
Expected IFRS 16 Lease liability recognized on balance sheet as of January 1, 2019	<b>2,003</b>
Expected IFRS 16 lease liability presented as	
Non-current	1,638
Current	361
Liabilities associated with assets held for sale	4
	<b>2,003</b>

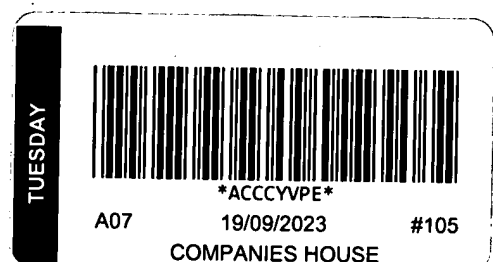
Amsterdam, March 14, 2019

VEON Ltd.

**BNY (NOMINEES) LIMITED**  
**STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2022**

Registration No. 01970854



## **BNY (NOMINEES) LIMITED**

### **Contents**

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## **BNY (NOMINEES) LIMITED**

### **BOARD OF DIRECTORS AND OTHER INFORMATION**

#### **Directors**

Graham John Cohen  
Peter Martin Weldon  
Emma Jane Woods

#### **Secretary**

BNY Mellon Secretaries (UK) Limited  
160 Queen Victoria Street  
London  
EC4V 4LA

#### **Registered Office**

160 Queen Victoria Street  
London  
EC4V 4LA

#### **Registered Number**

01970854

## **BNY (NOMINEES) LIMITED**

### **STRATEGIC REPORT**

In accordance with Section 414A(1) of the Companies Act 2006, we have prepared the Strategic report which includes a review of BNY (Nominees) Limited (the "Company") business and future developments, a description of the principal risks and uncertainties facing the Company.

#### **Business review**

The company had no business transactions during the year.

#### **Principal risks and uncertainties**

There are no specific risks or uncertainties impacting this company other than general market and economic conditions.

#### **Business and future developments**

The company has been dormant throughout the period and is expected to continue to be so.

#### **Approval**

By order of the Board

G.J. Cohen

G J Cohen (Sep 15, 2023 16:17 GMT+1)

Graham Cohen  
Director  
15 September 2023

## **BNY (NOMINEES) LIMITED**

### **DIRECTORS' REPORT**

The directors present their report and the accounts for the year ended 31 December 2022.

#### **Principal activities**

The company is a non-trading entity.

The company has been dormant throughout the period and is expected to continue to be so.

#### **Directors**

The directors who served during the year and up to the date of the report were as follows:

	<b>Appointed</b>	<b>Resigned</b>
Graham John Cohen	19 July 2023	
John Charles Tisdall		19 July 2023
Peter Martin Weldon		
Emma Jane Woods		

#### **Directors' indemnity provision**

The articles of association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the year but have not been utilised by the directors (2021: £Nil).

#### **Disclosure of information to auditor**

For the year ending 31 December 2022, the company was entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.

#### **Post balance sheet events**

There are no material post balance sheet events.

By order of the Board

G J Cohen  
G J Cohen (Sep 15, 2023 16:17 GMT+1)

Graham Cohen  
Director  
15 September 2023

## **BNY (NOMINEES) LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards in conformity with the requirements of the Companies Act 2006 and applicable law (UK Generally Accepted Accounting Practice), including FRS 101: *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## BNY (NOMINEES) LIMITED

### BALANCE SHEET AS AT 31 DECEMBER 2022

	2022 £	2021 £
<b>Current Assets</b>		
Other debtors	100	100
Net Assets	<u>100</u>	<u>100</u>
<b>Capital and Reserves</b>		
Called up share capital	<u>100</u>	<u>100</u>

Notes 1 to 5 are integral to these financial statements.

For the year ending 31 December 2022 the company was entitled to exemption from audit under section 480 of the Companies Act 2006 (the "Act") relating to dormant companies.

Directors' responsibilities:

- a) the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.
- b) the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

These financial statements were approved by the Board of Directors and were signed on its behalf by:

G.J. Cohen  
G J Cohen (Sep 15, 2023 16:17 GMT+1)

Graham Cohen  
Director  
15 September 2023

**BNY (NOMINEES) LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
31 December 2022

	<b>Called up share capital</b> £	<b>Total equity</b> £
Balance at 1 January 2021	<u>100</u>	<u>100</u>
<b>Balance at 31 December 2021</b>	<u>100</u>	<u>100</u>

	<b>Called up share capital</b> £	<b>Total equity</b> £
Balance at 1 January 2022	<u>100</u>	<u>100</u>
<b>Balance at 31 December 2022</b>	<u>100</u>	<u>100</u>

## **BNY (NOMINEES) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2022

#### **1. Accounting policies**

##### **1.1 Basis of preparation and statement of compliance with FRS 101**

The Company is a company incorporated and domiciled in the UK. The Company has been dormant throughout the period from incorporation to 31 December 2022.

These financial statements were prepared in accordance with FRS 101.

The Company's ultimate parent undertaking, The Bank of New York Mellon Corporation includes the Company and all its subsidiary undertakings in its consolidated financial statements. The consolidated financial statements of The Bank of New York Mellon Corporation are prepared in accordance with U.S. Generally Accepted Accounting Principles, which are equivalent to International Financial Reporting Standards ("adopted IFRSs"). The Bank of New York Mellon Corporation's consolidated financial statements are available at <https://www.bnymellon.com/us/en/investorrelations/overview.html>.

Accordingly, the Company is a qualifying entity for the purpose of FRS 101 disclosure exemptions. Therefore, in preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

##### **1.2 Profit and loss account**

The company has not prepared a profit and loss account as there has been no income or expense during the year.

##### **1.3 Related party transactions**

As the Company is a wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, it has taken advantage of the exemption contained in IAS 24 and has therefore not disclosed transactions or balances with entities which form part of the Group.

#### **2. Staff numbers and costs**

The Company had no employees during the year ended 31 December 2022 (2021: nil).

#### **3. Debtors**

	2022 £	2021 £
Accounts owned by group companies	100	100
Due within one year	100	100

DEF 14A 1 d198874ddef14a.htm DEF 14A

[ Bank of New York Mellon Corp BK, (Filed Mar. 01, 2022). DEF 14A Proxy

Statement. SEC Edgar. Source: <https://www.sec.gov/Archives/edgar/data/1390777/000119312522059759/d198874ddef14a.htm> ][Table of Contents](#)

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A  
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
(Amendment No. )**

Filed by the Registrant ☒Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to §240.14a-12

**THE BANK OF NEW YORK MELLON CORPORATION**

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- ☐ Fee paid previously with preliminary materials.

- ☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



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# NOTICE OF ANNUAL MEETING AND PROXY STATEMENT 2022



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## LETTER TO STOCKHOLDERS



### Dear Fellow Stockholder:

On behalf of our Board of Directors, we cordially invite you to our 2022 Annual Meeting of Stockholders on Tuesday, April 12, 2022, at 9:00 a.m., Eastern Time at 240 Greenwich Street, New York, New York 10286.

We appreciate the opportunity to provide a perspective on BNY Mellon's financial performance and delivery against our strategy to drive sustainable, long-term value in 2021.

You will be asked to vote on several items, including the election of directors, our 2021 executive compensation program (the "say-on-pay" vote), the ratification of KPMG LLP to serve as our independent auditor for 2022, and a stockholder proposal, if properly presented.

We encourage you to read the proxy statement prior to the meeting. The names and biographies of the director nominees start on page 12. The Compensation Discussion & Analysis starts on page 48, and the Audit Committee report and corresponding disclosures about our continuing relationship with KPMG LLP start on page 82.

**Your vote is important to us.** We invite you to participate and vote in person or vote through any of the acceptable means described in this proxy statement, as promptly as possible. Instructions on how to vote begin on page 94. You may also listen to the meeting at <https://www.bnymellon.com/us/en/investor-relations/index.jsp>.

Thank you for your investment in BNY Mellon. We look forward to seeing you on April 12.

Sincerely,

Handwritten signature of Todd Gibbons in blue ink.

**TODD GIBBONS**  
*Chief Executive Officer and Director*

Handwritten signature of Joseph J. Echevarria in blue ink.

**JOSEPH J. ECHEVARRIA**  
*Chair of the Board*

March 1, 2022

[Table of Contents](#)**NOTICE OF ANNUAL MEETING****TUESDAY, APRIL 12, 2022**

**9:00 a.m., Eastern Time**  
**240 Greenwich Street\***  
**New York, New York 10286**  
**Record Date: February 16, 2022**

AGENDA	BOARD RECOMMENDATION
1. To elect the 11 nominees named in this proxy statement to serve on our Board of Directors until the 2023 Annual Meeting	<b>FOR</b> each director nominee
2. To provide an advisory vote for approval of the 2021 compensation of our named executive officers, as disclosed in this proxy statement	<b>FOR</b>
3. To ratify the appointment of KPMG LLP as our independent auditor for 2022	<b>FOR</b>
4. To consider a stockholder proposal regarding stockholder requests to call a special meeting, if properly presented	<b>AGAINST</b>

We will also act on any other business that is properly raised at the meeting.

March 1, 2022

By Order of the Board of Directors,



**JAMES J. KILLERLANE III**  
 Corporate Secretary

\* We currently intend to hold the annual meeting in-person at our main offices in New York City. We will be instituting special precautions to protect the health and safety of all attendees. We are requiring all stockholders that wish to attend the meeting in person to register in advance. Please read the proxy statement carefully for details regarding how to register for and attend the annual meeting in-person. We are also planning for the possibility that the annual meeting may be held solely by means of remote communication in the event that public health guidance and prevailing circumstances warrant such a change. If we take this step, we will announce the decision to do so in advance, and details on how to participate will be available at <https://www.bnymellon.com/proxy>.

**IT IS IMPORTANT THAT YOU CAREFULLY READ YOUR PROXY STATEMENT AND VOTE.**



**VIA THE INTERNET**  
 Visit the website listed  
 on your proxy card



**BY TELEPHONE**  
 Call the telephone  
 number listed on  
 your proxy card



**IN PERSON**  
 Attend the Annual Meeting  
 (see page 94 for more  
 information)



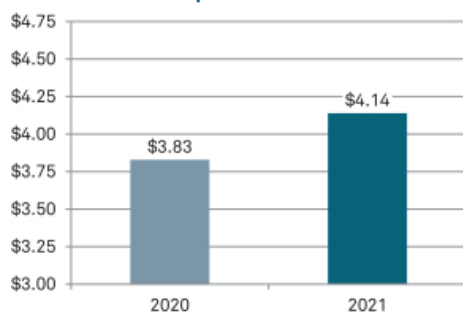
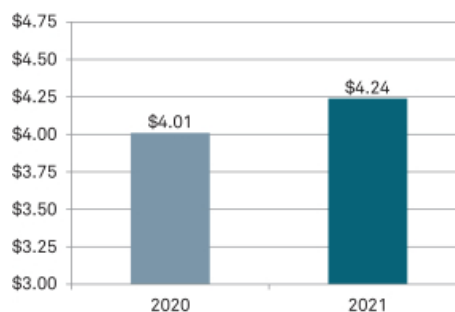
**BY MAIL**  
 Mail in a completed  
 proxy card

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting**  
 to be held on April 12, 2022: Our 2022 Proxy Statement and 2021 Annual Report to stockholders are available at <https://www.bnymellon.com/us/en/investor-relations/overview.html>. The Bank of New York Mellon Corporation uses the Securities and Exchange Commission rule permitting companies to furnish proxy materials to their stockholders on the Internet. In accordance with this rule, on or about March 1, 2022, a Notice of Internet Availability of Proxy Materials (the "Notice") will be provided to stockholders, which includes instructions on how to access our 2022 Proxy Statement and 2021 Annual Report online, and how to vote online for the 2022 Annual Stockholders Meeting. If you received the Notice and would like to receive a printed copy of our proxy materials, please follow the instructions for requesting such materials included in the Notice.

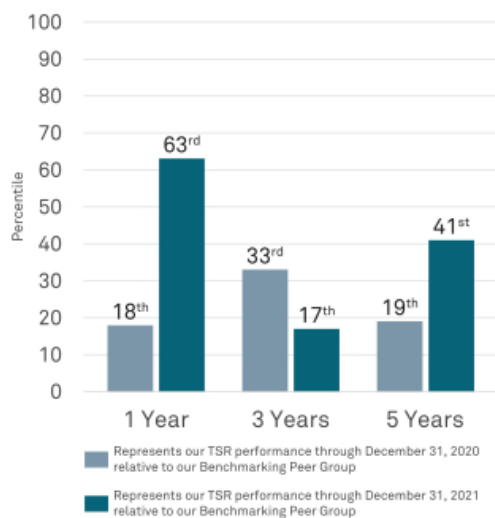
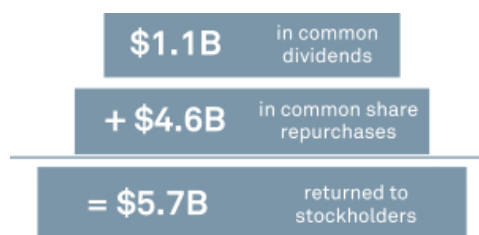
[Table of Contents](#)**INTRODUCTION****2021 Financial Performance Highlights**

The following summary highlights information contained in this proxy statement and provides context related to the matters to be voted on at the 2022 Annual Meeting of Stockholders (the "2022 Annual Meeting") of The Bank of New York Mellon Corporation (the "company," "BNY Mellon," "we," "our" or "us"). You should read the entire proxy statement carefully before voting.

A detailed discussion of our 2021 performance can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2021 Annual Report to stockholders. The following presents certain information regarding our 2021 performance that the Human Resources and Compensation Committee ("HRC Committee") of our Board of Directors (the "Board") considered in approaching compensation decisions for 2021, as detailed in the "Compensation Discussion & Analysis" section of this proxy statement, which begins on page 48.

**Reported EPS****OEPS\***

\* For a reconciliation and explanation of this Non-GAAP measure, see Annex A.

**Multi-Year Relative Total Stockholder Return ("TSR")****Returned Significant Value to Stockholders**

[Table of Contents](#)**INTRODUCTION****Recognition and Awards**

We are honored to be the recipients of a number of awards and recognitions, including those listed below. For additional investor relations information, see “Helpful Resources” on page 100.



2021 Human Rights Campaign Best Places to Work for LGBTQ Equality, 100% score; 14 consecutive years



Named one of Fortune's most admired companies for 2022



Listed on 2021 CDP Climate Change A List, driving ambitious sustainability initiatives; 9 consecutive years



2021 Best Workplaces for Innovators



Listed on 2021 Disability:IN Disability Equality Index; 3 consecutive years



Listed on 2021 Bloomberg Gender-Equality Index; 6 consecutive years

Member of  
**Dow Jones Sustainability Indices**  
Powered by the S&P Global CSA

Listed on 2021 DJSI North America Index; 8 consecutive years



Listed on 2021 FTSE4Good Russell Index; 10 consecutive years

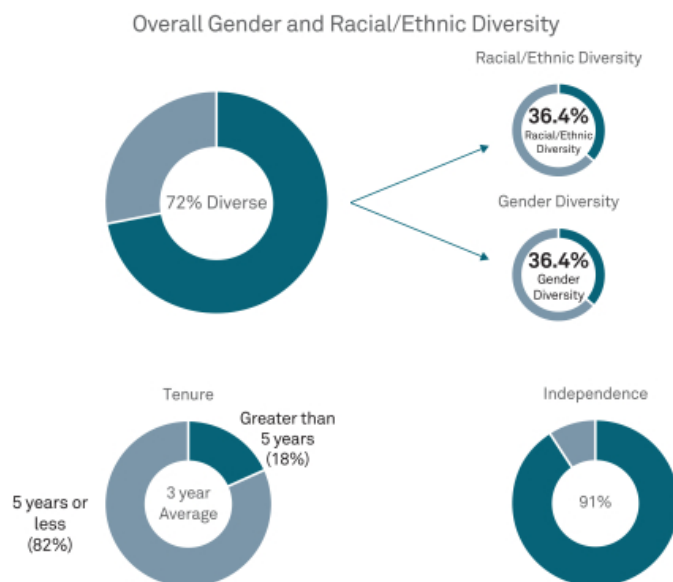
**Environmental, Social and Governance (“ESG”)**

As one of the most trusted financial institutions, we are committed to operating responsibly and sustainably. We integrate our commitment to environmental sustainability and human rights across our business. We also work to improve the effectiveness of our supply chain and seek suppliers whose corporate values align with ours. Additionally, we engage with stakeholders on public policy initiatives important to our company.

Additional detail regarding the company's Enterprise Environmental, Social and Governance (“Enterprise ESG”) strategy, including its commitments to culture and purpose, responsible business and global citizenship, and the Board's oversight role, can be found starting on page 31.

[Table of Contents](#)**INTRODUCTION****Board Leadership and Composition**

The 11 director nominees standing for election at the 2022 Annual Meeting contribute to the Board's overall depth of experience, diversity, differing perspectives and institutional knowledge. 10 of the director nominees are **independent**, including the Chair of the Board, Joseph Echevarria. The only nominee who is a member of management is our Chief Executive Officer ("CEO"), Todd Gibbons.



Our Board is committed to **fostering and maintaining its diversity**. In addition to valuing diversity of viewpoints, professional experience, tenure, education, skills and expertise, the Board also seeks to include directors with diverse backgrounds, including with respect to race, gender, ethnicity and sexual orientation to capture the benefits inherent in diverse perspectives. As a result of this commitment, our Board has approved a slate of nominees for election at the 2022 Annual Meeting that is 36% female and 36% diverse on the basis of race or ethnicity. In addition, four of the six standing committees of the Board are chaired by a director who is diverse on the basis of race or gender.

Detailed information about each nominee's qualifications, experience, skills and expertise along with select professional and community contributions can be found starting on page 12.

[Table of Contents](#)**INTRODUCTION****Director Nominees and Committee Membership**

Name and Occupation <sup>(1)</sup>	Director Since	Independent	Audit	Corp. Gov., Nom. & Social Resp.	Finance	Human Res. & Comp.	Risk	Technology	Other Current Public Company Boards
<b>Linda Z. Cook</b> CEO of Harbour Energy plc	2016	•	•	•		• C			1
<b>Joseph J. Echevarria</b> Independent Chair of the Board of The Bank of New York Mellon Corporation; Retired CEO of Deloitte LLP	2015	•	• <sup>(2)</sup>	•	• C				3
<b>Thomas P. "Todd" Gibbons</b> CEO of The Bank of New York Mellon Corporation	2019								0
<b>M. Amy Gilliland</b> President of General Dynamics Information Technology	2021	•	• <sup>(2)</sup>			•			0
<b>Jeffrey A. Goldstein</b> Senior Advisor at Canopi Ventures, Advisor Emeritus at Hellman & Friedman LLC, and Former Under Secretary of the Treasury for Domestic Finance	2014	•			•	•	• C		1
<b>K. Guru Gowrappan</b> Former CEO of Verizon Media Group	2021	•					•	•	0
<b>Ralph Izzo</b> Chairman, President and CEO of Public Service Enterprise Group Incorporated	2020	•	• <sup>(2)</sup>	• C					1
<b>Sandie O'Connor</b> Retired Chief Regulatory Affairs Officer of JPMorgan Chase & Co.	2021	•					•	•	1
<b>Elizabeth E. Robinson</b> Retired Global Treasurer of The Goldman Sachs Group, Inc.	2016	•			•		•	•	1
<b>Frederick O. Terrell</b> Senior Advisor at Centerbridge Partners, L.P.	2020	•	• <sup>(2)</sup> C			•			2
<b>Alfred W. "Al" Zollar</b> Executive Advisor at Siris Capital Group, LLC	2019	•					•	• C	3

(1) Edmund F. "Ted" Kelly and Samuel C. Scott III, independent directors who currently serve on the Board, will not be standing for re-election at our 2022 Annual Meeting. Mr. Kelly currently serves on the Board's Risk Committee and Human Resources and Compensation Committee, and Mr. Scott currently serves on the Board's Audit Committee, Corporate Governance, Nominating and Social Responsibility Committee and Human Resources and Compensation Committee.

(2) Financial expert within the meaning of the Securities and Exchange Commission ("SEC") rules.

'C' indicates Committee Chair.



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## INTRODUCTION

### Corporate Governance Highlights

We believe that the strength of our business reflects the **high standards set by our governance structure**. Several of our key governance practices are outlined below. For a detailed discussion of our corporate governance framework, please refer to “Corporate Governance and Board Information” beginning on page 20.

Robust Stockholder Rights	Active, Independent Board	Our Culture
<ul style="list-style-type: none"> <li>• <b>Annual election</b> of directors</li> <li>• <b>Special meeting rights</b> for stockholders, individually or in a group, holding 20% of our outstanding common stock</li> <li>• <b>Written consent rights that allow</b> stockholders representing at least the minimum number of votes that would be necessary to take action at a meeting to take the action without formally meeting</li> <li>• <b>Proxy access</b> allows stockholders, individually or in a group of up to 20, holding 3% of our outstanding stock for at least 3 years, to nominate up to 20% of the Board</li> <li>• <b>Majority voting</b> in uncontested director elections (each director must be elected by a majority of votes cast)</li> <li>• A director who does not receive a majority of votes cast is required to tender his or her <b>resignation</b> upon certification of the vote</li> <li>• <b>No supermajority voting</b>: stockholder actions require only a majority of votes cast (not a majority of shares present and entitled to vote)</li> <li>• <b>No “poison pill”</b> or (stockholders’ rights plan)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Active engagement</b> with stakeholders</li> <li>• <b>Independent board</b> comprised solely of independent directors, other than our CEO, who meet in regular executive sessions</li> <li>• <b>Strong independent board leadership</b>: The roles of Chair and CEO currently are <b>separate</b>; if combined in the future, an independent Lead Director will be appointed by the independent directors</li> <li>• Our independent Chair may call a <b>special meeting</b> of the independent directors or full Board</li> <li>• <b>Board succession and refreshment</b>, led by the CGNSR Committee. Seven of the incumbent directors nominated for election at the 2022 Annual Meeting have been added to the Board in the last five years</li> <li>• <b>High rate of attendance</b> at Board and committee meetings, with average 2021 attendance of approximately 98%</li> <li>• To enhance <b>alignment of director and stockholder interests</b>, a substantial portion of director compensation is paid in <b>equity</b>, all of which is required to be <b>retained until retirement</b></li> <li>• Board and committees have <b>access to independent legal, financial and other advisors</b></li> <li>• Independent directors have unlimited <b>access to company officers and employees</b></li> <li>• <b>Committees report</b> on their activities to the Board at each Board meeting to ensure oversight and accountability</li> </ul>	<ul style="list-style-type: none"> <li>• We are <b>risk-aware</b> and protect against excessive risk-taking through <b>multiple lines of defense</b>, including Board oversight</li> <li>• Our <b>codes of conduct</b>, which apply to all employees and directors, are rooted in our <b>values</b> (passion for excellence, integrity, strength in diversity, and courage to lead); promote <b>honesty and accountability</b>; and provide a framework for ethical conduct</li> <li>• <b>Robust anti-hedging and anti-pledging policies</b> prohibit executive officers and directors from engaging in hedging or pledging transactions with respect to company securities</li> <li>• <b>Innovative and evolving</b> education and talent development at all levels, including robust director orientation and continuing education</li> <li>• <b>Committed to a robust corporate governance framework</b>, consistent with the Commonsense Principles 2.0 and Business Roundtable’s Statement on the Purpose of a Corporation</li> <li>• Comprehensive Enterprise ESG program that includes Board committee-level reporting and oversight</li> <li>• Published the <b>Considering Climate at BNY Mellon</b> report in accordance with the <b>Task Force on Climate-related Financial Disclosures</b> (“TCFD”) framework to address climate risk</li> </ul>

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## INTRODUCTION

## Compensation Principles and Practices

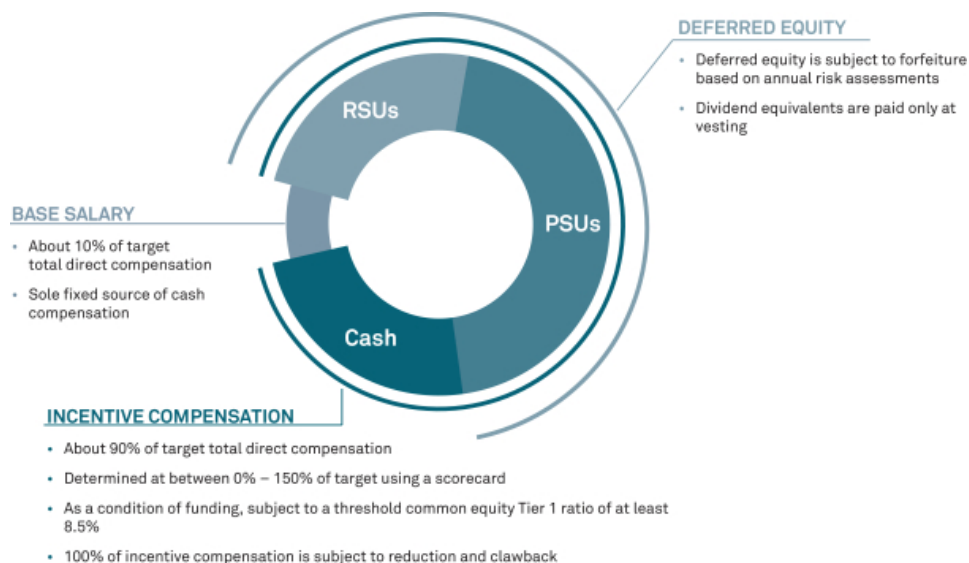
Our compensation program is designed to compensate our executive officers for performance in a manner that is **aligned with our stockholders' interests** and **consistent with our high standards for risk management**. Our 2021 executive compensation program continued to feature operating earnings per share ("OEPS") **as the key performance assessment metric** for determining cash and restricted stock unit ("RSU") awards, and the earnout for our performance share unit ("PSU") awards granted in 2021 and 2022 will be based on average company ROTCE and relative TSR. The following table summarizes the key components of our compensation program for 2021, and a detailed discussion, including with respect to the compensation decisions for our Named Executive Officers ("NEOs"), is provided in the "Compensation Discussion & Analysis" section of this proxy statement, which begins on page 48.

Program Feature	Practice
<b>Balanced approach for incentive compensation</b>	<ul style="list-style-type: none"> <li>• PSU target incentive comprises 50% of target total incentive compensation for our CEO and 45% for our other NEOs</li> <li>• RSU target incentive comprises 25% of target total incentive compensation for all NEOs</li> <li>• Earnout on PSUs granted in 2021 and 2022 will be based on average company ROTCE and relative TSR (weighted 70% and 30%, respectively) over a three-year performance period to focus on revenue growth, profitability, expense management, capital efficiency, and reinforce alignment with stockholder interests; Earnout on PSUs granted in 2019 and 2020 based on three-year average revenue growth and three-year average operating margin, each as adjusted</li> </ul>
<b>Directly link pay to performance</b>	<ul style="list-style-type: none"> <li>• Incentive compensation is earned on a combination of company and individual performance</li> <li>• Annual cash and RSU incentive awards based on the corporate component metric, OEPS, which reinforces management's focus on company-wide performance and organic growth</li> <li>• Individual modifier impacts the cash, RSU, and PSU incentive awards to permit greater differentiation based on individual performance and, if appropriate, business unit performance</li> <li>• Earnout of PSU awards granted in 2021 and 2022 based on average company ROTCE and relative TSR over a three-year performance period reinforces management's focus on overall growth, profitability, and alignment with stockholder interests</li> </ul>
<b>Promote long-term stock ownership</b>	<ul style="list-style-type: none"> <li>• Deferred equity (PSUs and RSUs) comprises 75% of target total incentive compensation for our CEO and comprises 70% for our other NEOs</li> <li>• PSUs cliff vest after the end of a three-year performance period, and RSUs vest in equal installments over three years</li> <li>• Robust policies prohibit hedging and pledging of company stock and derivative securities</li> <li>• Our CEO must acquire and retain company stock equal to seven times base salary, and other NEOs must acquire and retain company stock equal to four times base salary</li> </ul>

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## INTRODUCTION

### 2021 Target Direct Compensation Structure



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We are asking stockholders to elect the 11 nominees named in this proxy statement to serve on our Board until the 2023 Annual Meeting of Stockholders or until their successors have been duly elected and qualified.

**Background**

- All 11 nominees currently serve on our Board and are standing for re-election.
- 10 nominees are independent, and one nominee serves as the company's CEO.
- The Board and its Corporate Governance, Nominating and Social Responsibility Committee (the "CGNSR Committee") have concluded that each of our nominees should be recommended for re-nomination as a director after considering, among other factors, the nominee's (1) professional background and experience, (2) senior level management and policy-making positions, (3) other public company board experience, (4) diversity, (5) prior BNY Mellon Board experience, (6) attendance and participation at Board meetings throughout such nominee's tenure on the Board and (7) intangible attributes. Additional information regarding the Board's director nomination process begins on page 23.
- The nominees have skills and expertise in a wide range of areas, including technology and cybersecurity, accounting, financial services and private equity, financial regulation, media and product development, operations, management of complex, global businesses and risk management. Information about each director nominee, including each nominee's professional experience, skills and expertise, is provided starting on page 12.
- The nominees are able to devote the necessary time and effort to BNY Mellon matters.

**The Board  
recommends that you vote  
"FOR" each of the nominees  
described below.**

**Voting**

Each director will be elected if more votes are cast "for" the director's election than are cast "against" the director's election. Abstentions and broker non-votes are not counted as a vote cast either "for" or "against" the director's election and therefore have no effect on voting outcomes. Pursuant to our Corporate Governance Guidelines, if any incumbent director fails to receive a majority of the votes cast, the director will be required to tender his or her resignation promptly after the certification of the stockholder vote. The CGNSR Committee will promptly consider the tendered resignation and recommend to the Board whether to accept or reject it, or whether other actions should be taken. More information on our voting standard and the CGNSR Committee's consideration of tendered resignations is provided on page 19 below.

We are unaware of any reason that a nominee named in this proxy statement would be unable to serve as a director if elected. If any nominee is unable to serve, the shares represented by all valid proxies will be voted for the election of such other person as may be nominated in accordance with our by-laws, as described on page 19. Proxies cannot be voted for a greater number of persons than the number of nominees named in this proxy statement.

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**ITEM 1. ELECTION OF DIRECTORS**
**> Nominees**

**Linda Z. Cook**

Age 63

Independent Director since 2016

CEO of Harbour Energy plc

Retired Executive Committee Member and Director of Royal Dutch Shell plc

**Committees:** Human Resources and Compensation (Chair), Audit, Corporate Governance, Nominating and Social Responsibility

**Other Current Public Company Board Service:** Harbour Energy plc (LSE)


**Joseph J. Echevarria**

Age 65

Independent Director since 2015; Lead Director from 2016 through September 2019; Chair since September 2019

Retired CEO of Deloitte LLP

**Committees:** Finance (Chair), Audit, Corporate Governance, Nominating and Social Responsibility

**Other Current Public Company Board Service:** Pfizer Inc., Unum Group, Xerox Corporation

Ms. Cook serves as the CEO and a member of the Board of Harbour Energy plc, a global independent oil and gas company, since April 2021. She is also a Senior Advisor to EIG Global Energy Partners, an investment firm focused on the global energy industry. Prior to her service as CEO of Harbour Energy, Ms. Cook was employed with EIG, and most recently served as Partner, Managing Director and a member of EIG's Executive Committee. Prior to joining EIG in 2014, Ms. Cook spent over 29 years with Royal Dutch Shell at various companies in the U.S., the Netherlands, the United Kingdom and Canada. At her retirement from Royal Dutch Shell, Ms. Cook was a member of the Executive Committee in the Netherlands headquarters and a member of the Board of Directors. Her primary executive responsibility was Shell's global upstream Natural Gas business in addition to oversight for Shell's global trading business, Shell Renewable Energy, and Shell's Downstream R&D and Major Projects organizations. Ms. Cook previously was CEO of Shell Canada Limited, CEO of Shell Gas & Power and Executive VP of Finance, Strategy and HR for Shell's global Exploration and Production business.

In addition to the public company board service noted above, Ms. Cook chairs the Board of Directors of Maverick Natural Resources LLC, an oil and gas producer. She has previously served as Chairman of the Board of Chrysaor Holdings Limited, as well as on the Boards of Directors of KBR, Inc., The Boeing Company, Marathon Oil Corporation, Cargill Inc., Royal Dutch Shell plc, Royal Dutch Shell Petroleum Co. NV and Shell Canada Limited. Ms. Cook is also a member of the Society of Petroleum Engineers and is a Trustee of the University of Kansas Endowment Association. Ms. Cook earned a Bachelor of Science degree in Petroleum Engineering from the University of Kansas.

**Skills and Expertise:**

- International business operations experience at a senior policy-making level of a large, complex company
- Expertise in financing, operating and investing in companies
- Extensive service on the boards of several large public companies in regulated industries

Mr. Echevarria served as CEO of Deloitte LLP, a global provider of professional services, from 2011 until his retirement in 2014. Mr. Echevarria previously served in increasingly senior leadership positions during his 36-year career at the firm, including U.S. Managing Partner for Operations, prior to being named CEO.

In addition to the public company board service noted above, Mr. Echevarria currently serves as a Trustee and Senior Advisor to the President of the University of Miami, where he is also Acting CEO of the University of Miami Health System. Mr. Echevarria previously served as Chairman of President Obama's My Brother's Keeper Alliance and as a Member of the Private Export Council, the principal national advisory committee on international trade. Mr. Echevarria earned his bachelor's degree in business administration from the University of Miami.

**Skills and Expertise:**

- Leadership of a large, global company
- Financial expert, with expertise in accounting, regulatory and compliance issues
- Senior level policy-making experience in the field of professional services

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## ITEM 1. ELECTION OF DIRECTORS > Nominees



### Thomas P. "Todd" Gibbons

Age 65

Management Director since 2019

Chief Executive Officer of The Bank of New York Mellon Corporation

**Committees:** None

**Other Current Public Company Board Service:** None



### M. Amy Gilliland

Age 47

Independent Director since 2021

President, General Dynamics Information Technology, a business unit of General Dynamics Corporation

**Committees:** Audit, Human Resources and Compensation

**Other Current Public Company Board Service:** None

Mr. Gibbons has served as our CEO since March 2020 and as our interim CEO from September 2019 until March 2020. During his career at BNY Mellon, Mr. Gibbons has held leadership roles across risk, finance, client management and many of our businesses. Most recently, he served as Vice Chairman and CEO of Clearing, Markets and Client Management. Mr. Gibbons also served from 2008 through 2017 as BNY Mellon's Chief Financial Officer. Previously, for nearly a decade, he was Chief Risk Officer of The Bank of New York Company, Inc., overseeing credit, operational and market risk management. Mr. Gibbons also served for one year as the Chief Financial Officer of The Bank of New York Company, Inc. Mr. Gibbons served as a director of PHH Corporation, a financial services company, from 2011 until 2017.

Mr. Gibbons is a member of our Executive Committee, the organization's most senior management body. He also serves on the board of the Institute of International Finance, the board of trustees of Pace University and on the advisory board of Wake Forest University's Business School.

He holds a B.S. in Business Administration from Wake Forest University and an MBA from Pace University.

#### Skills and Expertise:

- Knowledge of the company's businesses and operations
- Experience in banking, risk management and financial regulation
- Experience in the operations of a large financial institution

Ms. Gilliland is president of General Dynamics Information Technology ("GDIT"), a business unit of General Dynamics Corporation. GDIT provides technology networks and systems and professional services for U.S. defense, intelligence, federal agency, and state and local government customers. Before being named president in September 2017, Ms. Gilliland served as GDIT's deputy for operations and was responsible for all aspects of the company's business operations. Ms. Gilliland joined General Dynamics in 2005 and has served in a variety of leadership roles, including senior vice president of human resources and administration, chief of staff for the chief executive officer and staff vice president of strategic planning, staff vice president of investor relations, and director of strategic planning.

Prior to joining General Dynamics, Ms. Gilliland served in the U.S. Navy as a surface warfare and public affairs officer. Ms. Gilliland serves as a member of the board of the Northern Virginia Technology Council.

Ms. Gilliland earned a bachelor's degree with distinction from the U.S. Naval Academy, a master's degree from Cambridge University and a master's degree in business administration from Georgetown University.

#### Skills and Expertise:

- Expertise in Information Technology and cybersecurity
- Experience in strategic planning and overseeing business combinations
- Leadership experience in the operations of a global technology company

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## ITEM 1. ELECTION OF DIRECTORS > Nominees



### Jeffrey A. Goldstein

Age 66

Independent Director since 2014

Senior Advisor and member of the Investment Committee, Canapi Ventures; Advisor Emeritus, Hellman & Friedman LLC

**Committees:** Risk (Chair), Finance, Human Resources and Compensation

**Other Current Public Company Board Service:** Fidelity National Information Services, Inc.



### K. Guru Gowrappan

Age 41

Independent Director since 2021

Former Chief Executive Officer of Verizon Media Group, the media division of Verizon Communications, Inc.

**Committees:** Risk, Technology

**Other Current Public Company Board Service:** None

Mr. Goldstein is a Senior Advisor and member of the Investment Committee of Canapi Ventures, a venture capital fund specializing in financial technology companies and an Advisor Emeritus at Hellman & Friedman LLC, a private equity firm. Mr. Goldstein was a Managing Director at Hellman & Friedman LLC from 2004 to 2009 and from 2011 to 2016 and a Senior Advisor from 2016 to 2019. He was Under Secretary of the Treasury for Domestic Finance and Counselor to the Secretary of the Treasury from 2009 to 2011.

Mr. Goldstein worked at James D. Wolfensohn Inc. and successor firms for 15 years. When Wolfensohn & Co. was purchased by Bankers Trust in 1996, he served as co-chairman of BT Wolfensohn and as a member of Bankers Trust's management committee. In 1999, Mr. Goldstein became a managing director of the World Bank. He also served as its Chief Financial Officer beginning in 2003. In July of 2009, President Barack Obama nominated Mr. Goldstein to be Under Secretary of the Treasury for Domestic Finance. In July 2011, Secretary of the Treasury Timothy F. Geithner awarded Mr. Goldstein with the Alexander Hamilton award, the Treasury Department's highest honor for a presidential appointee. Earlier in his career, Mr. Goldstein taught economics at Princeton University and worked at the Brookings Institution. In addition to the public company board service noted above, Mr. Goldstein served on the boards of directors of Westfield Corporation from 2016 to 2018 and Edelman Financial Services, LLC from 2015 to 2018. Mr. Goldstein also served on the Advisory Board of Promontory Financial Group, LLC from 2016 to 2021, and the Board of Trustees of Vassar College from 2003 to 2009 and 2011 to 2021. Mr. Goldstein earned a Bachelor of Arts degree from Vassar College and a Master of Arts, Master of Philosophy and a Ph.D. in economics from Yale University.

#### Skills and Expertise:

- Experience in private equity
- Expertise in the operations of large financial institutions
- Experience in financial regulation and banking

Mr. Gowrappan served as CEO of Verizon Media Group, the media division of Verizon Communications, Inc., from October 2018 until September 2021, leading brands such as Yahoo! while serving a global audience of ~900 million monthly active users. He joined Verizon in April 2018 as President and Chief Operating Officer of Oath, Inc. From 2015 until joining Verizon in 2018, he held the position of Global Managing Director at the Alibaba Group, a multinational e-commerce company, where he focused on international expansion for key consumer and enterprise products. Mr. Gowrappan was previously Chief Operating Officer at Quixey, a mobile technology company, where he led the Product, Business and Marketing organizations. He was also previously Chief Operating Officer for Growth and Emerging Initiatives at Zynga Inc., where he helped guide the mobile game development company through its initial public offering process.

Mr. Gowrappan earned an M.S. in Computer Science from the University of Southern California and completed the Business Bridge Program with the Tuck School of Business at Dartmouth College. He also holds a bachelor's degree from the University of Madras in Chennai, India.

#### Skills and Expertise:

- Expertise in the integration of digital and mobile technologies in advertising and media, including eCommerce, payments, monetization, social, content and gaming
- Experience in corporate development and international business expansion
- Leadership in the strategy and operations of a global technology company



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## ITEM 1. ELECTION OF DIRECTORS > Nominees



### Ralph Izzo

Age 65

Independent Director since 2020

Chairman, President and Chief Executive Officer of Public Service Enterprise Group Incorporated

**Committees:** Corporate Governance, Nominating and Social Responsibility (Chair), Audit

**Other Current Public Company Board Service:** Public Service Enterprise Group Incorporated



### Sandie O'Connor

Age 54

Independent Director since 2021

Retired Chief Regulatory Affairs Officer of JPMorgan Chase & Co.

**Committees:** Risk, Technology

**Other Current Public Company Board Service:** Terex Corporation

Mr. Izzo has served as Chairman and CEO of Public Service Enterprise Group Incorporated ("PSEG"), a publicly traded diversified energy holding company, since April 2007. He was the company's president and chief operating officer and has been a member of the board of directors of PSEG since October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company ("PSE&G"), an operating subsidiary of PSEG. Since joining PSE&G in 1992, Mr. Izzo has held several executive positions within the PSEG family of companies.

In addition to his current public company board service, Mr. Izzo served on the board of The Williams Companies, Inc. from 2013 to 2016. Mr. Izzo currently serves as the chair of the Nuclear Energy Institute and a member of the U.S. Department of Energy's Fusion Energy Sciences Advisory Committee. He also serves on the board of directors for the Edison Electric Institute, Nuclear Electric Insurance Limited, the New Jersey Chamber of Commerce, the Liberty Science Center, and the New Jersey Performing Arts Center, for which he also serves on the Executive Committee. Mr. Izzo is on the advisory board for the University of Pennsylvania's School of Engineering and Applied Sciences Mechanical Engineering and Applied Mechanics Department, a member of the Board of Trustees of the Peddie School and Princeton University's Andlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at Massachusetts Institute of Technology, the Columbia University School of Engineering Board of Visitors and the CEO Action for Diversity and Inclusion. In addition, he is a former chair of the Rutgers University Board of Governors and the New Jersey Chamber of Commerce. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in mechanical engineering/applied physics from Columbia University. He also received a Master of Business Administration degree, with a concentration in finance, from the Rutgers Graduate School of Management.

#### Skills and Expertise:

- Senior leadership of a publicly traded company
- Experience in strategic planning, finance, risk management and operations of large, highly regulated companies
- Expertise in science, technology and public policy

Ms. O'Connor retired in 2019 as the Chief Regulatory Affairs Officer for JPMorgan Chase, where she set the firm's comprehensive regulatory strategy and led engagement with G-20 policymakers. Prior to this role, Ms. O'Connor held several senior leadership positions at the firm since joining the company in 1988, including Global Treasurer and head of Prime Services, and was a member of the firm's Executive Committee. She has also served on several public and private teams to support the integrity and efficiency of capital markets, including as Chair of the Federal Reserve Board's Alternative Reference Rates Committee, and is a former member of the Treasury Markets Practices Group sponsored by the Federal Reserve Bank of New York.

In addition to her current public company board service, Ms. O'Connor is a Director of Ripple, the current Chair of the Board of Directors of the YMCA of Greater NY and an Advisory Board member for PlanetFirst Partners. She also serves on a Task Force on Financial Stability, and on the FDIC Systemic Resolution Advisory Committee.

Ms. O'Connor received a Bachelor of Science in Finance and International Business from New York University, Stern School of Business.

#### Skills and Expertise:

- Senior leadership of a publicly traded, large global financial institution
- Expertise in risk management, financial regulation and policy development, and strategic planning
- Expertise in capital markets, balance sheet management and banking

[Table of Contents](#)**ITEM 1. ELECTION OF DIRECTORS > Nominees****Elizabeth E. Robinson**

Age 53

Independent Director since 2016

Retired Global Treasurer of The Goldman Sachs Group, Inc.

**Committees:** Finance, Risk, Technology**Other Current Public Company Board Service:** The Travelers Companies, Inc.**Frederick O. Terrell**

Age 67

Independent Director since 2020

Senior Advisor, Centerbridge Partners, L.P. and former Executive Vice Chairman, Investment Banking and Capital Markets, Credit Suisse

**Committees:** Audit (Chair), Human Resources and Compensation**Other Current Public Company Board Service:** Paramount (f/k/a ViacomCBS Inc.), Vroom, Inc.

Ms. Robinson served as Global Treasurer, Partner and Managing Director of The Goldman Sachs Group, Inc., the global financial services company, from 2005 to 2015. Prior to that, Ms. Robinson served in the Financial Institutions Group within the Investment Banking Division of Goldman Sachs.

In addition to the public company board service noted above, Ms. Robinson serves on the Board of Directors of Russell Reynolds Associates and is the non-executive Chairman of the Board of Directors of BNY Mellon Government Securities Services Corp. Ms. Robinson chairs the Board of Trustees of Williams College and the Board of Directors of Every Mother Counts. She was, until August 2016, a director of Goldman Sachs Bank USA. Ms. Robinson received a Bachelor of Arts degree from Williams College and an MBA from Columbia University.

**Skills and Expertise:**

- Experience in finance and risk management
- Experience in financial regulation and banking
- Leadership in the operations of a large global financial institution

Mr. Terrell is a Senior Advisor with Centerbridge Partners, L.P., a multi-strategy private investment management firm. Mr. Terrell is a former Executive Vice Chairman of Investment Banking and Capital Markets at Credit Suisse, the global investment bank, where he later served as Senior Advisor, from January 2018 to November 2018. From June 2010 to December 2017, Mr. Terrell served as Vice Chairman of Investment Banking and Capital Markets at Credit Suisse. In this capacity he was responsible for the Bank's global relationships with some of its largest clients. Mr. Terrell was a member of Credit Suisse's Investment Banking Committee, its Managing Director Promotion Committee and the Board of Trustees of the Credit Suisse Americas Foundation. He began his career as an Associate with The First Boston Corporation in 1983. From 1997 to 2008, he was Founder and Managing Partner of Provender Capital Group, LLC, which made private equity investments in emerging growth-oriented companies.

In addition to his public company board service noted above, Mr. Terrell is a member of the Investment Committee of the Rockefeller Foundation. He is a former member of the Board of Directors of the New York Life Insurance Company, Wellchoice, Inc. (formerly Empire Blue Cross Blue Shield) and Carver Bancorp Inc., where he served as Chairman of the Board.

He currently is a member of the Board of Directors of Mobility Capital Finance Inc., the Partnership Fund for New York City, Planet Word Museum, and a member of the Economic Club of New York and the Council on Foreign Relations. He is a former member of the University Council of Yale University and Board of Advisors for the Yale School of Management and Chairman of the Board of the Coro Foundation, New York Leadership Center. Mr. Terrell earned his BA degree from La Verne College, an MA degree from Occidental College and his MBA from the Yale School of Management. Mr. Terrell is a former Coro Foundation Fellow.

**Skills and Expertise:**

- Expertise in banking, finance and corporate strategy
- Leadership in the business of a large global financial institution
- Experience in advising on corporate strategy and complex transactions

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## ITEM 1. ELECTION OF DIRECTORS > Nominees



### Alfred W. "AI" Zollar

Age 67

Independent Director since 2019

Executive Advisor at Siris Capital Group, LLC

**Committees:** Technology (Chair), Risk

**Other Current Public Company Board Service:**

International Business Machines Corporation,  
Nasdaq, Inc., Public Service Enterprise Group  
Incorporated

Mr. Zollar has served as an Executive Advisor at Siris Capital Group, LLC, a private equity firm specializing in value-oriented mid-market tech buyout investments, since March 2021. Mr. Zollar served as an Executive Partner from February 2014 to March 2021. Prior to that, Mr. Zollar held various senior management positions at IBM Corporation during his 34-year career at that company, including most recently as General Manager of IBM Tivoli Software.

In addition to the public company board service noted above, Mr. Zollar currently serves as a board member of Constant Contact, Inc., GCOM, LLC and International Data Group, Inc. Mr. Zollar previously served as a Director of The Chubb Corporation from 2001 until 2016 and of Red Hat, Inc. from 2018 until 2019. Mr. Zollar is also a Harvard Fellow from the 2011 cohort of the Advanced Leadership Initiative at Harvard University, a member of the Executive Leadership Council and a lifetime member of the National Society of Black Engineers. Mr. Zollar serves on the boards of the non-profits EL Education, Eagle Academy Foundation and U.C. San Diego Foundation. Mr. Zollar earned his master's degree in applied mathematics from the University of California, San Diego.

#### Skills and Expertise:

- Experience in private equity and financing, operating and investing in companies
- Technology and information management expertise
- Extensive service on the boards of several large public companies

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## ITEM 1. ELECTION OF DIRECTORS > Nominees

### Director Qualifications

Each of the nominees for election as director was elected as a director at our 2021 Annual Meeting of Stockholders, other than Ms. O'Connor, who joined the Board effective December 13, 2021. Our Board believes that the nominees meet the criteria outlined above and discussed in more detail in "Director Nomination Process" starting on page 23, and collectively exhibit the diversity and depth and breadth of experience necessary to contribute to an engaged board that is capable of effectively and thoughtfully overseeing the company's management. No current director or nominee has a family relationship to any other director or executive officer. Mr. Kelly and Mr. Scott, who are each current directors and will be over the age of 75 at our 2022 Annual Meeting of Stockholders, will not be standing for re-election. Mr. Kelly and Mr. Scott are the longest serving directors on the Board (with over 17 and 18 years of service, respectively) and have each contributed immensely to the Board and the company's management during their tenures. The Board is grateful to Mr. Kelly and Mr. Scott for their positive influence and innumerable contributions to the Board and the company.

	Linda Z. Cook	Joseph J. Echevarria	Thomas P. "Todd" Gibbons	M. Amy Gilliland	Jeffrey A. Goldstein	K. Guru Gowrappan	Ralph Izzo	Sandie O'Connor	Elizabeth E. Robinson	Frederick O. Terrell	Alfred W. "AJ" Zollar
<b>Skills and Experience</b>											
<b>Finance</b> – experience in understanding and overseeing financial reporting and internal controls	■	■	■	■	■	■	■	■	■	■	■
<b>Leadership</b> – overseeing a company or a significant business unit giving him/her leadership qualities and the ability to identify and develop those qualities in others	■	■	■	■	■	■	■	■	■	■	■
<b>Technology</b> – experience with companies that used or developed technology to improve quality and innovate products and services to increase client satisfaction			■	■	■	■	■	■	■		■
<b>Global</b> – knowledge of the opportunities and challenges of a large company with a global footprint	■	■	■	■	■	■	■	■	■	■	■
<b>Governance</b> – knowledge or expertise in current corporate governance trends and practices	■	■	■		■		■	■		■	■
<b>Risk</b> – knowledge or expertise with respect to risk management processes across a large organization in a regulated industry	■	■	■	■	■	■	■	■			■
<b>Financial Services Experience</b> – experience within or leading a financial services company		■	■		■			■	■	■	
<b>Demographic Background</b>											
<b>Board Tenure</b>											
<b>Completed Years</b>	5	6	2	1	7	1	1	0	5	2	3
<b>Gender</b>											
<b>Male</b>		■	■		■	■	■			■	■
<b>Female</b>	■			■				■	■		
<b>Age</b>											
<b>Years Old</b>	63	65	65	47	66	41	64	54	53	67	67
<b>Race/Ethnicity</b>											
<b>African American/Black</b>										■	■
<b>White/Caucasian</b>	■		■	■	■		■	■			
<b>Hispanic/Latino</b>		■									
<b>Asian</b>					■						

[Table of Contents](#)**ITEM 1. ELECTION OF DIRECTORS > Nominees****Majority Voting Standard**

Under our by-laws, in any uncontested election of directors, each director will be elected if more votes are cast "for" the director's election than are cast "against" the director's election, with abstentions and broker non-votes not being counted as a vote cast either "for" or "against" the director's election. A plurality standard will apply in any contested election of directors, which is an election in which the number of nominees for director exceeds the number of directors to be elected. Pursuant to our Corporate Governance Guidelines, if any incumbent director fails to receive a majority of the votes cast in any uncontested election, the director will be required to tender his or her resignation to the independent Chair or Lead Director (or such other director designated by the Board if the director failing to receive the majority of votes cast is the independent Chair or Lead Director) promptly after the certification of the stockholder vote.

The CGNSR Committee will promptly consider the tendered resignation and recommend to the Board whether to accept or reject it, or whether other actions should be taken. In considering whether to accept or reject the tendered resignation, the CGNSR Committee will consider whatever factors its members deem relevant, including any stated reasons for the "against" votes, the length of service and qualifications of the director whose resignation has been tendered, the director's contributions to the company, and the mix of skills and backgrounds of the Board members.

The Board will act on the CGNSR Committee's recommendation no later than 90 days following the certification of the election in question. In considering the recommendation of the CGNSR Committee, the Board will consider the factors considered by the CGNSR Committee and such additional information and factors as it deems relevant.

Following the Board's decision, the company will publicly disclose such decision in a Current Report on Form 8-K filed with the SEC. If the Board does not accept the director's resignation, it may elect to address the underlying stockholder concerns or to take such other actions as it deems appropriate and in the best interests of the company and its stockholders. A director who tenders his or her resignation pursuant to this provision will not vote on the issue of whether his or her tendered resignation will be accepted or rejected. If the Board accepts an incumbent director's resignation pursuant to this provision, or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board may fill the resulting vacancy pursuant to our by-laws. If the Board does not accept an incumbent director's resignation pursuant to this provision, he or she will continue to serve on the Board until the election of his or her successor.

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**ITEM 1. ELECTION OF DIRECTORS**
**> Corporate Governance and Board Information**
**Our Corporate Governance Practices**

We believe that the strength of BNY Mellon's business reflects the high standards set by our governance structure. This structure, which provides guidance in managing the company from the Board down, is designed to benefit all our stakeholders, including our stockholders, clients, employees and communities. Several of our key governance practices are outlined below.

**INDEPENDENCE**

- ✓ Our Board is composed entirely of independent directors (other than our CEO) who regularly meet in **executive sessions**, led by our independent Chair at Board meetings and committee Chairs at committee meetings.
- ✓ Our **independent Chair** (or if there is not an independent Chair, the Lead Director), selected annually by our independent directors, has broad powers, including:
  - acting as a liaison between and among the other independent directors, the CEO and management generally;
  - presiding over Board and stockholder meetings;
  - the right to call a special meeting of the independent directors or the full Board;
  - reviewing and approving Board meeting agendas, materials and schedules;
  - leading executive sessions and meetings of independent directors;
  - being available to meet with major stockholders and regulators as applicable; and
  - consulting with the Chair of the HRC Committee on CEO performance, compensation and succession, and reviewing the emergency CEO succession management plan with the CGNSR Committee annually.
- ✓ All Board committees are composed entirely of **independent directors**.

**ACTIVE  
ENGAGEMENT**

- ✓ We had a **high rate of director attendance** at Board and committee meetings in 2021, averaging approximately 98%.
- ✓ We **actively engage with our stakeholders** through multiple initiatives, reaching out to investors representing over 65% of our outstanding common shares as well as proxy advisory firms and other stakeholders.
- ✓ Stockholders and other interested parties can **directly contact our Board** (see "Contacting the Board" on page 42 and "Helpful Resources" on page 100).

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## ITEM 1. ELECTION OF DIRECTORS > Corporate Governance and Board Information

<b>BOARD GOVERNANCE</b>	<ul style="list-style-type: none"> <li>✓ Our Corporate Governance Guidelines require that the CGNSR Committee <b>consider enhanced director qualifications</b> in connection with director nominations (i.e., stricter standards than would otherwise apply under relevant securities rules and listing standards), including a nominee's character and integrity, diversity characteristics and record of accomplishment in senior-level roles.</li> <li>✓ Our Board, each of our standing committees, and each of our individual directors conduct annual <b>self-evaluations</b> that have resulted in enhancements to Board functioning (see "Evaluation of Board and Committee Effectiveness" on page 25).</li> <li>✓ Our by-laws permit holders in the aggregate of 20% of our outstanding common stock to <b>call a special stockholder meeting</b>.</li> <li>✓ Our Restated Certificate of Incorporation, as amended, allows for action by <b>written consent</b> of stockholders representing at least the minimum number of votes that would be necessary to take the action at a meeting of stockholders.</li> <li>✓ Our Corporate Governance Guidelines provide that directors will annually select either an <b>independent Chair</b> or a Lead Director based on the best interests of the company. Since September 2019, Joseph J. Echevarria has served as the independent Chair of the Board.</li> <li>✓ Our Corporate Governance Guidelines provide the CGNSR Committee with the discretion to recommend to the Board, and the Board the discretion to approve, a nominee for re-election who would be 75 years of age or older at the time of election if, after considering the criteria for selecting director nominees, the capacity of such nominee to continue to make meaningful contributions to the Board and the needs of the company, the Board determines that the re-nomination is in the best interests of the company.</li> <li>✓ Policies related to trading in company securities by executive officers and directors <b>prohibit the hedging and pledging</b> of company securities.</li> <li>✓ Our comprehensive <b>Enterprise ESG program includes Board committee-level reporting and oversight</b>, including with respect to environmental management, sustainability, diversity and inclusion, and governance.</li> <li>✓ We signed and committed to apply the <b>Commonsense Principles 2.0</b>, a public statement of corporate governance principles intended to provide a framework for sound, long-term-oriented governance.</li> <li>✓ We have endorsed the <b>Business Roundtable's Statement on the Purpose of a Corporation</b>, publicly reinforcing our commitment to all stakeholders.</li> <li>✓ In the first quarter of 2021, we published the <b>Considering Climate at BNY Mellon</b> report in accordance with the <b>TCFD framework</b> to address climate risk. We will be integrating our TCFD reporting into our annual Enterprise ESG Report going forward.</li> <li>✓ Our Board participates in <b>information sessions</b> during regularly scheduled and special meetings, receiving business, regulatory and other updates from senior management, including risk executives and our General Counsel. In addition, our Board regularly receives <b>reports from the chair of each standing committee</b> to ensure oversight and transparency regarding each committee's activities.</li> </ul>
<b>ROBUST PROGRAMS</b>	<ul style="list-style-type: none"> <li>✓ A significant portion of director compensation is paid in <b>deferred stock units</b>, which must be held as long as the director serves on the Board.</li> <li>✓ Our <b>codes of conduct</b>, which apply to our directors and all of our employees, are rooted in our company values (passion for excellence, integrity, strength in diversity, and courage to lead), provide a framework for the highest standards of professional conduct, and foster a culture of honesty and accountability.</li> <li>✓ We continue to enhance our robust <b>orientation program for new directors</b>, which includes interviews with other directors as well as senior leadership across businesses and functions; review of corporate governance documents, corporate policies and other documents; and training in resources available to directors. In addition, all directors are encouraged to participate in thoughtfully selected <b>continuing education</b> programs for which expenses are reimbursed.</li> </ul>
<b>WHAT WE DON'T DO</b>	<ul style="list-style-type: none"> <li>✗ No staggered board.</li> <li>✗ No "poison pill" (stockholders' rights plan).</li> <li>✗ No supermajority voting. Action by stockholders requires only a majority of the votes cast (not a majority of the shares present and entitled to vote).</li> <li>✗ No plurality voting in uncontested director elections. Each director must be elected by a majority of the votes cast.</li> </ul>



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## ITEM 1. ELECTION OF DIRECTORS > Corporate Governance and Board Information

### Corporate Governance Developments

Our strong corporate governance framework has been developed through contributions from our directors, who offer a diverse set of backgrounds, expertise and skills, and is informed by our engagement with our stockholders and other stakeholders. As a result of this dynamic, the Board has a well-established focus on long-term business strategy and resiliency, leadership succession and corporate culture, and performance. This foundation positioned the Board to oversee and provide insight to management into the company's continued efforts to respond to the challenges, uncertainties and opportunities presented throughout 2021. In addition to the regular financial, operational, strategic and business-related topics on the Board agenda, the Board maintained a regular dialogue with management regarding its direction and action on matters related to social justice, diversity and inclusion, and public policy and advocacy. The Board also engaged with management throughout the year on the company's environmental and sustainability performance and Enterprise ESG strategy, including periodic updates on the company's performance against the commitments outlined in the inaugural *Considering Climate at BNY Mellon* report, which was prepared in accordance with the TCFD framework and published in the first quarter of 2021. Our TCFD reporting will be integrated as part of our annual Enterprise ESG Report going forward. A discussion of the Board's engagement on ESG matters, including our diversity and inclusion initiatives, can be found starting on page 31.

For the past several years, our Board has also focused on Board refreshment and succession efforts. Seven of the directors nominated for election at the 2022 Annual Meeting have been added to the Board in the last five years. Each of these new directors has added significant experience and expertise to our Board, complementing and supplementing the experience, diversity and talents of our Board as a whole. Although the CGNSR Committee is principally involved in Board succession and recruitment, our entire Board plays a role in recruiting, interviewing and assessing candidates. Our Board's succession planning is an ongoing, robust endeavor and will continue to focus on enhancing the diversity of our Board. The Board's succession planning and director nomination efforts are discussed in detail starting on page 23.

Our Board, led by the CGNSR Committee, continually seeks to evaluate our governance structure. Beyond the Board's comprehensive meeting schedule and succession planning initiatives, other pillars of the company's governance framework implemented in recent years are discussed below:

- Our Restated Certificate of Incorporation provides for action by written consent of stockholders representing at least the minimum number of votes

that would be necessary to take the action at a meeting. This written consent right complements the existing provisions of our by-laws that permit holders in the aggregate of 20% of our outstanding common stock to call a special stockholder meeting.

- Our Corporate Governance Guidelines provide for either an independent Chair or a Lead Director based on the best interests of the company, with the independent directors evaluating the Board's leadership structure on an annual basis.
- Our policies related to trading in company securities by executive officers and directors specifically prohibit pledging company securities (in addition to the prohibition on hedging company securities).
- Our Corporate Governance Guidelines provide the CGNSR Committee with the discretion to recommend to the Board, and the Board the discretion to approve, a nominee for re-election who would be 75 years of age or older at the time of election if, after considering the criteria for selecting director nominees, the capacity of such nominee to continue to make meaningful contributions to the Board and the needs of the company, the Board determines that the re-nomination is in the best interests of the company.
- In addition to the Board's regular succession planning efforts, the CGNSR Committee maintains a Board Chair emergency succession management plan designed to ensure appropriate steps can be taken to minimize disruption to the Board and the company's governance in the event of a temporary or permanent absence of the independent Chair.
- We have developed capabilities to conduct fully remote or hybrid Board and committee meetings to appropriately adjust to the prevailing circumstances.

A central component of the development of our corporate governance framework is the identification and implementation of best practices through engagement with stakeholder groups. As highlighted on page 27, the company engages in a broad and comprehensive stockholder outreach program; in 2021, we reached out to stockholders representing over 65% of the company's outstanding shares. We have committed to applying the Commonsense Principles 2.0 and have endorsed the Business Roundtable's Statement on the Purpose of the Corporation. We are also committed to reviewing our governance practices



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## ITEM 1. ELECTION OF DIRECTORS > Corporate Governance and Board Information

against the TCFD framework, as outlined in the *Considering Climate at BNY Mellon* report, to ensure that our Board remains well positioned to oversee the company's Enterprise ESG strategy and climate-related commitments. While we believe that our corporate governance policies are generally consistent with these important frameworks, we will continue to evaluate and, where necessary, make changes to align with best practices.

### Director Nomination Process

The CGNSR Committee reviews potential director candidates and makes recommendations to the Board regarding individuals qualified to become Board members. The Board then nominates director candidates for election at Annual Meetings (or directly selects an individual or individuals to fill vacancies on the Board, as applicable). Directors chosen to fill vacancies hold office for a term expiring at the end of the next Annual Meeting.

In recommending a nominee for election as a director (or to fill a Board vacancy), the CGNSR Committee considers the following Board-approved criteria:

- **Professional background and experience.** The individual's specific experience, background and education, including skills as described in the table on page 18, as well as skills and knowledge essential to the oversight of the company's businesses.
- **Senior-level management positions.** The individual's development of a sustained record of substantial accomplishments in senior-level management positions in business, government, education, technology or not-for-profit enterprises.
- **Judgment and challenge.** The individual's ability to evaluate complex business issues, make sound judgments, and constructively challenge management's recommendations and actions.
- **Diversity.** The individual's contribution to the diversity of the Board (in all aspects of that term), including differences of viewpoints, professional experience, education, skills and other demographics, such as race, gender, ethnicity and sexual orientation, as well as the variety of attributes that contribute to the Board's collective strength.
- **Intangible attributes.** The individual's character and integrity and interpersonal skills to work with other directors on our Board in ways that are effective, collegial and responsive to the needs of the company.
- **Time.** The individual's willingness and ability to devote the necessary time and effort required for service on our Board.
- **Independence.** The individual's independence and freedom from conflicts of interest that could interfere with his or her duties as a director.
- **Stockholders' interests.** The individual's strong commitment to the ethical and diligent pursuit of stockholders' best interests.

Annually, the CGNSR Committee reviews these criteria for director nominations and makes recommendations regarding any changes for the Board's approval as needed. The CGNSR Committee seeks individuals with leadership experience in a variety of contexts and across a variety of industries. The CGNSR Committee's candidate search and recruitment efforts are informed by a number of factors, including its regular review of the composition of the Board and committees, its consideration of the directors' qualifications, skills and experience, and the results of the Board and committee evaluation process. In 2021, the CGNSR Committee focused its recruitment efforts on developing a robust pipeline of candidate profiles, identifying complementary outlets for distinguishing potential candidates and discussing approaches to advancing engagement with prioritized individuals. Director search and recruitment was a topic on the agenda for each of the CGNSR Committee's meetings in 2021. Ms. O'Connor, who was appointed as a director effective December 13, 2021, was identified as a candidate by a third-party search firm retained to assist the CGNSR Committee in its search efforts.

The CGNSR Committee evaluates all candidates suggested by other directors or third-party search firms (which the company retains from time to time to help identify potential candidates) or recommended by a stockholder for nomination as a director in the same manner. For information on communicating with the Board, see "Contacting the Board" on page 42.

A central component of the Board's consideration of director candidates is its commitment to fostering and maintaining diversity in the boardroom. In addition to valuing diversity of viewpoints, professional experience, tenure, education, skills and expertise, the Board also seeks to include directors with diverse backgrounds—including with respect to race, gender, ethnicity and sexual orientation—to capture the benefits inherent in diverse perspectives. As a result of this commitment, our Board has approved a slate of nominees for election at the 2022 Annual Meeting that is over 36% female and over 36% diverse on the basis of race or ethnicity.

In considering whether to re-nominate a director for election at our Annual Meeting, the Board and the CGNSR Committee reviewed, among other factors:

- The **criteria for the nomination of directors** described above,
- **Attendance and preparedness** for Board and committee meetings,
- A director's **overall contributions to the Board**, and
- The **needs of the company**.

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## ITEM 1. ELECTION OF DIRECTORS > Corporate Governance and Board Information

To facilitate the assessment of an incumbent director's suitability for re-nomination, the CGNSR Committee may leverage feedback from the annual Board and committee evaluations and its review of the director's outside board and other affiliations (to assess the presence of actual or perceived conflicts of interest as well as time commitments generally). Our Corporate Governance Guidelines direct the CGNSR Committee to consider, among other factors, the number of other public company boards on which a director serves as part of this review. It is the Board's policy that a director who serves as an executive officer of a publicly traded company should not serve on the board of more than two publicly traded companies (including his or her own company) in addition to his or her service on the BNY Mellon Board. Directors who do not serve as public company executive officers should not serve on the board of more than three publicly traded companies in addition to BNY Mellon. The CGNSR Committee reviews compliance on an annual basis, and all of the incumbent directors comply with this policy.

In furtherance of the CGNSR Committee's review of directors' outside activities, our Corporate Governance Guidelines specifically outline a director's obligation to inform the Board prior to accepting any position or otherwise changing his or her outside commitments in a significant manner, including by accepting a role on the board of another company. A director is prohibited from accepting such a position or making such a commitment without first obtaining the consent of the CGNSR Committee, in consultation with the Board chair, the CEO, the General Counsel and the Corporate Secretary.

Furthermore, our Corporate Governance Guidelines provide that a director who will be over the age of 75 at the time of the Annual Meeting will not be re-nominated for election to the Board, absent the Board's approval based on the review and the recommendation of the CGNSR Committee. Accordingly, Mr. Kelly and Mr. Scott, who are each over the age of 75, will not be re-nominated and are not standing for re-election at the 2022 Annual Meeting.

Together, the Board views the foregoing criteria and policies as appropriate for balancing the benefits to the company from directors' experience, the need for fresh perspectives and the significant time commitment that engaged board service entails. On the basis of this review, the Board and the CGNSR Committee have concluded that each of our current Board members—other than Mr. Kelly and Mr. Scott, who, as described herein, will not stand for re-election—should be recommended for re-nomination as a director.

### Board Oversight of Company Culture

Our Board is committed to supporting and fostering the company's strong cultural values. The Board, in

conjunction with management, is responsible for ensuring that the company's culture and its strategy are aligned. The company's values (**Passion for Excellence, Integrity, Strength in Diversity, and Courage to Lead**), as well as the key behaviors supporting these values, are foundational to our culture. The Board expects all directors, as well as officers and employees of the company, to conduct themselves in a manner consistent with our codes of conduct, which incorporate these values and behaviors. The Board believes that our culture is fundamental to the conduct of the company's business and the creation of a high performance environment, and is necessary for effective risk management, strong investor trust, and successful corporate governance.

### Corporate Governance Guidelines and Codes of Conduct

Our Board has adopted Corporate Governance Guidelines covering, among other things, the duties and responsibilities and independence of our directors, the criteria and qualifications for nominating a director for election at the Annual Meeting, the Board's role in overseeing executive compensation, compensation and expense reimbursements for independent directors, communications between stockholders and directors, the role of our independent Chair or Lead Director, and Board committee structures and assignments. The CGNSR Committee reviews the Corporate Governance Guidelines at least annually and makes recommendations to the Board regarding any updates.

In furtherance of the Board's oversight of the company's values, the company has adopted an Employee Code of Conduct, which applies to all of our employees and provides a framework to maintain the highest standards of professional conduct for the company. The Board has also adopted a Directors' Code of Conduct to provide guidance to our directors in recognizing and addressing ethical issues, to provide mechanisms to report possible unethical conduct, and to foster a culture of honesty and accountability among directors. At least annually, the CGNSR Committee reviews the directors' compliance with the Directors' Code of Conduct (and, in the case of management directors, compliance with the Employee Code of Conduct).

Our Corporate Governance Guidelines, Employee Code of Conduct and Directors' Code of Conduct are available on our website (see "Helpful Resources" on page 100). We intend to disclose any amendments to, or waivers from, our Employee Code of Conduct or our Directors' Code of Conduct for the benefit of executive officers and directors, respectively, by posting such information on our website.

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## ITEM 1. ELECTION OF DIRECTORS > Corporate Governance and Board Information

### Evaluation of Board and Committee Effectiveness

Annually, the Board and each of our standing committees conduct a self-evaluation exercise aimed at the continual enhancement of Board and individual director performance. The Board and management then work together to take appropriate action in light of the results of the self-evaluations.



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## ITEM 1. ELECTION OF DIRECTORS > Corporate Governance and Board Information

### Succession Planning

Our governance framework prioritizes senior leadership succession planning as an important component of facilitating long-term, sustainable business practices. In accordance with our Corporate Governance Guidelines, the Board takes an active role in the oversight of CEO and senior management succession planning. The HRC Committee, as well as the full Board, regularly review the succession plan for the CEO. This plan identifies a “readiness” level and ranking for internal candidates and incorporates flexibility for the Board to define an external hire as a succession option. In addition, the CGNSR Committee maintains and annually reviews a CEO emergency succession management plan. The Board’s independent Chair is engaged in these processes and consults with the HRC Committee and the CGNSR Committee on both the CEO succession plan and the CEO emergency succession management plan.

The Board and the HRC Committee also regularly engage in formal succession planning for the balance of our management Executive Committee members. This succession protocol includes identifying a rank and readiness level for potential internal candidates and strategically planning for external hires when desirable, such as, for example, for positions where capability gaps are identified. The HRC Committee and the Board review the succession plans for all management Executive Committee positions.

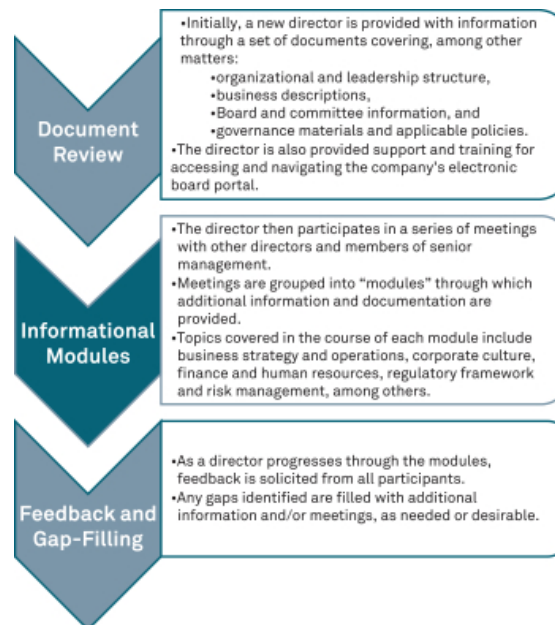
Consistent with this emphasis on preparedness and succession planning, and in light of the separation of the CEO and Chair positions, the CGNSR Committee has also adopted a Chair emergency succession management plan. The Chair emergency succession management plan, which was prepared in consultation with the independent Chair and the CEO, is designed to ensure that appropriate steps can be taken to minimize disruption to the Board and the company’s governance in the event of a temporary absence or retirement, resignation or removal of the independent Chair.

### Director Orientation and Continuing Education

As part of ongoing efforts to support Board and individual director effectiveness and performance, we have developed comprehensive orientation and continuing education programs for directors. The CGNSR Committee oversees these programs. The orientation process for a new director is tailored to specific needs of the director, and is designed to facilitate and expand a new director’s understanding of the company’s products and services, the director’s

duties as a member of the Board, and the culture of our company and the Board. The CGNSR Committee maintained a fully virtual orientation program for Ms. Gilliland and O’Connor and Mr. Gowrappan in 2021, leveraging the company’s existing technologies to deliver the program modules. In light of director feedback, including in connection with the board evaluation process described above, the Board received an update from senior management on the director orientation program and potential enhancements to be implemented in the future.

The new director orientation process generally progresses in the following stages:



On an ongoing basis, directors are provided with a catalogue of continuing education programs covering a range of topics, including ESG matters, that are delivered through external providers. In addition, education sessions led by members of senior management are made available to the directors on an in-boardroom basis either as stand-alone sessions or as part of an informal breakfast or dinner topic in connection with regular Board meetings. These sessions generally supplement the topics covered with new directors through the director orientation modules. Topics covered during these sessions included bank regulation, capital requirements and resolution planning, digital assets and related business initiatives.

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## ITEM 1. ELECTION OF DIRECTORS > Corporate Governance and Board Information

Directors are encouraged, including in the annual Board and committee evaluation process, to provide feedback regarding topics they would like to cover in continuing education sessions.

We have a policy for the reimbursement of reasonable out-of-pocket expenses incurred by a director in connection with his or her participation in continuing education sessions.

### Active Stockholder Engagement Program

We conduct extensive governance reviews and investor outreach throughout the year. Through our investor engagement process in 2021 and 2022, we reached out to stockholders holding over 65% of our outstanding common stock and held discussions with those that accepted our invitation. These discussions included representatives from our Investor Relations, Enterprise

ESG, Corporate Governance and Human Resources teams and addressed topics such as executive compensation, company strategy and response to the COVID-19 pandemic, corporate governance, diversity and inclusion and other issues relating to our Enterprise ESG strategy.

Management reports regularly to the independent directors regarding investor discussions and feedback to keep them informed of stockholders' perspectives on a variety of issues, including governance, strategy and performance, and to enable them to consider and address those matters effectively. Occasionally, directors may participate in meetings with individual directors on certain governance topics. Stockholder feedback has played a significant role in company decisions such as the design and implementation of a stockholder written consent right.

## Board Leadership Structure

The Board's independent directors review the Board's leadership structure and the selection of the Chair of the Board on an annual basis, or more frequently as necessary, to ensure the current arrangement best serves the interests of the company at any given time. As part of this review, the independent directors evaluate whether they believe that the position of Chair should be held by the CEO, in which case an independent Lead Director would be selected, or that the Chair and CEO roles should be separated. In light of the Board's composition, the company's size, the nature of the company's business, the regulatory framework under which the company operates, the company's stockholder base, the company's peer group and other relevant factors, the independent directors of the Board have determined that it was appropriate to maintain a separation between the positions of Chair and CEO. As a result, the Board appointed Joseph J. Echevarria as independent Chair, and Mr. Gibbons, our CEO, continues to serve as a non-independent member of the Board.

If the Board determines to appoint the CEO as Chair, then the independent directors will also appoint an independent Lead Director who will carry out the duties specified in our Corporate Governance Guidelines.

### Independent Chair Duties and Responsibilities

The duties and responsibilities of our independent Chair are robust and include:

- acting as a liaison between and among the other independent directors, the CEO and management generally;
- presiding over Board and stockholder meetings;
- the right to call a special meeting of the independent directors or the full Board;
- reviewing and approving Board meeting agendas, materials and schedules;
- leading executive sessions and meetings of independent directors;
- being available to meet with major stockholders and regulators as applicable; and
- consulting with the Chair of the HRC Committee on CEO performance, compensation and succession, and reviewing the emergency CEO succession management plan with the CGNSR Committee annually.



[Table of Contents](#)**ITEM 1. ELECTION OF DIRECTORS > Corporate Governance and Board Information****Director Independence**

Our Board has determined that 10 of our 11 director nominees are independent. Our independent director nominees are Linda Z. Cook; Joseph J. Echevarria; M. Amy Gilliland; Jeffrey A. Goldstein; K. Guru Gowrappan; Ralph Izzo; Sandie O'Connor; Elizabeth E. Robinson; Frederick O. Terrell; and Alfred W. "Al" Zollar. Our CEO, Thomas P. "Todd" Gibbons, is not independent. The Board has also determined that Edmund F. "Ted" Kelly and Samuel C. Scott III, who are not standing for re-election as directors at the 2022 Annual Meeting, are independent. In addition, Jennifer B. Morgan, who did not stand for re-election as a director at the 2021 Annual Meeting, was independent during the period in 2021 in which she served as a director.

**Our Standards of Independence**

For a director to be considered independent, our Board must determine that the director does not have any direct or indirect material relationship with us. Our Board has established standards (which are outlined in our Corporate Governance Guidelines) based on specified categories and types of transactions, which conform to, or in some cases are more exacting than, the independence requirements of the New York Stock Exchange ("NYSE") and the SEC. As part of the oversight of director independence determinations, the CGNSR Committee undertakes an initial review and makes recommendations regarding each director's independence to the Board based on its application of these standards.

Our Board will also determine that a director is not independent if it finds that the director has material business arrangements with us that would jeopardize that director's judgment. In making this determination, our Board reviews business arrangements between the company and the director and between the company and any other company for which the director serves as an officer or general partner, or of which the director directly or indirectly owns 10% or more of the equity. Our Board has determined that these arrangements will not be considered material if:

- they are of a type that we usually and customarily offer to customers or vendors;
- they are on terms substantially similar to those for comparable transactions with other customers or vendors under similar circumstances; or
- in the case of personal loans, the loans are subject to and in compliance with Regulation O of the

Board of Governors of the Federal Reserve System ("Regulation O").

Our Board may also consider other factors as it may deem necessary to arrive at sound determinations as to the independence of each director, and such factors may override the conclusion of independence or non-independence that would be reached simply by reference to the factors listed above.

In determining that each of the directors who served on our Board in 2021, other than Mr. Gibbons, is independent, our Board reviewed the standards described above, the corporate governance rules of the NYSE and the SEC, and the individual circumstances of each director.

The following categories or types of transactions, relationships and arrangements were considered by the Board in determining that a director is independent. None of these transactions, relationships or arrangements rose to the level that would require disclosure under our related party transactions policy, which is described in more detail on page 29. In addition, in each case, the amounts involved were below the thresholds of the corporate governance rules of the NYSE and the SEC and our Corporate Governance Guidelines, including that none of the transactions described below were in an amount that exceeded the greater of \$1 million or 2% of such other entity's consolidated gross revenues for its last reported fiscal year:

- **Purchases of goods or services in the ordinary course of business.** The company and its subsidiaries purchased goods and services during the last three years from certain entities of which Mr. Gowrappan served as an executive for a period in 2021. All of these purchases were made in the ordinary course of business. For each of the last three years, these purchases, in the aggregate, fell substantially below the 2% threshold of the seller's annual revenue or of our annual revenue for 2021.
- **Sales of goods or services in the ordinary course of business.** The company and its subsidiaries provided various financial services during the last three years—including asset servicing, global markets services, clearing services, issuer services, treasury services, or credit services—to certain entities of which each of Ms. Cook, Ms. Gilliland, Mr. Goldstein, Mr. Gowrappan, Mr. Izzo, Ms. Morgan, Ms. Robinson or Mr. Terrell served as an executive officer or was otherwise

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employed, or for which a member of their immediate family was an executive officer, for a period in 2021. All of the services were provided in the ordinary course of our business and at prevailing customer rates and terms. For each of the last three years, the amount of fees paid to us by each purchaser in each case fell substantially below the 2% threshold of the purchaser's annual revenue and of our annual revenue for 2021.

- **Customer relationships.** Neither we nor our subsidiaries provided any ordinary course services, such as asset management services or banking services, to any independent director in 2021.
- **Charitable contributions.** We made (directly, through our subsidiaries or by the BNY Mellon Foundation or the BNY Mellon Foundation of Southwestern Pennsylvania) charitable contributions to not-for-profit, charitable or tax-exempt organizations for which Mr. Terrell served as a director, executive officer or trustee (or for which a family member of one of our independent directors served as an executive officer) during 2021. In 2021, charitable contributions to these organizations did not exceed the thresholds set out in the corporate governance rules of the NYSE and the SEC and our Corporate Governance Guidelines.

- **Beneficial ownership or voting power.** In the ordinary course of our investment management business, we beneficially own or have the power to vote (directly or through our subsidiaries or through funds advised by our subsidiaries) shares of certain entities for which each of Ms. Cook, Ms. Gilliland, Mr. Gowrappan, Mr. Izzo and Ms. Morgan, respectively, served as an executive during a period in 2021. As of December 31, 2021, we, our subsidiaries or funds advised by our subsidiaries, in the aggregate, owned or had the power to vote no more than approximately 1% of the outstanding shares of any such entity.

Our Board, on the basis of the analysis and recommendations conducted by the CGNSR Committee, determined that none of the transactions, relationships or arrangements described above constituted a material relationship between the respective director and our company or its subsidiaries for the purpose of the corporate governance rules of the NYSE and SEC and our Corporate Governance Guidelines. As such, our Board determined that these transactions, relationships and arrangements did not affect the independence of such director and did not impair his or her ability to act in the best interests of the company and our stockholders.

## Business Relationships and Related Party Transactions Policy

The Board has adopted a policy on related party transactions (our "related party transactions policy"), which was reviewed by the CGNSR Committee. Our related party transactions policy was most recently reviewed and amended by the Board in 2021. The policy provides that the CGNSR Committee, or another Board committee consisting solely of independent directors, must approve any transaction(s) in which (i) the company or any of its subsidiaries was, is or will be a participant, (ii) the amount involved exceeds \$120,000 or the company's Legal Department otherwise considers it appropriate to bring the transaction to the designated committee for review and (iii) any "related person" had, has or will have a direct or indirect material interest. A "related person" includes directors, nominees for director, executive officers, members of such persons' immediate families, and greater than 5% beneficial owners (including BlackRock, Inc., Dodge & Cox, The Vanguard Group and Warren E. Buffett and Berkshire Hathaway, Inc., each of which is a beneficial owner of more than 5% of our outstanding common stock based on a review of such holder's Schedule 13G

filings). Consistent with SEC rules, our related party transactions policy provides that certain transactions, including employment relationships and ordinary course non-preferential transactions, entered into with a related person are not considered to be related party transactions and are not required to be disclosed or approved by the CGNSR Committee. In 2021, there were no related party transactions that required CGNSR Committee approval or disclosure in this proxy statement.

Our related party transactions policy provides that the CGNSR Committee may recommend to our Board from time to time the adoption of resolutions pre-approving certain types or categories of transactions that the CGNSR Committee determines in good faith are in, or are not inconsistent with, our best interests and the best interests of our stockholders. While no related party transactions in 2021 required CGNSR Committee approval or proxy statement disclosure, the Board has adopted a resolution on recommendation from the CGNSR Committee pre-approving transactions that

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involve the sale or other provision of products and services (not subject to Regulation O or other specific regulatory requirements) by our company or its subsidiaries to directors and members of their immediate families, director-related companies, executive officers and members of their immediate families and beneficial owners of more than 5% of our common stock in the ordinary course and on terms generally offered in transactions with non-related persons. Transactions subject to Regulation O or other specific regulatory requirements are approved as required pursuant to such regulations.

In the ordinary course of business, we periodically have, and expect to continue to have, banking and other transactions, including asset management services, banking services, broker services and credit services, with related persons. Any loans to related persons, and any transactions involving financial products and services provided by the company to such persons and entities, are made in the ordinary course of business and on substantially the same terms, including interest rates and collateral (where applicable), as those prevailing at the time for comparable transactions with persons and entities not related to the company, and do not involve more than the normal risk of collectability or present other unfavorable features.

Under the related party transactions policy, in making its determination to approve a related party transaction, the CGNSR Committee may take into consideration all relevant facts and circumstances available to it, including but not limited to:

- the related person's relationship to us and interest in the transaction;
- the material facts of the transaction, including the amount involved;

- the benefits to us of the transaction;
- the availability from other sources of comparable products or services; and
- an assessment of whether the transaction is on terms that are comparable to the terms available to or from an unrelated third party or to employees generally.

The CGNSR Committee also may consider the impact on a director's independence in the event the related person is a director or an immediate family member of a director.

Under the related party transactions policy, no member of the CGNSR Committee may participate in the review, consideration, approval or ratification of any related party transaction with respect to which such member or any of his or her immediate family members is the related person. The CGNSR Committee may approve only those related party transactions that are in, or are not inconsistent with, our best interests and the best interests of our stockholders, as the CGNSR Committee determines in good faith.

If a related party transaction is identified after it is already ongoing or completed, the policy requires that such transaction must be submitted to the CGNSR Committee promptly for ratification, applying the standards described above. In this circumstance, the CGNSR Committee will evaluate all options available, including ratification, amendment, termination or rescission of the transaction.

Our related party transactions policy does not limit or affect the application of our other policies applicable to our directors, executive officers and other related persons, including our Employee Code of Conduct and Directors' Code of Conduct.



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### Oversight of Environmental, Social and Governance Matters

The Board's oversight of ESG matters, and the integration of ESG into our business, operations and strategy more generally, is a pillar of the company's governance framework. We have approached this by focusing on our own ESG practices and conduct, and extending those principles to the way we serve clients. On an enterprise level:

- in terms of **environmental** factors, we're committed to the efficient use of natural resources, mitigating climate-related risks, and leveraging innovative energy solutions,
- with respect to our **social** standards, we are dedicated to effectively managing our relationships with key stakeholders, including clients, employees, regulators, suppliers and the communities in which we operate, and
- regarding **governance**, we're committed to operating with strong ethical business practices, fair and equitable compensation, a diverse Board and policies that acknowledge human rights principles.

All of these actions inform our client solutions, with the aim of helping our clients meet their ESG goals. As one of the world's largest custodians, the company is well-positioned to examine and analyze ESG trends with an emphasis on how this information can positively influence our clients' long-term performance. With our size, scale and significance and positioning at the center of the financial system, we touch many points along the financial value chain, putting us in a unique position to collaborate with clients on the establishment of best practices and innovative ESG solutions.

#### Future First – Our Holistic ESG Framework



#### Client Solutions

We empower clients with multifaceted solutions in three areas to support greater ESG integration across the value chain:

- (i) Responsible Investment, (ii) Data and Analytics and (iii) Financing and Payments.

#### Enterprise ESG

Enterprise ESG is a part of company culture that informs our responsible business practices and inspires our global citizenship. We endeavor to contribute to sustainable economic growth to help protect healthy markets, enhance our own business resiliency and longevity, and deliver positive impacts for key stakeholders.

This commitment requires us to consider the impacts that our business has on the environment and society and, in turn, how climate-related risks and societal needs present opportunities for our company. This includes:

- embedding an ESG lens in areas such as enterprise risk management and supply chain management,
- reporting on our efficient use of natural resources, and
- management of our relationships with key stakeholders such as clients, employees, stockholders and the communities in which we operate.

As highlighted below under "Enterprise ESG Governance" on page 33, the company's Executive Committee and Board, primarily through its CGNSR Committee, are heavily involved in the oversight of ESG integration across our enterprise and culture and in reviewing the company's progress against our commitments. Our directors bring a diverse set of skills, experience and expertise on a variety of ESG matters and on ESG governance generally, and continually monitor the company's ESG competency, thereby providing effective guidance and challenge to management with respect to our ESG strategy and business practices.

The Enterprise ESG Steering Council and various working groups and task forces, comprised of senior management from across various business functions and lines of business, contribute to the establishment of the company's practices and policies as well as the integration of ESG matters in a concerted and consistent manner globally and regionally.

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Our annual Enterprise ESG Report, published in accordance with the standards of the Global Reporting Initiative and the TCFD framework, outlines the company's progress on our five-year goals, key performance indicators and targets, and highlights initiatives from the previous year.

The Enterprise ESG Report discusses the impact of our business, strategy and operations and enterprise-wide practices across three areas:

**Culture and Purpose**

Our purpose is guided by our core values of **passion for excellence, integrity, strength in diversity and courage to lead**. Together, our purpose and values drive our culture, which is built on our commitment to diversity, equity and inclusion, leadership and development, employee engagement and wellbeing, and community partnership.

**Responsible Business**

We believe responsible business is simply good business. As a major global financial institution, we have a significant role in contributing to market

integrity. Of utmost importance to us are (i) the trust of our clients, (ii) transparency and technological resiliency of our business, and (iii) providing ESG solutions to the global investing community.

**Global Citizenship**

Given the company's commitment to operate responsibly and sustainably, consideration of human rights and environmental sustainability is integrated into our business, strategic and operational activities and initiatives. Our efforts to improve the effectiveness of our supply chain and seek suppliers whose corporate values align with ours is an important component of the company's approach to doing business. Additionally, as part of our regular outreach, we engage stakeholders on public policy initiatives important to our company and the financial industry.

Global Citizenship highlights from 2021 will be included in the company's 2021 Enterprise ESG Report, which we expect to be published in the summer of 2022.

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### Enterprise ESG Governance

The work of considering and integrating ESG issues across all levels of our enterprise extends from the highest level of leadership to employees across the globe. The table below provides a description of the company's Enterprise ESG governance structure, including the various employee groups that support our holistic approach to ESG.

Enterprise ESG Governance Structure		
<b>Corporate Governance, Nominating and Social Responsibility (CGNSR) Committee of the Board of Directors</b> Provides primary oversight of BNY Mellon's ESG efforts. Consists of independent directors who regularly review our Enterprise ESG performance, monitor progress against long-term goals, and provide guidance to management.		
<b>Executive Committee</b> Responsible for ESG progress and success; approves and monitors progress on long-term goals, anticipates market trends and future client needs, and drives business innovation		
<b>EC ESG Steering Council</b>		
Enterprise ESG Steering Council		ESG Client Solutions Working Group
<b>Enterprise ESG Team</b> Leads strategy development and governance processes, provides subject matter expertise, collaborates with company functions and departments to assist in development of ESG integration initiatives, manages public reporting and disclosures related to ESG activities, facilitates external stakeholder input, and collaborates with experts and facilitates thought leadership		
<b>Working Groups</b> TCFD Working Group Line of business ESG Working Groups Ad hoc as needed	<b>Subject Matter Experts</b> Staff across varying areas of the company who execute ESG-related policies, practices and programs	<b>Employee Groups</b> Employee/Business Resource Groups (E/BRGs), sustainability ambassadors, and volunteer and philanthropic fundraising committees that support social or environmental impact initiatives

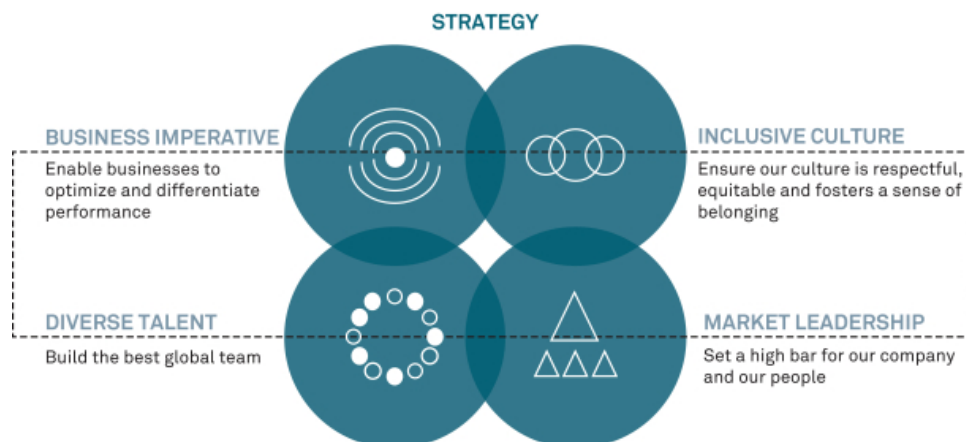
The CGNSR Committee monitors a broad range of activities related to ESG, including climate change and sustainability matters. Senior management meets with the CGNSR Committee periodically to present updates regarding enterprise environmental management, with a focus on environmental and climate-related goal-setting, progress, and strategy regarding our operational footprint, and may also provide other material information such as stakeholder input and peer comparison. These sessions provide the CGNSR Committee with the opportunity to discuss with management progress on the company's goals, forward-looking goal-setting, the company's overall ESG and sustainability strategy and public reporting initiatives with respect to such matters.

As part of its oversight responsibility, the CGNSR Committee engages with management on the company's public reporting initiatives with respect to these ESG matters. In the summer of 2022, we plan to publish our 15th annual report covering our ESG framework and the company's performance on a range of ESG topics. Past reports can be found on our website. See "Helpful Resources" on page 100.

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### Spotlight on Diversity and Inclusion



Diversity and Inclusion (“D&I”) forms an integral component of our Culture & Purpose strategy. Our D&I efforts are aimed at considering and integrating ESG issues across all levels of our enterprise to ensure the highest level of leadership and engagement on a global employee basis.

Our governance framework supports this mission by balancing appropriate levels of accountability at the Board and among senior management with adequate representation and input from our employees across the globe.

Entity	Primary Responsibilities for D&I Efforts
<b>HRC Committee</b>	Consists of independent directors who are responsible for overseeing our programs for D&I.
<b>Executive Committee</b>	Sets goals to improve workforce diversity, with particular emphasis on diversifying our senior management ranks. Executive Committee member bonuses and incentives are informed by performance against goals that include specific D&I goals. Executive ownership and accountability of D&I outcomes sustains the company's focus on gender equality and improving ethnic and racial representation in our U.S. workforce.
<b>Global Diversity and Inclusion Team and Diversity and Inclusion Advisory Council</b>	<ul style="list-style-type: none"> <li>Global Diversity and Inclusion Team: Our Office of Global Diversity and Inclusion has appointed a global head and regional leads in EMEA, the Americas and India. These dedicated experts partner with our business leaders and employees, and engage stakeholders—including clients, investors and regulators—to share ideas and successes.</li> <li>Diversity and Inclusion Advisory Council: This group of senior managers, representing all of our business, functions and regions, is an interactive and results-oriented forum that serves as both a sounding board to the CEO and a catalyst for change across the organization. Each member is also involved with each of our E/BRGs, some holding formal leadership roles, to ensure connectivity, alignment and governance across D&amp;I groups.</li> </ul>
<b>E/BRGs</b>	Our E/BRG members drive our D&I strategy across business lines and regions, engaging employees globally as D&I champions and brand ambassadors. These groups provide our employees with opportunities to share, collaborate and support one another through shared interests, common attributes and cultural heritage. They offer mentoring and reverse mentoring programs; professional development workshops; leadership skill-building and cross-border teaming; volunteering and pro bono opportunities; and other activities that can raise an employee's visibility, enhance professional capability and capacity, and build trusted working relationships with global colleagues, clients and partners.

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The HRC Committee regularly engages with management on D&I matters. In 2021, the HRC Committee discussed with management the company's overall D&I strategy and initiatives, including as it relates to the continued disclosure of EEO-1 data in our Enterprise ESG Report, as well as goals for advancing diverse representation, particularly in more senior roles across the organization. Among other initiatives and updates, the HRC Committee also reviewed the company's pay equity program.

Recognizing the societal unrest spurred by ongoing racial injustice, our senior leadership has strengthened our company's commitment to diversity, inclusion and equity. Augmenting existing plans and initiatives, we have engaged in purpose-led action to accelerate progress. Highlights include:

- The company offered open internal forums and developed tools for senior leaders and managers to foster meaningful dialogue on race relations, diversity, inclusion, equity, belonging, allyship and other topics that foster inclusivity.
- We engaged our employees through our Equality Campaign Matched Giving Program, which provided donations to eligible charities working on justice reform and racial equality issues.
- Through our businesses, we engage in community reinvestment and rebuilding to improve funding and access to capital for underserved, minority-owned and other diverse-owned businesses.
- The company's supplier diversity program aims to mentor and develop diverse-owned businesses to strengthen their ability to do business with large companies like ours and to expand collaborations with diverse-owned asset management firms.

### Spotlight on Employee Wellbeing

In an effort to continue to support employees through the personal and emotional stresses induced by the pandemic, the company developed the *Meeting you in your life moments* employee support initiative, which consists of:

#### Supporting **Life Balance**:

- Introduced global *Caregiver Leave*, 10 days of paid time off to manage planned and unplanned family care circumstances.

- Offered family support via virtual babysitting, back-up care services, tutoring discounts and working family education sessions.
- Developed *Productivity—Resilience—Life Balance*, a curated list of practical tips and ideas for managers and teams to discuss to support individuals' wellbeing.
- Created *MyBreak*, a desktop tool to prompt people to pause and take a break during the work day.

#### Providing **Wellbeing programs**:

- Provided *comprehensive, inclusive programs*, including virtual fitness sessions, team step challenges and physical health education events.
- Delivered *It's OK to choose you* mental health awareness and education campaign.
- Offered a range of tools to support healthy behaviors, enhanced sleep, improved personal resilience and financial wellness.

#### Encouraging **Preventative Health** behaviors:

- Provided COVID-19 support to employees where needed. Including enhanced medical services and onsite vaccination camps in India and access to testing for our essential in-office employees.
- Offered remote health and biometric screenings where available.
- Delivered global flu vaccination program.

For additional information on the oversight responsibilities of the standing committees of the Board, including the CGNSR Committee and the HRC Committee, see "Committees and Committee Charters" on page 38. For information on our ESG-related policies and related resources, see "Helpful Resources" on page 100.

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### Oversight of Risk

Successful management of the company requires the understanding, identification and management of risk. We oversee risk through multiple lines of defense, as described in the below table.

Entity	Primary Responsibilities for Risk Management
<b>Risk Committee,</b> consisting entirely of independent directors	<ul style="list-style-type: none"> <li>Review and approval of significant enterprise-wide risk management policies and associated risk management frameworks of the company.</li> <li>Review and approval of the company's risk appetite statement on an annual basis, and approval of any material amendment to the statement.</li> <li>Review of significant risk exposures and the steps management has taken to identify, monitor, control and report such exposures, including risks such as credit, market, liquidity, operational (including fiduciary and technology risks), strategic and model risks and risks associated with incentive compensation plans.</li> <li>Evaluation of risk exposure and tolerance.</li> <li>Review and evaluation of the company's practices with respect to risk assessment and risk management.</li> <li>Review, with respect to risk management and compliance, of (1) issues identified by the company's Risk and Compliance department and the Internal Audit department ("Internal Audit"), and management's responses and follow-ups, (2) significant examination reports and associated matters identified by regulatory authorities and management's responses, and (3) the Risk and Compliance department's scope of work and its planned activities.</li> </ul>
<b>Audit Committee,</b> consisting entirely of independent directors	<ul style="list-style-type: none"> <li>Review and discussion of policies with respect to risk assessment and risk management.</li> <li>Oversight responsibility with respect to the integrity of our company's financial reporting and systems of internal controls regarding finance and accounting, as well as our financial statements.</li> <li>Coordinate with the Risk Committee to ensure each Committee has received and, when appropriate, discussed the information necessary to fulfill each Committee's respective responsibilities and duties with respect to areas of common interest (including, among other matters, the company's methods for identifying and managing risks).</li> <li>Review of periodic reports regarding corporate-wide compliance with laws and regulations.</li> <li>Review of any items escalated by the Risk Committee that have significant financial statement impact or require significant financial statement/regulatory disclosures.</li> <li>Review processes for managing and assessing risk through the Risk Committee and management-level risk committees.</li> </ul>
<b>Management</b>	<ul style="list-style-type: none"> <li>Chief Risk Officer: Implement an effective risk management framework and daily oversight of risk.</li> <li>Internal Audit: Provide reliable and timely information to our Board and management regarding our company's effectiveness in identifying and appropriately controlling risks.</li> <li>Senior Risk and Control Committee: Review significant risk events, emerging risks and drivers of risk. Serve as the most senior management-level risk governance body at the company, and review on an ongoing basis the top risks. Provide oversight for all risk management, compliance and ethics activities and processes, including the risk framework.</li> </ul>

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Our Chief Risk Officer reports to the Risk Committee. The Risk Committee also reviews the Senior Risk and Control Committee's activities, and any significant changes in its key responsibilities must be reported to the Risk Committee. Our company has also formed several risk management sub-committees to identify, assess and manage risks. Each risk management sub-committee reports its activities to the Senior Risk and Control Committee and any significant changes in the key responsibilities of any sub-committee, or a change in the Chair of any sub-committee, must be approved by our Chief Risk Officer and subsequently reported to the Senior Risk and Control Committee.

Our company also has a comprehensive internal risk framework, which facilitates risk oversight by our Risk Committee. Our risk management framework is designed to:

- provide that risks are identified, monitored, reported, and priced properly;

- define and measure the type and amount of risk the company is willing to take;
- communicate the type and amount of risk taken to the appropriate level;
- maintain a risk management organization that is independent of risk-taking activities; and
- promote a strong risk management culture that encourages a focus on risk-adjusted performance.

Our primary risk exposures as well as our risk management framework and methodologies are discussed in further detail on pages 50 through 56 in our 2021 Annual Report. See "How We Address Risk and Control" on page 70 below for a discussion of risk assessment as it relates to our compensation program.

## Board Meetings and Committee Information

### Board Meetings

Our Corporate Governance Guidelines provide that our directors are expected to attend our Annual Meeting of Stockholders and all regular and special meetings of our Board and committees on which they sit. All of our directors attended our 2021 Annual Meeting of Stockholders.

As we continue to operate in a challenging and uncertain environment, our Board and senior leadership maintained regular dialogue regarding a variety of topics, including the company's response to the COVID-19 pandemic and strategic initiatives aimed at

accelerating business performance. In addition to the regular meeting schedule, the Board convened several special meetings to discuss, among other matters, capital planning and non-routine regulatory matters. Our Board held 19 meetings in 2021.

Each incumbent director attended at least 75% of the aggregate number of meetings of our Board and of the committees on which he or she sat, and the average attendance rate for directors in 2021 was approximately 98%.



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### Committees and Committee Charters

Our Board has established six standing committees, each consisting entirely of independent directors. A description of each standing committee is provided below. Each committee makes recommendations to our Board as appropriate and reports periodically to the entire Board. Four of the six standing committees are chaired by a diverse director. Through the course of 2021, the CGNSR Committee conducted its regular review of the composition and structure of the Board's standing committees and the tenure of the committee chairs, with an emphasis on refreshment and succession planning. On the basis of this review, the CGNSR Committee determined to recommend to the Board several changes to the committee leadership assignments which were approved by the Board in April 2021.

Additional information about the standing committees can be found in their charters, which are available on our website (see "Helpful Resources" on page 100).

<b>Audit Committee</b>  <i>6 Independent Members</i> <i>11 Meetings in 2021</i>	<p><b>Frederick O. Terrell (Chair), Linda Z. Cook, Joseph J. Echevarria, Ralph Izzo, M. Amy Gilliland, Samuel C. Scott III*</b></p> <p><b>Overseeing Independent Registered Public Accountant.</b> Our Audit Committee has direct responsibility for the appointment, compensation, annual evaluation, retention and oversight of the work of the registered independent public accountants engaged to prepare an audit report or to perform other audit, review or attestation services for us. The Committee is responsible for the pre-approval of all audit and permitted non-audit services performed by our independent registered public accountants and each year, the Committee recommends that our Board request stockholder ratification of the appointment of the independent registered public accountants.</p> <p><b>Overseeing Internal Audit Function.</b> The Committee acts on behalf of our Board in monitoring and overseeing the performance of our internal audit function. The Committee reviews the organizational structure, qualifications, independence and performance of Internal Audit and the scope of its planned activities, at least annually. The Committee also approves the appointment of our internal Chief Auditor, who functionally reports directly to the Committee and administratively reports to the CEO, and annually reviews his or her performance and, as appropriate, replaces the Chief Auditor.</p> <p><b>Overseeing Internal Controls over Financial Statements and Reports.</b> The Committee oversees the operation of a comprehensive system of internal controls covering the integrity of our financial statements and reports, compliance with laws, regulations and corporate policies. Quarterly, the Committee reviews a report from the company's Disclosure Committee and reports concerning the status of our annual review of internal control over financial reporting, including (1) information about (a) any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect our ability to record, process, summarize and report financial information and (b) any fraud, whether or not material, that involves management or other employees who have a significant role in our internal control over financial reporting, and (2) management's responses to any such circumstance. The Committee also oversees our management's work in preparing our financial statements, which will be audited by our independent registered public accountants.</p> <p><b>Financial Planning and Analysis.</b> The Committee reviews: (1) financial forecasts, operating budgets, capital expenditures and expense management programs, and progress relative to targets and relative to competitors; and (2) plans with regard to net interest revenue, investment portfolio activities and progress relative to such plans and activities.</p>
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\* Mr. Terrell assumed the role of Audit Committee chair in April 2021. Ms. Gilliland joined the Audit Committee in April 2021, following her election to the Board at the 2021 Annual Meeting. Mr. Scott is currently a member of the Audit Committee but will not be standing for re-election as a director at the 2022 Annual Meeting.



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### Corporate Governance, Nominating and Social Responsibility Committee

4 Independent Members  
7 Meetings in 2021

**Members and Financial Expert.** The Committee consists entirely of directors who meet the independence requirements of listing standards of the NYSE, Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the rules and regulations of the Federal Deposit Insurance Corporation (“FDIC”). All members are financially literate within the meaning of the NYSE listing standards as interpreted by our Board and are outside directors, independent of management, and are not large customers of the company, under the FDIC’s rules and regulations. Our Board has determined that (i) each of Ms. Gilliland and Messrs. Echevarria, Izzo, Scott and Terrell satisfy the definition of “audit committee financial expert” as set out in the rules and regulations under the Exchange Act, based upon their experience actively supervising a principal accounting or financial officer or public accountant, (ii) each of Messrs. Echevarria, Izzo, Scott and Terrell has “banking or financial management expertise” as set out in the FDIC’s rules and regulations, and (iii) each of Ms. Cook and Gilliland and Messrs. Echevarria, Izzo, Scott and Terrell has accounting or related financial management expertise within the meaning of the NYSE listing standards as interpreted by our Board.

**Ralph Izzo (Chair), Linda Z. Cook, Joseph J. Echevarria, Samuel C. Scott III\***

**Corporate Governance Matters.** As further described on page 23, the CGNSR Committee assists our Board in identifying, reviewing and recommending individuals qualified to become Board members. The Committee periodically considers the size of our Board and recommends changes to the size as warranted and is also responsible for developing and recommending to our Board changes to our Corporate Governance Guidelines from time to time as may be appropriate. In addition, the Committee oversees the evaluation process of our Board and its committees, reviews the structure and responsibilities of the Board’s committees and annually considers committee assignments, recommending changes to those assignments as necessary.

**Oversight of Director Compensation and Benefits.** The Committee reviews non-employee director compensation on an annual basis and makes recommendations to our Board on appropriate compensation, and is responsible for approving compensation arrangements for non-employee members of the Boards of our significant subsidiaries.

**ESG and Corporate Social Responsibility.** The Committee promotes a culture that emphasizes and sets high standards for corporate citizenship and reviews corporate performance against those standards. The Committee is responsible for the oversight of the company’s significant ESG program and initiatives, including Enterprise ESG strategy and governance, strategic philanthropy and employee community involvement, public policy and advocacy (including lobbying and political contributions), environmental sustainability and management, supply chain ESG considerations, and significant reporting related to such matters. The Committee also provides oversight for the company’s compliance with the Community Reinvestment Act and Fair Lending laws and considers the impact of the company’s businesses, operations and programs from a social responsibility perspective, taking into account the interests of stockholders, clients, suppliers, employees, communities and regulators.

For additional information regarding the company’s commitment to ESG and corporate social responsibility and recent initiatives, see “Oversight of Environmental, Social and Governance Matters” on page 31 and “Helpful Resources” on page 100.

### Finance Committee

3 Independent Members  
8 Meetings in 2021

**Joseph J. Echevarria (Chair), Jeffrey A. Goldstein, Elizabeth E. Robinson\*\***

The Finance Committee assists the Board in fulfilling its responsibilities with respect to the monitoring and oversight of the company’s financial resources and strategies. The Committee’s responsibilities and duties include reviewing the company’s capital structure, annual capital plan, capital raising and capital distributions as well as the financial aspects of our recovery and resolution plans. In addition, the Committee is responsible for approving and recommending to our Board our annual capital plan submission to the applicable regulators as well as our capital management policy.

\* Mr. Izzo assumed the role of CGNSR Committee chair in April 2021. Mr. Scott is currently a member of the CGNSR Committee but will not be standing for re-election as a director at the 2022 Annual Meeting.

\*\* Mr. Echevarria assumed the role of Finance Committee chair in April 2021.

[Table of Contents](#)**ITEM 1. ELECTION OF DIRECTORS > Corporate Governance and Board Information**

**Human  
Resources and  
Compensation  
Committee**

*6 Independent Members  
8 Meetings in 2021*

**Linda Z. Cook (Chair), M. Amy Gilliland, Jeffrey A. Goldstein, Edmund F. “Ted” Kelly, Samuel C. Scott III, Frederick O. Terrell\***

**Compensation and Benefits.** The HRC Committee is generally responsible for overseeing our employee compensation and benefit policies and programs, our management development and succession programs, the development and oversight of a succession plan for the CEO position and our diversity and inclusion programs. The Committee also administers and makes equity and/or cash awards under plans adopted for the benefit of our employees to the extent required or permitted by the terms of these plans, establishes any related performance goals and determines whether and the extent to which these goals have been attained. The Committee also evaluates and approves the total compensation of the CEO and all other executive officers and makes recommendations concerning equity-based plans, which recommendations are subject to the approval of our entire Board. The Committee also oversees certain retirement plans that we sponsor to ensure that: (1) they provide an appropriate level of benefits in a cost-effective manner to meet our needs and objectives in sponsoring such plans; (2) they are properly and efficiently administered in accordance with their terms to avoid unnecessary costs and minimize any potential liabilities to us; (3) our responsibilities as plan sponsor are satisfied; and (4) financial and other information with respect to such plans is properly recorded and reported in accordance with applicable legal requirements.

**CEO Compensation.** The Committee reviews and approves corporate goals and objectives relevant to the compensation of our CEO, reviews his performance in light of those goals and objectives, and determines and approves his compensation on the basis of its evaluation. With respect to the performance evaluation and compensation decisions regarding our CEO, the Committee reports its preliminary conclusions to the other independent directors of our full Board in executive session and solicits their input prior to finalizing its decisions.

**Executive Compensation.** The Committee establishes the compensation of executive officers, oversees executive compensation and reviews the appointment, promotion, performance and potential of senior managers of the company.

**Delegated Authority.** The Committee has delegated to our CEO the responsibility for granting equity awards to certain employees, other than to himself or to our executive committee members, who are eligible to receive grants under our 2019 Long-Term Incentive Plan (“LTIP”). This delegated authority extends to both annual equity awards and equity awards granted outside of the annual awards process (“off-cycle awards”). Our CEO’s delegated authority is subject to certain limitations, including the aggregate shares represented by plan awards that may be granted to any one individual in any calendar year (100,000, to any one individual, with a maximum of 1,000,000 aggregate shares represented by plan awards for off-cycle awards in any calendar year). The Committee has also delegated authority to our Global Head of Human Resources to make off-cycle grants to certain employees other than herself and executive committee members with a value of less than \$250,000 (subject to the same limitations as the CEO’s delegated authority). In addition, the Committee may delegate limited authority to our CEO to grant awards under the LTIP beyond these limits in connection with specific acquisitions or similar transactions.

**Management Involvement.** Our management provides information and recommendations for the Committee’s decision-making process regarding the amount and form of executive compensation, except that no member of management will participate in the decision-making process with respect to his or her own compensation. The “Compensation Discussion & Analysis” starting on page 48 discusses the role of our CEO in determining or recommending the amount and form of executive compensation. In addition, we address the respective roles of our management, its advisors and the Committee’s independent outside compensation advisor in determining and recommending executive compensation on page 65.

\* Ms. Gilliland joined the HRC Committee in April 2021, following her election to the Board at the 2021 Annual Meeting. Messrs. Scott and Kelly are currently members of the HRC Committee but will not be standing for re-election as directors at the 2022 Annual Meeting.

[Table of Contents](#)**ITEM 1. ELECTION OF DIRECTORS > Corporate Governance and Board Information****Risk Committee**

*5 Independent Members  
6 Meetings in 2021*

**Jeffrey A. Goldstein (Chair), K. Guru Gowrappan, Edmund F. “Ted” Kelly, Sandie O’Connor, Elizabeth E. Robinson, Alfred W. “Al” Zollar\***

See “Oversight of Risk” on page 36 above for a discussion of the Risk Committee’s duties and responsibilities, which include: (1) review and approval of significant enterprise-wide risk management policies and associated risk management frameworks; (2) review and approval of the company’s risk appetite statement; (3) review of significant risk exposures; (4) evaluation of risk exposure and tolerance; (5) review and evaluation of the company’s practices with respect to risk assessment and risk management; and (6) review, with respect to risk management and compliance, of certain significant management and/or regulatory reports. Our Board has determined that Mr. Goldstein satisfies the independence requirements to serve as Chair of the Risk Committee set out in the Board of Governors of the Federal Reserve System rules and has experience in identifying, assessing and managing risk exposures of large, complex financial firms based upon his senior leadership experience at a number of financial institutions.

**Technology Committee**

*3 Independent Members  
5 Meetings in 2021*

**Alfred W. “Al” Zollar (Chair), K. Guru Gowrappan, Sandie O’Connor, Elizabeth E. Robinson\*\***

**Technology Planning and Strategy.** The Technology Committee is responsible for reviewing and approving the company’s technology planning and strategy, reviewing significant technology investments and expenditures, and monitoring and evaluating existing and future trends in technology that may affect our strategic plans, including monitoring overall industry trends. The Committee receives reports from management concerning the company’s technology and approves related policies or recommends such policies to the Board for approval, as appropriate. The Committee also reviews risks associated with technology. For example, in addition to the cybersecurity program update that is provided to the full Board on an annual basis, the Technology Committee is regularly apprised of information security and cybersecurity matters through periodic and as-needed reporting from management.

\* Mr. Gowrappan joined the Risk Committee in April 2021, following his election to the Board at the 2021 Annual Meeting, and Ms. O’Connor joined the Risk Committee in February 2022. Mr. Kelly is currently a member of the Risk Committee but will not be standing for re-election as a director at the 2022 Annual Meeting.

\*\* Mr. Gowrappan joined the Technology Committee in April 2021, following his election to the Board at the 2021 Annual Meeting, and Ms. O’Connor joined the Technology Committee in February 2022.

[Table of Contents](#)**ITEM 1. ELECTION OF DIRECTORS > Corporate Governance and Board Information****Compensation Consultants to the HRC Committee**

The HRC Committee has the sole authority to retain, terminate and approve the fees and other engagement terms of any compensation consultant directly assisting the committee, and may select or receive advice from any compensation consultant only after taking into consideration all factors relevant to the consultant's independence from management, including the factors set forth in the NYSE's rules.

The HRC Committee engaged Compensation Advisory Partners LLC ("CAP") to serve as its independent compensation consultant through July 2021 and engaged Meridian Compensation Partners, LLC to serve as its compensation consultant beginning in August 2021. As discussed in greater detail in the "Compensation Discussion & Analysis" beginning on page 48 below, throughout the year, the compensation consultant assists the committee in its analysis and evaluation of compensation matters relating to our executive officers. The HRC Committee's independent compensation consultant reports directly to the HRC Committee, attends the in-person, virtual and telephonic meetings of the committee, and meets with the committee in executive session without

management present. The compensation consultant also reviews and provides input on committee meeting materials and advises on other matters considered by the committee.

The HRC Committee annually reviews the independence of its compensation consultant. During their respective tenures, each of CAP and Meridian worked with management in executing its services to the committee, but did not provide services to management without pre-approval by the committee Chair. In addition, CAP and Meridian each maintain, and have provided to the committee, a written policy designed to avoid and address potential conflicts of interest. The HRC Committee considered the company's relationship with CAP and Meridian during their respective tenures, assessed the independence of CAP and Meridian pursuant to SEC and NYSE rules, and concluded that there are no conflicts of interest that would prevent CAP or Meridian from independently representing the HRC Committee.

During 2021, in addition to serving as the HRC Committee's independent compensation consultant, Meridian also advised the CGNSR Committee with respect to non-employee director compensation.

**Contacting the Board**

Interested parties may send communications to our Board, our independent directors or any Board committee through our independent Chair or, as applicable, Lead Director, in accordance with the procedures set forth on our website and our Corporate Governance Guidelines (see "Helpful Resources" on page 100).

Our Corporate Secretary is authorized to open and review any mail or other correspondence received that is addressed to the Board, any individual director or any Board committee unless the item is marked "Confidential" or "Personal". If so marked and addressed to the Board or a Board committee, it will be delivered unopened to the independent Chair or, as applicable, Lead Director or committee chair. If so

marked and addressed to an individual director, it will be delivered to the addressee unopened. If, upon opening an envelope or package not so marked, the Corporate Secretary determines that it contains a magazine, solicitation or advertisement, the contents may be discarded. Any written communication regarding accounting matters that is addressed to our Board is processed in accordance with procedures adopted by the Audit Committee with respect to the receipt, review and processing of, and any response to, such matters.

Additionally, all directors are expected to attend each Annual Meeting of Stockholders, as discussed in the "Board Meetings" section above.

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**ITEM 1. ELECTION OF DIRECTORS**
**> Director Compensation**
**Overview**

Our Corporate Governance Guidelines provide that compensation for our independent directors' services may include annual cash retainers; shares of our common stock; deferred stock units or options on such shares; meeting fees; fees for serving as a committee Chair; and fees for serving as a director of one of our subsidiaries. We also reimburse directors for their reasonable out-of-pocket expenses in connection with attendance at Board meetings, including airfare expenses not exceeding the first-class commercial rate. In addition, corporate aircraft may be used for directors in accordance with the company's aircraft usage policy. Directors will also be reimbursed for reasonable out-of-pocket expenses (including tuition and registration fees) relating to attendance at seminars and training sessions relevant to their service on the Board and in connection with meetings or conferences which they attend at the company's request.

Each year, the CGNSR Committee is responsible for reviewing and making recommendations to the Board regarding independent director compensation. The CGNSR Committee annually reviews independent director compensation to ensure that it is consistent with market practice and aligns our directors' interests with those of long-term stockholders while not calling into question the directors' objectivity. In undertaking its review, the CGNSR Committee utilizes benchmarking data regarding independent director compensation of the company's peer group based on public filings with the SEC, as well as survey information analyzing independent director compensation at U.S. public companies. As discussed on page 42, Meridian provides assistance to the CGNSR Committee by compiling the benchmarking data and survey information.

**2021 Director Equity Compensation**

Based on its review for 2021, the CGNSR Committee recommended, and the Board approved, an annual equity award with a value of \$185,000 for each independent director. The annual equity award was granted in the form of deferred stock units that vest on the earlier of one year after the date of the award or on the date of the next Annual Meeting of Stockholders, and must be held for as long as the director serves on the Board. The units accrue dividends, which are reinvested in additional deferred stock units. This award of deferred stock units was granted shortly after the 2021 Annual Meeting of Stockholders for directors elected or re-elected at such meeting.

**2021 Director Cash Retainers**

Each non-employee director receives an annual cash retainer for his or her service on the Board, as well as additional cash retainers if he or she serves as the independent Chair, as a Chair of a committee or as a member of the Audit or Risk Committees. The following table lists the cash retainer amounts in effect for 2021:

Type of Retainer	Amount of Retainer
Annual Board Membership	\$110,000
Independent Chair	\$150,000
Audit or Risk Committee Membership	\$ 15,000
HRC Committee Chair	\$ 25,000
Audit Committee Chair*	\$ 30,000
Risk Committee Chair*	\$ 30,000
CGNSR Committee Chair	\$ 20,000
Finance Committee Chair	\$ 20,000
Technology Committee Chair	\$ 20,000

\* Amount is in addition to the applicable committee membership retainer.

**2022 Director Compensation**

In conducting its annual review for 2022, the CGNSR Committee engaged Meridian to review the design and competitiveness of our independent director compensation structure and to advise on any developments in director compensation practices. After receiving this input from Meridian, the CGNSR Committee recommended to the Board, and the Board approved, maintaining the existing compensation framework for independent directors for 2022. We believe this compensation framework for our independent directors is consistent with market practice, recognizes the critical role that our independent directors play in effectively managing the company and responding to stockholders, regulators and other key stakeholders, and supports us in attracting and retaining highly qualified director candidates.

[Table of Contents](#)**ITEM 1. ELECTION OF DIRECTORS > Director Compensation****Stock Ownership Guidelines**

As part of the CGNSR Committee's annual review of the director compensation program, the CGNSR Committee also examines the stock ownership guidelines applicable to our independent directors. Under our Corporate Governance Guidelines, by the fifth anniversary of their service on the Board, directors are required to own a number of shares of our common stock with a market value of at least five times the annual cash retainer.

Our directors are not permitted to hedge, pledge or transfer any of their deferred stock units and are subject to a robust hedging and pledging policy as described in further detail under "Compensation Discussion & Analysis—Pay Practices—Hedging and Pledging" on page 67. This policy prohibits our directors from hedging or pledging company securities owned directly or indirectly and from engaging in certain transactions involving our securities and requires directors to pre-clear any transaction in company stock or derivative securities with our legal department (including gifts and other similar transactions).

**Deferred Compensation**

In the 2007 merger of The Bank of New York Company, Inc. and Mellon Financial Corporation (the "2007 merger"), we assumed the Deferred Compensation Plan for Non-Employee Directors of The Bank of New York Company, Inc. (the "Bank of New York Directors Plan") and the Mellon Elective Deferred Compensation Plan for Directors (the "Mellon Directors Plan"). Under the Bank of New York Directors Plan, participating legacy Bank of New York directors continued to defer receipt of all or part of their annual retainer and committee fees earned through 2007. Under the Mellon Directors Plan, participating legacy Mellon directors continued to defer receipt of all or part of their annual retainer and fees earned through 2007. Both plans are nonqualified plans, and neither plan is funded.

Although the Bank of New York Directors Plan and the Mellon Directors Plan continue to exist, all new deferrals of director compensation by any of the independent directors have been made under the Director Deferred Compensation Plan, which was adopted effective as of January 1, 2008. Under this plan, an independent director can direct all or a portion of his or her annual retainer or other fees into either (1) variable funds, credited with gains or losses that mirror market performance of market style funds or (2) the company's phantom stock.

[Table of Contents](#)**ITEM 1. ELECTION OF DIRECTORS > Director Compensation****2021 Director Compensation Table**

The following table provides information concerning the compensation of each independent director who served in 2021. Mr. Gibbons did not receive any compensation for his services as a director.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (\$)(5)	Total (\$)
Linda Z. Cook	\$150,000	\$185,000	—	—	\$335,000
Joseph J. Echevarria(1)	\$300,000	\$185,000	—	—	\$485,000
M. Amy Gilliland	\$ 62,500	\$185,000	—	—	\$247,500
Jeffrey A. Goldstein(1)	\$150,000	\$185,000	—	—	\$335,000
K. Guru Gowrappan(1)	\$ 62,500	\$185,000	—	—	\$247,500
Ralph Izzo(1)	\$135,000	\$185,000	—	—	\$320,000
Edmund F. "Ted" Kelly	\$140,000	\$185,000	—	—	\$325,000
Jennifer B. Morgan(1)(2)	\$ 62,500	—	—	—	\$ 62,500
Sandie O'Connor(3)	—	—	—	—	—
Elizabeth E. Robinson(1)	\$125,000	\$185,000	—	\$125,000	\$435,000
Samuel C. Scott III	\$135,000	\$185,000	—	\$ 1,129	\$321,129
Frederick O. Terrell	\$140,000	\$185,000	—	—	\$325,000
Alfred W. "Al" Zollar	\$145,000	\$185,000	—	—	\$330,000

(1) Elected to defer all or part of cash compensation pursuant to the Director Deferred Compensation Plan.

(2) Ms. Morgan did not stand for re-election at the 2021 Annual Meeting of Stockholders.

(3) Ms. O'Connor was appointed to the Board of Directors as of December 13, 2021.

(4) Amount shown represents the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board's Accounting Standards Codification (or "FASB ASC") 718 Compensation-Stock Compensation for 3,952 deferred stock units granted to each independent director in April 2021, using the valuation methodology for equity awards set forth in note 17 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 Annual Report"). As of December 31, 2021, each of Mses. Cook, Gilliland and Robinson and Messrs. Echevarria, Goldstein, Gowrappan, Izzo, Kelly, Scott, Terrell and Zollar owned 3,952 unvested deferred stock units. Ms. O'Connor did not hold any unvested deferred stock units as of December 31, 2021.

(5) The amount disclosed for Ms. Robinson reflects compensation paid in connection with her role as Chair of the Board of Directors of BNY Mellon Government Securities Services Corp. The amount disclosed for Mr. Scott reflects the amount of a 5% discount on purchases of phantom stock when dividend equivalents are reinvested under the Bank of New York Directors Plan.

[Table of Contents](#)**ITEM 2. ADVISORY VOTE ON COMPENSATION****Item 2. Advisory Vote on Compensation**

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[Table of Contents](#)**ITEM 2. ADVISORY VOTE ON COMPENSATION****> Resolution****Proposal**

We are asking our stockholders to approve the following resolution:

RESOLVED, that the stockholders approve the 2021 compensation of the named executive officers ("NEOs"), as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K of the SEC (including the "Compensation Discussion & Analysis," the compensation tables and other narrative executive compensation disclosures).

**Background**

- We highly value dialogue and engagement with our stockholders and other stakeholders, including employees, clients and the communities we serve and have provided our stockholders with the opportunity for an annual advisory vote on our executive compensation program since 2009. We have consistently received substantial support, with an average of 96% stockholder approval at our Annual Meetings during the prior three years. For direct stockholder feedback on our executive compensation framework and other issues of importance to our investors, we have continued our annual investor engagement process during 2021 and 2022, reaching out to investors representing over 65% of our outstanding common shares as well as proxy advisory firms and other stakeholders.
- Our approach to compensation continues to be designed to (1) directly link pay to performance, (2) recognize both corporate and individual performance, (3) promote long-term stock ownership, (4) attract, retain and motivate talented executives and (5) balance risk and reward, while taking into consideration stakeholder feedback and market trends and practices.

**The Board recommends that you vote  
"FOR" the approval of the 2021  
compensation of our NEOs**

**Voting**

Your vote on this resolution is advisory. Although the Board is not required to take any action in response, the Board and the HRC Committee intend to consider the results of the 2022 vote when making future decisions regarding the compensation of our NEOs.

[Table of Contents](#)**ITEM 2. ADVISORY VOTE ON COMPENSATION > Compensation Discussion & Analysis****Introduction****Overview**

In this Compensation Discussion & Analysis, we review the objectives and elements of the company's executive compensation program, its alignment with company performance, and the 2021 compensation decisions for our NEOs.

Our approach to executive compensation continues to be designed to:

- directly link pay to performance;
- recognize both corporate and individual performance;
- promote long-term stock ownership;
- attract, retain and motivate talented executives; and
- balance risk and reward, while taking into consideration stakeholder feedback and market trends and practices.

The HRC Committee reviews the company's executive compensation program to align with these goals and our long-term business strategy and priorities. The HRC Committee consults with management and its independent compensation consultant, also taking into account market practice and feedback received during stakeholder engagement. Based on this review, the HRC Committee determined to revise certain aspects of our executive compensation program with the intent of focusing our executives in a more holistic and balanced way while better aligning the experience of stockholders with business outcomes.

As discussed in our 2021 Proxy Statement, the HRC Committee determined that the earnout for the 2021 PSU grants will be based on the company's ROTCE and relative TSR over a three-year performance period. The HRC Committee believes these metrics appropriately focus our executive officers on earnings performance and capital efficiency, while further aligning executive compensation with stockholder interests. For the 2021 grants, ROTCE was weighted 70% and relative TSR was weighted 30%. For purposes of the relative TSR component, the HRC Committee approved a TSR peer group that comprises a broader group of financial services peers than our benchmarking peer group, as discussed in more detail on page 63.

In addition, the HRC Committee determined to modify its approach to awarding incentive compensation beginning with the 2021 performance year. Under the revised approach:

- Cash and RSU incentive awards continue to be determined by multiplying the target cash and RSU incentive amount by the corporate component (based on OEPS) and the individual modifier; and
- PSU incentive awards will be determined by multiplying the target PSU incentive amount by the individual modifier only.

The cash and RSU incentive awards continue to be awarded based on OEPS through the corporate component, which is in line with the company's continued focus on organic growth. The HRC Committee approved a performance grid for guiding the HRC Committee's determination of the corporate component, as discussed beginning on page 56. The PSU incentive award is primarily based on individual performance to incentivize our executive officers' focus on long-term results. The HRC Committee believes that using OEPS for the cash and RSU incentive awards and ROTCE and relative TSR for the PSU earnout, provides a robust and balanced executive compensation framework that rewards profitability, growth, expense discipline and prudent capital allocation while aligning outcomes with stockholder interests.

**Impact of Diversity and Inclusion on Compensation Practices**

The HRC Committee believes that a culture founded on principles of D&I is essential to the strategy and future opportunities for the company. Accordingly, we view D&I as a business imperative and have prioritized the integration of our enterprise D&I strategy across our business and operations, including our executive compensation framework. As discussed in the "Individual Modifier" section on page 57, in addition to overseeing the company's D&I programs, the HRC Committee evaluates our NEOs against D&I objectives, and this assessment helps to inform the committee's determinations regarding each NEO's individual modifier. We have a holistic D&I strategy including a focus on pay equity, diverse talent, and inclusive culture, as well as other initiatives. For more information on the company's D&I governance framework, including the HRC Committee's oversight and involvement in D&I initiatives, see page 34 above.

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## ITEM 2. ADVISORY VOTE ON COMPENSATION > Compensation Discussion & Analysis

### Named Executive Officers

Our NEOs for 2021 are set forth in the table below.

**Thomas P. "Todd" Gibbons**  
Chief Executive Officer

**Robin Vince**  
Vice Chair and CEO of Market Infrastructure

**Emily H. Portney**  
Senior Executive Vice President and Chief Financial Officer

**Bridget E. Engle**  
Senior Executive Vice President and Head of Technology and Operations

**Senthil Kumar**  
Senior Executive Vice President and Chief Risk Officer

### 2021 Key Compensation Practices

The following table summarizes the key features of our executive compensation program. As highlighted in the table, each component of the program is designed to compensate our executive officers for performance in a manner that is (1) aligned with our stockholders' interests and (2) consistent with our high standards for risk management.

Program Feature	Practice
<b>Balanced approach for incentive compensation</b>	<ul style="list-style-type: none"> <li>• PSU target incentive comprises 50% of target total incentive compensation for our CEO and 45% for our other NEOs</li> <li>• RSU target incentive comprises 25% of target total incentive compensation for all NEOs</li> <li>• Earnout on PSUs granted in 2021 and 2022 will be based on average company ROTCE and relative TSR (weighted 70% and 30%, respectively) over a three-year performance period to focus on revenue growth, profitability, expense management, capital efficiency, and reinforce alignment with stockholder interests; Earnout on PSUs granted in 2019 and 2020 based on three-year average revenue growth and three-year average operating margin, each as adjusted</li> </ul>
<b>Directly link pay to performance</b>	<ul style="list-style-type: none"> <li>• Incentive compensation is earned on a combination of company and individual performance</li> <li>• Annual cash and RSU incentive awards are based on the corporate component metric, OEPS, which reinforces management's focus on company-wide performance and organic growth</li> <li>• Individual modifier impacts the cash, RSU, and PSU incentive awards to permit greater differentiation based on individual performance and, if appropriate, business unit performance</li> <li>• Earnout of PSU awards granted in 2021 and 2022 based on average company ROTCE and relative TSR over a three-year performance period reinforces management's focus on overall growth, profitability, and alignment with stockholder interests</li> </ul>
<b>Promote long-term stock ownership</b>	<ul style="list-style-type: none"> <li>• Deferred equity (PSUs and RSUs) comprises 75% of target total incentive compensation for our CEO and comprises 70% for our other NEOs</li> <li>• PSUs cliff vest after the end of a three-year performance period, and RSUs vest in equal installments over three years</li> <li>• Robust policies prohibit hedging and pledging of company stock and derivative securities</li> <li>• Our CEO must acquire and retain company stock equal to seven times base salary, and other NEOs must acquire and retain company stock equal to four times base salary</li> </ul>

[Table of Contents](#)**ITEM 2. ADVISORY VOTE ON COMPENSATION > Compensation Discussion & Analysis****Executive Pay Practice Highlights**

The HRC Committee takes a rigorous approach to the review and consideration of the pay practices that we have adopted. Accordingly, there are practices that we undertake to ensure we serve our stockholders' interests or for alignment with our high standards for risk management. There are other practices that we avoid because we believe they do not serve these goals.

We adopt sound pay practices	We avoid poor pay practices
<ul style="list-style-type: none"> <li>✓ Directly link pay to performance</li> <li>✓ Require sustained financial performance to earn full amount of long-term awards</li> <li>✓ Promote long-term stock ownership through deferred equity compensation and stock ownership requirements</li> <li>✓ Balance risk and reward in compensation</li> <li>✓ Use a balanced approach for determining incentives with both corporate and individual goals</li> <li>✓ Balance incentives for short- and long-term performance with a mix of performance metrics, fixed and variable compensation and cash and equity</li> <li>✓ Conduct a robust stakeholder outreach program</li> <li>✓ Maintain comprehensive clawback and recoupment policies</li> </ul>	<ul style="list-style-type: none"> <li>× No fixed-term employment agreements</li> <li>× No single-trigger change-in-control benefits</li> <li>× No excessive severance benefits</li> <li>× No excessive perquisites or benefits</li> <li>× No severance-related tax gross-ups</li> <li>× No hedging, pledging or short sales of our stock</li> <li>× No dividend equivalents paid on unearned PSUs or RSUs</li> </ul>

The "Risk Assessment" discussion beginning on page 58 and the "How We Address Risk and Controls" section on page 70 contain more information about our compensation risk management practices. Each of our pay practices, including with respect to our Clawback and Recoupment Policy, are described more fully beginning on page 68.

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## ITEM 2. ADVISORY VOTE ON COMPENSATION > Compensation Discussion & Analysis

### 2021 Incentive Compensation Elements

We believe that the structure and elements of our 2021 incentive compensation program for our NEOs align our executives' interests with stockholders' interests by focusing our executives on the achievement of sustainable, long-term growth for the company while adhering to robust risk management standards. The following chart provides an overview of these structural elements, including the relevant vesting and performance standards that provide a multi-year perspective on 2021 achievements.

Element	Performance Metrics	How It Pays	Links to Performance
Cash	Amount determined by corporate component (based on OEPS) and individual modifier	<ul style="list-style-type: none"> <li>Single cash payment in February 2022</li> </ul>	<ul style="list-style-type: none"> <li>OEPS is key to ensuring that both revenue growth and cost control are evaluated</li> <li>ROTCE and relative TSR focus on earnings performance, growth, capital efficiency, and further align executive compensation with stockholders' interests</li> <li>Equity awards motivate and reward achievement of long-term growth and reinforce alignment with stockholders' interests</li> <li>Individual modifier permits greater differentiation based on individual performance and, if appropriate, business unit performance</li> <li>100% of incentive compensation is subject to risk assessment and clawback, forfeiture and recoupment</li> </ul>
RSUs	Award determined by corporate component (based on OEPS) and individual modifier	<ul style="list-style-type: none"> <li>Granted in February 2022</li> <li>Vests in equal installments over three years</li> </ul>	
PSUs	Award grant determined by individual modifier Award earnout based on company ROTCE and relative TSR	<ul style="list-style-type: none"> <li>Granted in February 2022</li> <li>Cliff vest after the end of 3-year performance period</li> <li>Earned between 0% – 150% based on the achievement of performance metrics over 3-year period</li> </ul>	

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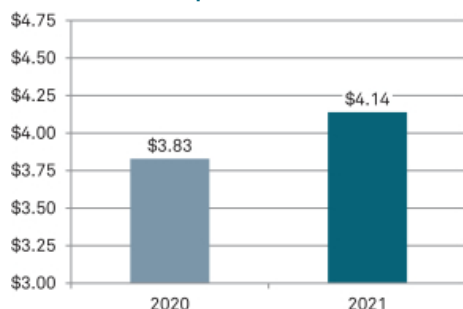
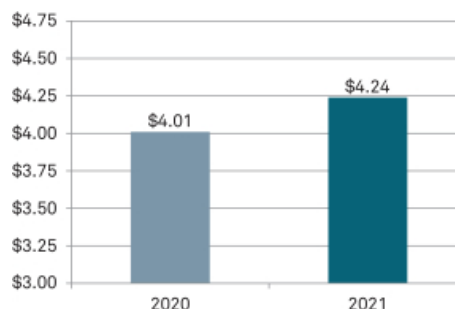
[Table of Contents](#)**ITEM 2. ADVISORY VOTE ON COMPENSATION > Compensation Discussion & Analysis****2021 Compensation Outcomes**

The following table provides a summary of the HRC Committee's key compensation decisions and the impact of performance on the compensation of our NEOs for 2021.

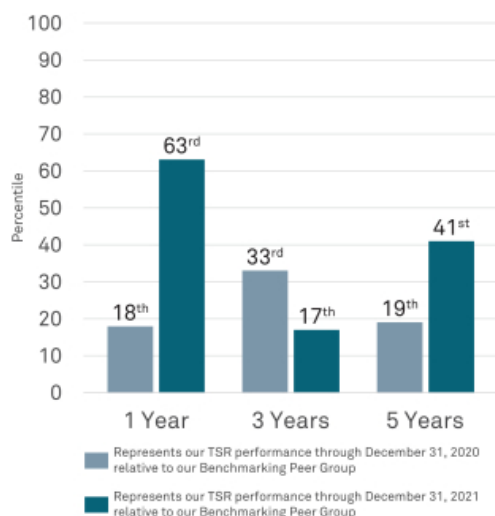
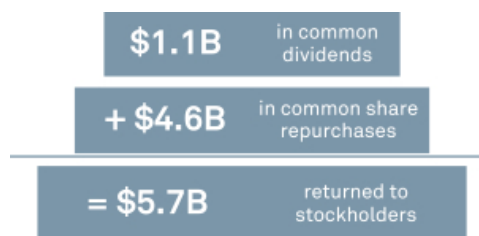
Compensation Category		Key Decisions and Impact of Performance	
Base Salary and Target Incentive Decisions			
	Base Salary	• No changes from 2020	
	Target Incentives	• No changes from 2020	
	Factors Considered	• Input from independent compensation consultant on market trends, compensation program practices, and compensation levels	
Incentive Compensation Outcomes			
	Objective Metrics	• <b>Minimum Funding Requirement Met:</b> Common equity Tier 1 ratio of at least 8.5% was met	
		• <b>OEPS:</b> 2021 OEPS was \$4.24, 11% above our 2021 annual business plan and 6% above 2020	
	Corporate Component	• Approved corporate component of 110%	
		• Consistent with historical practice, and as established in the 2021 annual business plan, the HRC Committee considers adjustments to the OEPS results to limit external market factors from having an outsized impact on the value of incentive award grants, described more fully beginning on page 56.	
	Individual Modifier	• Individual modifier provides greater differentiation based on individual performance by permitting incentive award increases of up to 50% and decreases down to \$0, and individual NEO modifiers ranged from 100% to 105%	
	2019 PSU Awards	• Earned at 95%	
		• Consistent with last year, HRC Committee exercised discretion (per award terms) to adjust for impacts from equity market, currency translation, interest rates and provision for credit losses	

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The graphs below summarize key aspects of our 2021 performance that the HRC Committee considered in evaluating the 2021 performance of our NEOs. For a more detailed discussion of our 2021 performance, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2021 Annual Report to stockholders.

**Reported EPS****OEPS\***

\* For a reconciliation and explanation of this Non-GAAP measure, see Annex A.

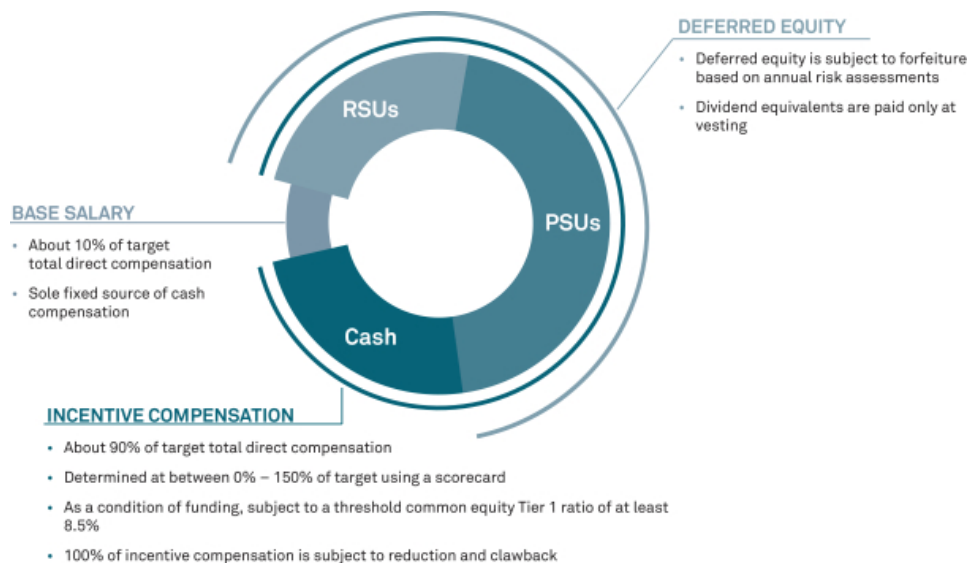
**Multi-Year Relative Total Stockholder Return ("TSR")****Returned Significant Value to Stockholders**

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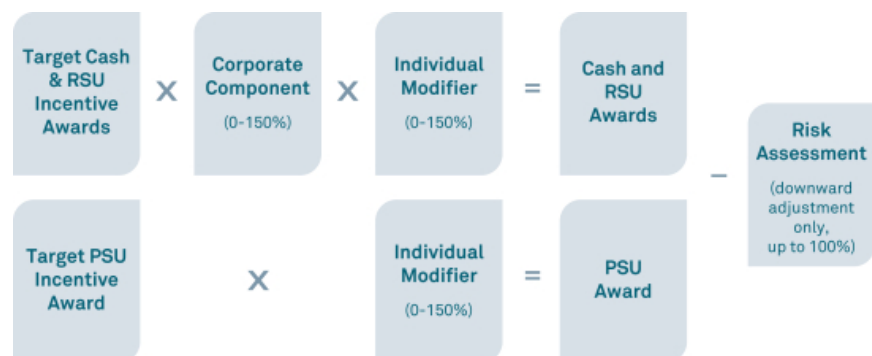
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### Compensation of NEOs

#### 2021 Target Direct Compensation Structure



#### 2021 Target Incentive Compensation Elements





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## ITEM 2. ADVISORY VOTE ON COMPENSATION > Compensation Discussion & Analysis

Target Incentive Mix		
	CEO	Other NEOs
Cash	25%	30%
RSU	25%	25%
PSU	50%	45%

**RSUs** vest in equal installments over three years.

**PSUs** are earned between 0% – 150% based on the achievement of performance metrics and cliff-vest after the three-year performance period.

In calculating the number of RSUs and PSUs to grant, the HRC Committee divided the value awarded by \$62.25, the closing price of our common stock on the NYSE on the grant date.

### 2021 Annual Target Direct Compensation

In the first quarter of each year, the HRC Committee establishes annual target total direct compensation for each executive by considering competitive data, executive position and level of responsibility and, for executives other than our CEO, our CEO's recommendation. Targets are reviewed annually and adjusted if determined to be appropriate by the HRC Committee. The HRC Committee may also adjust target compensation to reflect changes in or new responsibilities.

In 2021, the total target direct compensation for each NEO was as follows:

Name	Salary	Target Cash and RSU Incentive	Target PSU Incentive	Annual Target Total Direct Compensation
<b>Thomas P. "Todd" Gibbons</b> <i>Chief Executive Officer</i>	\$1,250,000	\$6,625,000	\$6,625,000	\$14,500,000
<b>Robin Vince</b> <i>Vice Chair and CEO of Market Infrastructure</i>	\$750,000	\$5,087,500	\$4,162,500	\$10,000,000
<b>Emily H. Portney</b> <i>Senior Executive Vice President and Chief Financial Officer</i>	\$600,000	\$2,420,000	\$1,980,000	\$5,000,000
<b>Bridget E. Engle</b> <i>Senior Executive Vice President and Head of Technology and Operations</i>	\$600,000	\$3,520,000	\$2,880,000	\$7,000,000
<b>Senthil Kumar</b> <i>Senior Executive Vice President and Chief Risk Officer</i>	\$600,000	\$2,420,000	\$1,980,000	\$5,000,000

### 2021 Incentive Awards

- 100% of the total incentive award is conditional upon the company meeting a minimum funding requirement
- 100% of the total incentive award is subject to reduction or elimination based on an individual risk score
- Incentive awards can range from 0% up to 150% of the individual's target award

[Table of Contents](#)**ITEM 2. ADVISORY VOTE ON COMPENSATION > Compensation Discussion & Analysis****Minimum Funding Requirement**

A common equity Tier 1 ratio of at least 8.5% was established as a minimum funding requirement for our incentive compensation. Payment of incentive compensation to any executive is conditioned upon meeting this goal. This threshold funding goal was met for 2021, with a common equity Tier 1 ratio of 11.2% at December 31, 2021, calculated under the Standardized Approach. See the "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital" disclosure in our 2021 Annual Report to stockholders for a discussion of the capital requirements applicable to the company.

**Executive Scorecard**

The HRC Committee uses a scorecard approach to make incentive compensation determinations. Incentive awards are paid out in a combination of cash, RSUs (which vest in equal installments over three years) and PSUs (earned between 0% – 150% based on the achievement of performance metrics and cliff vest at the end of the three-year performance period). The scorecard includes a corporate component and an individual modifier, enabling the HRC Committee to comprehensively analyze both corporate and individual executive performance using quantitative and qualitative metrics, as appropriate. The approach is periodically reviewed, and commencing in 2021, the HRC Committee determined to modify its approach to calculating incentive compensation awards. Under the prior approach, both the corporate component and the individual modifier were used to determine an executive's incentive compensation (i.e., the cash, RSU and PSU incentive awards). Under the HRC Committee's revised approach, both the corporate component and the individual modifier will continue to be used to determine an executive's cash and RSU incentive awards, but the individual modifier will solely determine the grant value of the PSU incentive award. This adjustment in the approach to determining the PSU incentive award is intended to ensure that an executive's award potential will be primarily based on individual performance, which focuses our executives on long-term results and strengthens the competitiveness of our overall compensation framework. The PSU earnout will continue to be determined based on pre-established ROTCE and relative TSR metrics over a three-year performance period. The overall payout under the scorecard approach cannot exceed 150%.

Specifically, the scorecard used by the HRC Committee incorporates the following elements:

- **Corporate Component.** The corporate component is based on objective company-wide performance metrics that are designed to drive achievement of near-term business strategies. The HRC Committee establishes the applicable metric or metrics at the start of the performance period and has discretion to consider other factors to obtain a holistic picture of our performance (additional detail on the factors considered is provided below). Consistent with its approach to the 2020 scorecard design, the HRC Committee based 100% of the 2021 corporate component on OEPS, which the HRC Committee believes appropriately emphasizes revenue and expense results, including organic growth. The corporate component is used to determine the cash and RSU incentive awards along with the individual modifier as described below.
- **Individual Modifier.** The individual modifier provides the HRC Committee an opportunity to recognize and differentiate individual actions and contributions in final pay decisions. In February 2021, the HRC Committee approved strategic, talent, leadership, D&I, and other ESG goals for purposes of determining the individual modifier for each NEO to determine cash and RSU incentive awards (in conjunction with the corporate component) and PSU incentive awards. For 2021, as in 2020, the HRC Committee established the parameters of the individual modifier to permit incentive award increases of up to 50% and decreases down to \$0, providing flexibility for differentiation based on individual performance.
- **Risk Assessment.** The HRC Committee has the discretion to reduce an individual modifier and/or a total incentive award based on an assessment of the individual's risk score, or the corporate component based on the aggregate risk score for the Executive Committee, as described in the "Risk Assessment" section on page 58.

**Corporate Component**

The corporate component metrics are reviewed annually by the HRC Committee to select a measure or set of measures that align with our strategy and are appropriate for measuring annual performance. The same corporate component metrics and goals apply to each NEO for purposes of calculating their cash and RSU incentive awards.

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In February 2021, the HRC Committee determined to maintain management's focus on company-wide performance, including driving organic growth, which we believe is key to ensure both revenue and costs are optimized. Organic growth emphasizes the expansion of our business independent of external factors. As a result, the HRC Committee established OEPS as the sole corporate component metric for determining cash and RSU incentive awards. The HRC Committee may also consider other factors (including, for example, our performance relative to our peers, market conditions, relative TSR and interest rate environment) in determining the overall corporate component payout.

**OEPS.** In February 2021, the HRCC established the guidelines below for a range of incentive payouts based on the company's 2021 annual business plan. The guidelines for 2021 continue to provide for a 100% earnout for meeting the annual business plan but were adjusted to provide symmetrical upside and downside based on actual performance relative to plan. As approved by the HRC Committee for purposes of the corporate component metric, OEPS is defined as reported earnings per share excluding merger and integration, restructuring and litigation expenses and other unusual items. The HRC Committee, in its discretion, may also adjust OEPS for the unplanned impact of market and other items in determining the corporate component modifier.

### Corporate Component Grid

Operating EPS	% of 2021 Plan OEPS of \$3.83	Earnout Range as % of Target
> \$4.40	> 115%	150%
\$3.26 – \$4.40	85% – 115%	50% – 150%
< \$3.26	< 85%	0%

### HRC Committee Determinations

Our 2021 OEPS was \$4.24, and our 2021 annual business plan OEPS was \$3.83.

Consistent with historical practice and as established in the 2021 annual business plan, the HRC Committee considers adjustments to the OEPS results to limit external market factors from having an outsized impact on the value of incentive award grants. In considering the company's performance in 2021, the HRC Committee continued its practice of including only 25% impact of market levels on OEPS. Interest rate driven adjustments were also considered. The HRC Committee determined that it was appropriate to adjust OEPS to include severance charges, and only a portion of asset-related investment gains. The adjustments resulted in reducing OEPS for purposes of the corporate component from \$4.24 to \$4.00, which corresponds to an earnout of 115% of target. The HRC Committee further determined to decrease the final earnout in its discretion to 110% based on its comprehensive assessment of corporate performance.

### Individual Modifier

In February 2021, the HRC Committee approved goals for purposes of determining the individual modifier for each NEO to determine cash and RSU incentive awards (in conjunction with the corporate component) and PSU incentive awards. The goals are tailored and relate to the business function of the NEO and also include individual goals related to leadership, talent and succession, D&I and other ESG initiatives. None of the individual goals had any specific weighting; the goals are intended to be used, together with other information the HRC Committee determines relevant, to develop a holistic evaluation of individual performance.

In December 2021, January 2022 and February 2022, the HRC Committee reviewed and considered each NEO's performance, including self-assessments and recommendations and performance assessments from our CEO for each of the other NEOs. In the first quarter of 2022, the HRC Committee determined each NEO's individual modifier. For Mr. Gibbons, the HRC Committee reviewed his performance self-assessment and finalized its decision after reporting its preliminary evaluation to the other independent directors and soliciting their input. For each of the other NEOs, the HRC Committee reviewed his or her performance self-assessment, considered the December 2021, January 2022, and February 2022 feedback from our CEO, and considered applicable business unit performance.

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### Risk Assessment

In connection with its incentive compensation determinations, the HRC Committee assesses an individual risk score for each NEO to formally connect our NEOs' compensation with appropriate levels of risk-taking. The risk score takes into account liquidity, operational, reputational, market, credit and technology risk categories by measuring:

- maintenance of an appropriate compliance program, including adhering to our compliance rules and programs;
- protection of the company's reputation, including reviewing our business practices to ensure that they comply with laws, regulations and policies, and that business decisions are free from actual or perceived conflicts;
- management of operational risk, including managing operational losses and maintaining proper controls;
- compliance with all applicable credit, market and liquidity risk limits, including understanding and monitoring risks associated with relevant businesses and new client acceptance, as well as appropriately resolving or escalating risk issues to minimize losses; and
- meeting the company's Internal Audit expectations, including establishing an appropriate governance culture, achieving acceptable audit results and remediating control issues in a timely manner.

The risk score results were taken into account by the HRC Committee in determining the individual modifier elements of the scorecard, as well as the total incentive award. The HRC Committee has the ability to reduce or fully eliminate an NEO's incentive award if the executive's risk score result is significantly below expectations. In addition, in the event that the NEO's risk score rating is lower than our acceptable risk tolerance, any previously awarded but unvested RSUs and PSUs will be subject to review and potential forfeiture, as determined by the HRC Committee. The corporate component earnout can also be reduced based on the aggregate risk score of the Executive Committee. No downward adjustments were made to any NEO's incentive award for 2021 or any unvested awards previously granted as a result of the risk assessment, and no downward adjustment was made to the corporate component as a result of the aggregate risk score.

The following tables highlight key performance results for each NEO and the HRC Committee's corresponding individual modifier determinations and overall incentive compensation awards.

	Key Results	Individual Modifier
<b>Thomas P. "Todd" Gibbons</b> <i>Chief Executive Officer</i>	<p><b>Business:</b></p> <ul style="list-style-type: none"> <li>• Exceeded 2021 Operating Earnings and ROTCE targets</li> <li>• Exceeded organic growth target</li> <li>• Maintained strong expense discipline; launched comprehensive enterprise-wide expense management program</li> </ul> <p><b>ESG:</b></p> <ul style="list-style-type: none"> <li>• Implemented 15 long-term Enterprise ESG goals</li> <li>• Launched external ESG app</li> </ul> <p><b>Talent and Diversity:</b></p> <ul style="list-style-type: none"> <li>• Focused on talent, ensuring succession plans in place for the Executive Committee</li> <li>• Recruited and onboarded three new independent Board directors</li> <li>• Made progress on corporate diversity priorities, including recruiting and promoting diverse talent to senior roles</li> </ul>	100%

Based on a corporate component of 110% and an individual modifier of 100%, Mr. Gibbons was awarded \$3,643,750 in cash and \$3,643,750 in RSUs. Based on an individual modifier of 100%, Mr. Gibbons was awarded \$6,625,000 in PSUs for a total incentive award of \$13,912,500.

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	Key Results	Individual Modifier
<b>Robin Vince</b> <i>Vice Chair and CEO of Market Infrastructure</i>	<p><b>Business:</b></p> <ul style="list-style-type: none"> <li>Exceeded revenue growth and expense management targets across global infrastructure businesses</li> <li>Integrated effectively into the company and provided enterprise-wide leadership on a variety of matters</li> <li>Launched PershingX under Pershing to design and build innovative solutions for the advisory industry</li> <li>Created unified strategy across key businesses, breaking down silos, aligning priorities and creating additional business opportunities</li> </ul> <p><b>ESG:</b></p> <ul style="list-style-type: none"> <li>Promoted and expanded ESG initiatives with clients to increase e-delivery and reduce paper statements</li> <li>Sponsored efforts related to financial institutions in underserved communities</li> </ul> <p><b>Talent and Diversity:</b></p> <ul style="list-style-type: none"> <li>Launched concerted talent and development strategies for Vice President level and above</li> <li>Made progress on diversity priorities, including recruitment and sponsorship of key talent</li> </ul>	100%

Based on a corporate component of 110% and an individual modifier of 100%, Mr. Vince was awarded \$3,052,500 in cash and \$2,543,750 in RSUs. Based on an individual modifier of 100%, Mr. Vince was awarded \$4,162,500 in PSUs for a total incentive award of \$9,758,750.

	Key Results	Individual Modifier
<b>Emily H. Portney</b> <i>Senior Executive Vice President and Chief Financial Officer</i>	<p><b>Business:</b></p> <ul style="list-style-type: none"> <li>Executed balance sheet strategy in extraordinary liquidity environment and managed expenses in line with expectations and long-term strategic initiatives</li> <li>Successfully prepared for and launched the re-segmentation of financial reporting to better align reporting with how the business is managed and to provide additional transparency to regulators and investors</li> <li>Continued focus on risk and controls, including automation, risk management and risk and regulatory reporting</li> </ul> <p><b>ESG:</b></p> <ul style="list-style-type: none"> <li>Achieved carbon neutrality in 2021</li> <li>Maintained focus on reducing resource consumption through management of real estate portfolio</li> </ul> <p><b>Talent and Diversity:</b></p> <ul style="list-style-type: none"> <li>Launched Finance People Agenda to support recruiting and training and development</li> <li>Made progress on diversity priorities</li> </ul>	100%

Based on a corporate component of 110% and an individual modifier of 100%, Ms. Portney was awarded \$1,452,000 in cash and \$1,210,000 in RSUs. Based on an individual modifier of 100%, Ms. Portney was awarded \$1,980,000 in PSUs for a total incentive award of \$4,642,000.

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	Key Results	Individual Modifier
<b>Bridget E. Engle</b> <i>Senior Executive Vice President and Head of Technology and Operations</i>	<p><b>Business:</b></p> <ul style="list-style-type: none"> <li>Continued progress on digitization and automation of processes, including payments modernization</li> <li>Completed operations process mapping with a view towards efficiency, digitization and scalability</li> <li>Undertook initiatives to move towards enterprise data sources to promote quality assurance, efficiency and cost savings</li> </ul> <p><b>ESG:</b></p> <ul style="list-style-type: none"> <li>Progressed on goals to continue to drive paper reduction and reduce data center carbon footprint</li> <li>Enhanced awareness and capabilities related to cyber security across the organization</li> </ul> <p><b>Talent and Diversity:</b></p> <ul style="list-style-type: none"> <li>Created new job families and performance metrics across technology operations</li> <li>Made substantial progress on diversity priorities, including development of key talent</li> </ul>	105%

Based on a corporate component of 110% and an individual modifier of 105%, Ms. Engle was awarded \$2,217,600 in cash and \$1,848,000 in RSUs. Based on an individual modifier of 105%, Ms. Engle was awarded \$3,024,000 in PSUs for a total incentive award of \$7,089,600.

	Key Results	Individual Modifier
<b>Senthil Kumar</b> <i>Senior Executive Vice President and Chief Risk Officer</i>	<p><b>Business:</b></p> <ul style="list-style-type: none"> <li>Transformed foundational risk management framework to holistically capture risks across the company</li> <li>Continued to strengthen risk coverage, particularly for areas with top and emerging risks</li> <li>Progressed on addressing regulatory feedback and strengthened supervisory relations</li> </ul> <p><b>ESG:</b></p> <ul style="list-style-type: none"> <li>Further embedded climate-risk framework into enterprise-wide risk frameworks</li> </ul> <p><b>Talent and Diversity:</b></p> <ul style="list-style-type: none"> <li>Made substantial progress on diversity and inclusion priorities, including promoting internal mobility, expanding representation, and providing comprehensive talent development programs</li> </ul>	105%

Based on a corporate component of 110% and an individual modifier of 105%, Mr. Kumar was awarded \$1,524,600 in cash and \$1,270,500 in RSUs. Based on an individual modifier of 105%, Mr. Kumar was awarded \$2,079,000 in PSUs for a total incentive award of \$4,874,100.

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## ITEM 2. ADVISORY VOTE ON COMPENSATION > Compensation Discussion & Analysis

### Reduction, Forfeiture or Clawback in Certain Circumstances

The company may cancel or claw back all or any portion of the RSUs and PSUs that constitute a portion of an NEO's incentive award and may claw back some or all of an incentive award paid to an NEO in the form of cash if the NEO engages in conduct prohibited by our forfeiture and recoupment policy or our cash recoupment policy, respectively. For more information on these forfeiture and recoupment policies, see page 68.

### Awarded 2021 Total Direct Compensation

Based on the corporate component and individual modifier determinations described above, the total direct compensation awarded to each of our NEOs with respect to 2021 performance is provided in the table below. The amounts reported as Awarded Total Direct Compensation differ substantially from the amounts determined under SEC rules as reported for 2021 in the "Total" column of the "2021 Summary Compensation Table" set forth on page 71. The table below is not a substitute for the "2021 Summary Compensation Table." Equity awards made in February 2022 based on 2021 performance results will be reported in the Summary Compensation Table in the 2023 Proxy Statement.

Named Executive Officers	Awarded Salary	Awarded Incentive Compensation			Awarded Total Direct Compensation
		Cash	RSUs(1)	PSUs(1)	
<b>Thomas P. "Todd" Gibbons</b> <i>Chief Executive Officer</i>	\$1,250,000	\$3,643,750	\$3,643,750	\$6,625,000	\$ 15,162,500
<b>Robin Vince</b> <i>Vice Chair and CEO of Market Infrastructure</i>	\$ 750,000	\$3,052,500	\$2,543,750	\$4,162,500	\$ 10,508,750
<b>Emily H. Portney</b> <i>Senior Executive Vice President and Chief Financial Officer</i>	\$ 600,000	\$1,452,000	\$1,210,000	\$1,980,000	\$ 5,242,000
<b>Bridget E. Engle</b> <i>Senior Executive Vice President and Head of Technology and Operations</i>	\$ 600,000	\$2,217,600	\$1,848,000	\$3,024,000	\$ 7,689,600
<b>Senthil Kumar</b> <i>Senior Executive Vice President and Chief Risk Officer</i>	\$ 600,000	\$1,524,600	\$1,270,500	\$2,079,000	\$ 5,474,100

(1) PSUs are earned between 0% – 150% based on the achievement of performance metrics over the 2022 – 2024 performance period. RSUs vest in equal installments over three years.

### Recent PSUs

As part of our incentive compensation program, we grant PSUs each year to enhance the alignment of compensation with stockholder interests and to motivate and reward achievement of long-term growth for the company. PSUs cliff vest after the end of three-year performance periods based on achievement of pre-determined performance metrics and continued service, with certain exceptions, and earnout ranges between 0% – 150%. Granting awards annually with overlapping, multi-year performance periods allows the HRC Committee to annually review and update, as appropriate, the structure and performance metrics that we use in our PSU program.

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Our recent PSU awards, including all awards outstanding for any portion of 2022, are illustrated below:

	2019	2020	2021	2022	2023	2024	2025
February 2019 PSU Award	Earned at 95%, as described below			cliff vested in 2022 based on continued service			
February 2020 PSU Award		Average revenue growth and average operating margin			cliff vests in 2023 based on continued service		
February 2021 PSU Award			Average return on tangible common equity and relative total stockholder return			cliff vests in 2024 based on continued service	
February 2022 PSU Award				Average return on tangible common equity and relative total stockholder return			cliff vests in 2025 based on continued service

**February 2019 PSUs**

The PSUs granted in February 2019 were based on average revenue growth (as adjusted) and average operating margin (as adjusted), each over a three-year performance period commencing in 2019. The final payout determination was made by the HRC Committee in its discretion after considering any relevant adjustments, including market-related impacts.

At the end of the 2019-2021 performance period, the HRC Committee determined adjusted average revenue growth and average operating margin to be \$298 million and 32.9%, respectively. Consistent with last year and with the award terms, the HRC Committee adjusted for impacts from equity market, currency translation, interest rates and provision for credit losses. The HRC Committee set the resulting earnout at 95% by considering the noted factors and the company's overall performance relative to its peers.



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In February 2021, the HRC Committee determined to revise the metrics for determining the PSU earnout. As discussed above, the 2021 PSU earnout (which will occur in 2024 for the performance period ending December 31, 2023) will be based on average company ROTCE and relative TSR. In determining the metrics for the February 2021 PSU grants, the HRC Committee considered the long-term business strategy and priorities of the company, the use of both absolute and relative metrics, feedback received during stakeholder engagement and market practice. The HRC Committee believes that the metrics approved reinforce operational performance and alignment with stockholder interests. PSUs granted in February 2021, the amounts of which were determined based on 2020 performance, will be earned based on a three-year performance period commencing in 2021.

2021 Performance Share Unit Earnout Grid				
Average Annual ROTCE (Weighted 70%)	Percent Vested		TSR percentile vs. Relative Peer Group (Weighted 30%)	Percent Vested
Above 18.5%	150%	+	Above 75%	200%*
15.5% to 18.5%	100% to 150%		50% to 75%	100% to 150%
12.5% to < 15.5%	50% to < 100%		25% to < 50%	50% to < 100%
Less than 12.5%	0%		Less than 25%	0%

\* Overall PSU earnout is capped at 150%.

To determine the relative TSR for the earnout of the 2021 PSU awards, the HRC Committee approved a group of financial services peers (the "TSR Peer Group") that is broader than the benchmarking peer group used for general compensation benchmarking as set forth on page 66 below. The TSR Peer Group consists of S&P 500 companies in three industries: Asset Management & Custody Banks, Diversified Banks, and Investment Banking & Brokerage. The HRC Committee believes the TSR Peer Group provides a comprehensive picture of results from a broad swath of financial services companies, which will result in a more meaningful comparison of relative performance through the TSR metric.

Ameriprise Financial, Inc.	JPMorgan Chase & Co.
Bank of America Corporation	Morgan Stanley
BlackRock, Inc.	Northern Trust Corporation
The Charles Schwab Corporation	Raymond James Financial, Inc.
Citigroup Inc.	State Street Corporation
Franklin Resources, Inc.	T. Rowe Price Group, Inc.
The Goldman Sachs Group, Inc.	U.S. Bancorp
Invesco Ltd.	Wells Fargo & Company

**February 2022 PSUs**

In February 2022, the HRC Committee determined to continue using average company ROTCE and relative TSR as metrics for determining the 2022 PSU earnout (which will occur in 2025 for the performance period ending December 31, 2024). The HRC Committee continues to believe that these metrics reinforce operational performance, including growth and profitability, and alignment with stockholder interests. PSUs granted in February 2022, the amounts of which were determined based on 2021 performance, will be earned over a three-year performance period commencing in 2022.

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## **ITEM 2. ADVISORY VOTE ON COMPENSATION Analysis**

### **> Compensation Discussion &**

#### **Other Compensation and Benefits Elements**

##### **Retirement and Deferred Compensation Plans**

In connection with the 2007 merger of The Bank of New York Company and Mellon Financial Corporation, we assumed certain existing arrangements affecting the provision of retirement benefits applicable to our CEO, maintaining qualified and non-qualified defined benefit and defined contribution plans in which eligible employees, including our CEO, may participate. Our NEOs are eligible to participate in deferred compensation plans, which enable eligible employees to defer the payment of taxes on a portion of their compensation until a later date. To limit pension accruals, we froze all accruals under the Legacy BNY SERP as of December 31, 2014 and under our other U.S. defined benefit pension plans (including the BNY Mellon Tax-Qualified Retirement Plan and the Legacy BNY Excess Plan) as of June 30, 2015. For a description of these plans and our NEOs' participation therein, see "2021 Pension Benefits" and "2021 Nonqualified Deferred Compensation" below.

##### **Perquisites**

Our NEOs are eligible to participate in company-wide benefit plans. In addition, we provide limited benefits, consistent with market practices, that are reportable under SEC rules as perquisites (see footnotes to the "2021 Summary Compensation Table" below). Our policy regarding corporate aircraft usage provides that the CEO should make reasonable use of the company aircraft for security purposes and to make the most efficient use of his time, including with respect to personal travel. The HRC Committee receives and reviews an aircraft usage report on a semi-annual basis. The company leases a car and provides a driver for business and commuting use by Mr. Gibbons and other members of the Executive Committee for security purposes and for the benefit of such executive's time. The HRC Committee reviews car and driver usage at least annually. Mr. Gibbons is covered by a legacy life insurance policy assumed by the company in the 2007 merger.

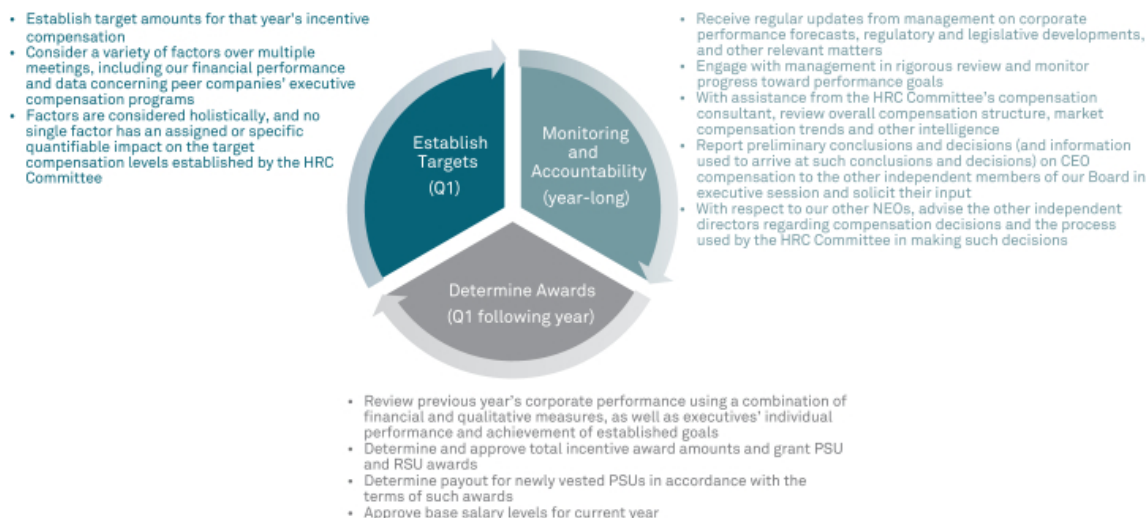
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## > Compensation Discussion & Analysis

### ITEM 2. ADVISORY VOTE ON COMPENSATION Pay Practices

#### HRC Committee Role and Process

The HRC Committee structures the process for determining individual NEO compensation to ensure that compensation is linked with performance and appropriately aligns executives' interests with stockholders' interests. Below is a summary of the process cycle undertaken by the HRC Committee to establish compensation targets, monitor performance and progress, and make final determinations regarding compensation for our NEOs.



#### Stakeholder Feedback

We believe it is important to consider feedback and input from our stakeholders, including stockholders, employees, clients and the communities we serve.

We have consistently received support for our executive compensation program, with an average of 96% stockholder approval at our Annual Meetings of Stockholders during the prior three years. We continue to actively engage with our stakeholders throughout the year.

For direct stockholder feedback on our executive compensation framework and other issues of importance to our investors, we have continued our annual investor engagement process during 2021 and 2022, reaching out to investors representing over 65% of our outstanding common shares as well as proxy advisory firms and other stakeholders. See "Active Stockholder Engagement Program" on page 27 for additional information on our outreach.

#### Role of Compensation Consultants

As discussed above on page 42, the HRC Committee retained Meridian in 2021 as its independent compensation consultant. Meridian regularly attends HRC Committee meetings and assists the committee in its analysis and evaluation of compensation matters related to our executives. For more information on Meridian and its role as independent compensation consultant to the HRC Committee, see page 42.

[Table of Contents](#)**> Compensation Discussion &****ITEM 2. ADVISORY VOTE ON COMPENSATION Analysis****Benchmarking****Benchmarking Peer Group**

The HRC Committee and our management use a benchmarking peer group to provide a basis for assessing relative company performance and to provide a competitive reference for pay levels and practices. In evaluating and selecting companies for inclusion in the peer group, the HRC Committee targets complex financial companies with which we typically compete for executive talent and business. Our 2021 peer group is listed in the box to the right. The HRC Committee selected these companies based on:

- mix of businesses (e.g., asset management, asset servicing and clearing services) and other financial services companies with similar business models that operate in a similar regulatory environment;
- relative size in terms of revenue, market capitalization and assets under management, as well as total assets and net income;
- position as competitors for customers and clients, executive talent and investment capital; and
- global presence.

**BlackRock, Inc.  
The Charles Schwab  
Corporation  
Franklin Resources, Inc.  
JPMorgan Chase & Co.  
Morgan Stanley  
Northern Trust Corporation  
The PNC Financial Services  
Group, Inc.  
Prudential Financial, Inc.  
State Street Corporation  
U.S. Bancorp  
Wells Fargo & Company**

The 2021 peer group selected by the HRC Committee was unchanged from 2020. See page 63 for a discussion of the TSR Peer Group approved by the HRC Committee in 2021 for purposes of calculating relative TSR for purposes of determining the PSU earnout.

**Compensation Benchmarking**

Compensation information is collected from peer group proxy statements to assist the HRC Committee in assessing the competitiveness of target and actual compensation. Peer group information is also used to analyze market trends and compensation program practices. For certain NEOs, data relating to the peer group is supplemented with industry data from surveys conducted by national compensation consulting firms and other data to assess the compensation levels and practices in the businesses and markets in which we compete for executive talent. Peer group data and other information provided to the HRC Committee by its compensation consultant was used by the HRC Committee as a consideration in setting 2021 target compensation levels for our NEOs.

**Financial Performance Benchmarking**

The peer group is also used to provide the HRC Committee with relative financial performance assessments. The metrics reviewed include revenue growth, EPS growth, operating margin, return on equity, return on tangible common equity, and TSR on a one- and three-year basis. This analysis provides additional context for the HRC Committee in its review of compensation outcomes as well as compensation program design.

Peer group data reviewed by the HRC Committee was considered holistically and was used as an input, but not the sole input, for the committee's compensation decisions.

[Table of Contents](#)**ITEM 2. ADVISORY VOTE ON COMPENSATION > Compensation Discussion & Analysis****Stock Ownership Guidelines**

Under our stock ownership guidelines, each NEO is required to own a number of shares of our common stock with a value equal to a multiple of base salary within five years of becoming a member of our Executive Committee. Our CEO is required to hold shares of common stock equal to seven times base salary and all other Executive Committee members are required to hold shares of common stock equal to four times base salary. Our CEO has an additional stock retention requirement that requires him to retain 50% of net after-tax shares until age 60. The retention requirement applies to all shares received from vesting of RSUs, PSUs, restricted stock and other long-term awards granted after appointment to the Executive Committee.

As of the record date, all NEOs meet the stock ownership guidelines. To determine each NEO's ownership stake for purposes of the guidelines, we include shares owned directly, shares held in our employee stock purchase and retirement plans and shares held in certain trusts. We also include 50% of unvested restricted stock and RSUs; however, PSUs and stock options are not counted toward compliance with the stock ownership guidelines.

**Hedging and Pledging**

Each of our NEOs and directors are prohibited from engaging in hedging transactions with respect to company securities and from pledging company securities beneficially owned by them. In addition, executive officers and directors are prohibited from engaging in short sales of our stock, purchasing our stock on margin and buying or selling any puts, calls or other options involving our securities (other than any stock options that may be granted pursuant to our compensation program). Prior to engaging in any transaction in company stock or derivative securities (including transactions in employee benefit plans and gifts), our executives and directors are required to pre-clear such transaction with our legal department and obtain that department's affirmative approval to enter into the transaction.

Our non-executive officer employees (who are not subject to the policies applicable to our executive officers and directors described above) are subject to policies and procedures designed to ensure that transactions in company stock are conducted in compliance with applicable rules and regulations and are free from conflicts of interest. All employees are prohibited from the following with respect to company securities:

- engaging in short sale transactions;
- engaging in short-term trading;
- purchasing company securities on margin; and
- engaging in any derivative transaction involving or having its value based on company securities.

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## ITEM 2. ADVISORY VOTE ON COMPENSATION > Compensation Discussion & Analysis

### Clawback and Recoupment

Our comprehensive forfeiture and recoupment policies, which apply to equity and cash incentive awards, hold employees accountable and discourage future imprudent behavior. These policies allow the company to reduce or eliminate incentive awards, cancel all or a portion of any unvested equity awards, and clawback/recoup previously paid equity and cash incentive awards. Material provisions applicable to NEOs (U.S.-based) are summarized below. The company continues to monitor regulatory requirements as may be applicable to its recoupment policies.

Policy Trigger	Forfeiture/Recoupment
<b>Risk-Based Forfeiture</b>	
The risk score rating is lower than our acceptable risk tolerance	➡ Unvested RSUs and PSUs will be subject to review and potential forfeiture, as determined by the HRC Committee
<b>Equity Award Cancellation &amp; Clawback</b>	
During the course of employment, the individual directly or indirectly engages in conduct, or it is discovered that the individual engaged in conduct, that is adverse to the interests of the company, including failure to comply with the company's rules or regulations, fraud, or conduct contributing to any financial restatements or irregularities	➡ The company may cancel all or any portion of unvested equity awards and require repayment of any shares of common stock (or values thereof) or amounts (including dividends and dividend equivalent payments) that were acquired from the award
During the course of employment and for one year after (or longer if set forth in an individual agreement), the individual engages in solicitation and/or diversion of customers or employees and/or competition with the company	
Following termination of employment with the company for any reason, the individual violates any post-termination obligations or duties owed to the company under any agreement with the company	
Any compensation otherwise payable or paid to the individual is required to be forfeited and/or repaid to the company pursuant to applicable regulatory requirements	
With respect to awards granted after 2018, the individual violates any obligation under the applicable award agreement (including failing to satisfy notice requirements, breaching non-competition or non-solicitation provisions while any portion of the award is outstanding or breaching the confidentiality or non-disparagement provisions)	
<b>Cash Recoupment</b>	
The company determines within three years of the award date that there is a reasonable belief that the individual has engaged in conduct that is adverse to the company's interests (including failing to comply with the company's rules or regulations or engaging in fraud or other conduct that directly or indirectly causes or contributes to a financial restatement or other irregularity of the company during the award performance period)	➡ The company may claw back some or all of a cash incentive award made to the individual
(1) Required by any applicable law, (2) an employee engages in competition with the company during the course of employment, or (3) an employee violates any post-termination obligations or duties owed to the company under any agreement with the company	

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## ITEM 2. ADVISORY VOTE ON COMPENSATION > Compensation Discussion & Analysis

### Severance Benefits

**Stockholder Approval of Future Executive Severance Arrangements.** In July 2010, the Board adopted a policy that the company will not enter into a future severance arrangement with an executive that provides for severance benefits (as defined in the policy) in an amount exceeding 2.99 times the sum of annual base salary and target bonus for the year of termination (or, if greater, for the year before the year of termination), unless such arrangement receives prior stockholder approval.

**Executive Severance Plan.** The Bank of New York Mellon Corporation Executive Severance Plan (the "Executive Severance Plan") was adopted in July 2010 and amended in August 2016 and February 2018. Under the Executive Severance Plan, participants terminated by the company without "cause" are eligible to receive severance in the amount of one times base salary and may be eligible for a pro-rata annual bonus for the year of termination, as determined on a case-by-case basis. If a pro-rata annual bonus is awarded, it will be paid following year end after an evaluation of corporate and individual performance, among other considerations. The following table sets forth the severance benefits available under the Executive Severance Plan.

Reason for Termination	Severance Payment	Bonus	Benefit Continuation	Outplacement Services
By the company without "cause"	1 times base salary	Pro-rata annual bonus paid at year end at the discretion of management and the HRC Committee	1 year	1 year
By the company without "cause" or by the participant for "good reason" within two years following a "change in control"	2 times base salary and 2 times target annual bonus	Pro-rata target annual bonus for the year of termination	2 years	1 year

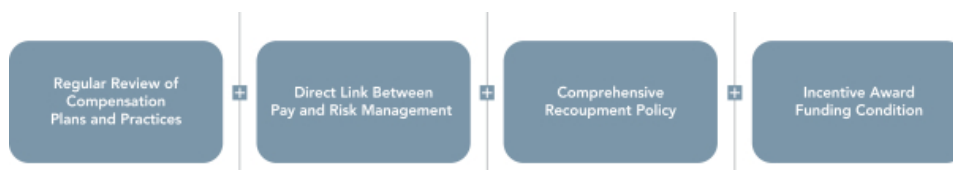
Executive Severance Plan participants are selected by the HRC Committee and include each of our NEOs. To receive benefits under the plan, a participant must sign a release and waiver of claims in favor of the company and agree not to compete against the company, or solicit our customers and employees, for so long as the participant is receiving benefits under the Executive Severance Plan.

We do not provide any severance-related tax gross-ups. If any payment under the Executive Severance Plan would cause a participant to become subject to the excise tax imposed under Section 4999 of the Internal Revenue Code of 1986 ("IRC"), then payments and benefits will be reduced to the amount that would not cause the participant to be subject to the excise tax if such a reduction would put the participant in a better after-tax position than if the participant were to pay the tax. In addition, the amount of payments and benefits payable under the Executive Severance Plan will be reduced to the extent necessary to comply with our policy regarding stockholder approval of future executive severance arrangements as described above.

**Confidentiality, Notice, and Restrictive Covenants Agreements.** The obligations and duties applicable to each of our NEOs include certain covenants pursuant to a Confidentiality, Notice, and Restrictive Covenants Agreement entered into with the company. Each such agreement requires written notice of the executive's resignation of employment for any reason and includes covenants regarding the executive's protection of confidential information (including indefinite non-disclosure of confidential information), non-solicitation obligations (including non-solicitation of company employees and non-interference with any company relationships with customers, clients or employees) for at least one year following the expiration of the applicable notice period, and assignment of inventions to the company.

### Tax Considerations

The HRC Committee considers certain tax implications when designing our executive compensation programs and certain specific awards. We generally design our compensation programs so that compensation paid to our NEOs can qualify for available income tax deductions. However, the HRC Committee believes that stockholders' interests may best be served by offering compensation that is not fully deductible, where appropriate, to attract, retain and motivate talented executives. Accordingly, the HRC Committee has discretion to authorize compensation that does not qualify for income tax deductibility.

[Table of Contents](#)**ITEM 2. ADVISORY VOTE ON COMPENSATION > Compensation Discussion & Analysis****How We Address Risk and Control**

On an annual basis, our Chief Risk Officer meets with the HRC Committee to review the company's compensation plans and arrangements, including those in which members of the Executive Committee participate, to ensure they are well-balanced and do not encourage imprudent risk-taking.

For employees who, individually or as a group, are responsible for activities that may expose the company to material amounts of risk, their incentive compensation can be negatively impacted based on their performance through a "risk score" or their performance on the risk and compliance goals included in our performance management process, directly linking their compensation to risk management. Adjustments to compensation are determined by a senior management committee responsible for control functions and later reviewed and approved by the HRC Committee. This approach allows the HRC Committee the ability to fully eliminate an incentive award if risk performance is below acceptable standards.

With respect to our NEOs, there are several controls intended to link incentive compensation to appropriate risk-taking. As a threshold matter, a common equity Tier 1 ratio for the company of at least 8.5% was established as a minimum funding requirement for our incentive compensation. Payment of any incentive compensation is conditional upon the company meeting this goal. The HRC Committee's incentive compensation determinations are inclusive of a risk assessment as each executive also has a "risk score" completed, which is reviewed by the HRC Committee. The corporate component earnout can also be reduced based on the aggregate risk score for the Executive Committee. In addition, NEOs' equity awards are subject to 100% forfeiture during, and clawback following, the vesting period. NEOs' cash incentive awards are subject to 100% clawback within three years following the payment date, in each case based on ongoing risk assessments, under our comprehensive recoupment policy.

We are also subject to regulation by various U.S. and international governmental and regulatory agencies with respect to executive compensation matters and how risk factors into, and is affected by, compensation decisions. Our programs have been designed to comply with these regulations, and the HRC Committee regularly monitors new and proposed regulations as they develop to determine if additional action is required.

Based on the above, we believe that our compensation plans and practices are well-balanced and do not encourage imprudent risk-taking that threatens our company's value or creates risks that are reasonably likely to have a material adverse effect on the company.

**Report of the HRC Committee**

The HRC Committee has reviewed and discussed the foregoing "Compensation Discussion & Analysis" with management. On the basis of such review and discussions, the HRC Committee recommended to the Board that the "Compensation Discussion & Analysis" be included in the company's 2021 Annual Report and this proxy statement.

By: The Human Resources and Compensation Committee

**Linda Z. Cook, Chair**  
**Edmund F. "Ted" Kelly**  
**M. Amy Gilliland**  
**Jeffrey A. Goldstein**  
**Samuel C. Scott III**  
**Frederick O. Terrell**



[Table of Contents](#)**ITEM 2. ADVISORY VOTE ON COMPENSATION****> Executive Compensation Tables  
and Other Compensation Disclosures****2021 Summary Compensation Table**

The following table presents the compensation for our NEOs in accordance with SEC rules, which require equity-based awards to be reported for the year that they are granted. The table below reflects equity-based incentive compensation grants made in 2021 for 2020 performance. A summary of the HRC Committee's decisions on the compensation awarded to our NEOs for 2021 performance can be found in the "Compensation Discussion & Analysis" section of this proxy statement, which begins on page 48.

Name and Principal Position	Year	Salary	Bonus <sup>(1)</sup>	Stock Awards <sup>(2)</sup> (3)	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings <sup>(4)</sup>	All Other Compensation <sup>(5)</sup>	Total Compensation
<b>Thomas P. "Todd" Gibbons</b> Chief Executive Officer	2021	\$1,250,000	\$ —	\$9,135,074	\$ —	\$ 3,643,750	\$ —	\$ 99,218	\$ 14,128,042
	2020	\$1,250,000	\$ —	\$4,535,332	\$ —	\$ 3,209,813	\$ 297,241	\$ 98,169	\$ 9,390,555
	2019	\$ 800,000	\$ —	\$9,531,679	\$ —	\$ 1,609,688	\$ 527,375	\$ 56,959	\$ 12,525,701
<b>Robin Vince<sup>(6)</sup></b> Vice Chair & Chief Executive Officer of Global Market Infrastructure	2021	\$ 750,000	\$ —	\$1,544,012	\$ —	\$ 3,052,500	\$ —	\$ 3,964,159	\$ 9,310,671
	2020	\$ 187,500	\$500,000	\$3,451,629	\$ —	\$ 697,541	\$ —	\$ 66,905	\$ 4,903,575
<b>Emily H. Portney<sup>(6)</sup></b> Chief Financial Officer	2021	\$ 600,000	\$ —	\$2,399,289	\$ —	\$ 1,452,000	\$ —	\$ 8,700	\$ 4,459,989
	2020	\$ 539,583	\$ —	\$1,249,093	\$ —	\$ 1,083,926	\$ —	\$ 19,342	\$ 2,891,944
<b>Bridget E. Engle</b> Chief Operations & Technology Officer	2021	\$ 600,000	\$ —	\$4,239,383	\$ —	\$ 2,217,600	\$ —	\$ 16,000	\$ 7,072,983
	2020	\$ 600,000	\$ —	\$4,898,744	\$ —	\$ 1,915,200	\$ —	\$ 26,250	\$ 7,440,194
	2019	\$ 600,000	\$ —	\$2,729,796	\$ —	\$ 1,378,275	\$ —	\$ 20,400	\$ 4,728,471
<b>Senthil Kumar<sup>(6)</sup></b> Chief Risk Officer	2021	\$ 600,000	\$ —	\$2,775,747	\$ —	\$ 1,524,600	\$ —	\$ 376,757	\$ 5,277,104

- (1) The amount for Mr. Vince reflects his cash sign-on bonus.
- (2) The amounts disclosed in this column include the grant date fair value of RSUs and PSUs granted in 2021, 2020, and 2019. For 2021, the grant date fair values of PSUs were: \$6,090,049 for Mr. Gibbons; \$992,579 for Mr. Vince; \$1,542,418 for Ms. Portney; \$2,725,324 for Ms. Engle; and \$1,784,427 for Mr. Kumar. Assuming that the maximum level of performance conditions are achieved, the PSU values would be: \$9,135,074 for Mr. Gibbons; \$1,488,868 for Mr. Vince; \$2,313,626 for Ms. Portney; \$4,087,986 for Ms. Engle; and \$2,676,641 for Mr. Kumar.
- (3) The amounts disclosed in this column are computed in accordance with FASB ASC Topic 718 ("ASC 718") using the valuation methodology for equity awards set forth in note 17 to the consolidated financial statements in our 2021 Annual Report.
- (4) The amounts disclosed in this column represent the amount of increase in the then-present value of the executive's accumulated pension benefit. For 2021, present values are determined in accordance with the assumptions used for purposes of measuring our pension obligations under FASB ASC 715 as of December 31, 2021, including a discount rate of 3.03%, with the exception that benefit payments are assumed to commence at the earliest age at which unreduced benefits are payable. For 2021, the change in present value of accumulated benefit was negative \$357,063 for Mr. Gibbons. This negative number is not reflected in the amount disclosed above.
- (5) The items comprising "All Other Compensation" for 2021 are:

Name	Perquisites and Other Personal Benefits <sup>(a)</sup>	Contributions to Defined Contribution Plans <sup>(b)</sup>	Insurance Premiums <sup>(c)</sup>	New Hire Payments <sup>(d)</sup>	Total
Thomas P. "Todd" Gibbons	\$ 73,118	\$ 16,000	\$ 10,100	\$ —	\$ 99,218
Robin Vince	\$ —	\$ 16,000	\$ —	\$ 3,948,159	\$ 3,964,159
Emily H. Portney	\$ —	\$ 8,700	\$ —	\$ —	\$ 8,700
Bridget E. Engle	\$ —	\$ 16,000	\$ —	\$ —	\$ 16,000
Senthil Kumar	\$ —	\$ 16,000	\$ —	\$ 360,757	\$ 376,757

- (a) "Perquisites and Other Personal Benefits" for Mr. Gibbons consist of personal usage of corporate aircraft, determined by the direct hourly operating cost for usage of the aircraft multiplied by the number of hours of personal usage, net of amounts reimbursed to the company. Mr. Gibbons also had personal usage of a company car and driver for which he fully reimbursed the company.

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## ITEM 2. ADVISORY VOTE ON COMPENSATION > Executive Compensation Tables and Other Compensation Disclosures

- (b) "Contributions to Defined Contribution Plans" consist of matching contributions under our 401(k) plan. Due to an amendment to the BNY Mellon 401(k) Savings Plan effective January 1, 2021, no NEOs are eligible to earn non-elective contributions after December 31, 2020. Therefore, no additional benefits were earned under the BNY Mellon 401(k) Benefits Restoration Plan for the year ended December 31, 2021. In addition, effective January 1, 2021, the BNY Mellon 401(k) Savings Plan company match is capped at \$16,000.
- (c) Represent taxable payments made by us for Mr. Gibbons' universal life insurance policy.
- (d) New hire payments of \$3,948,159 for Mr. Vince and \$360,757 for Mr. Kumar represent cash buyouts of unvested equity being forfeited from their former employers included as part of their new hire offers.
- (6) Because Ms. Portney and Mr. Vince were NEOs only in 2020 and 2021, no disclosure is included for them for 2019. Because Mr. Kumar was an NEO only in 2021, no disclosure is included for him for 2019 and 2020.

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## ITEM 2. ADVISORY VOTE ON COMPENSATION > Executive Compensation Tables and Other Compensation Disclosures

### 2021 Grants of Plan-Based Awards

Name	Award Type	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(2)</sup>			All Other Stock Awards <sup>(3)</sup>	Grant Date Fair Value of Stock Awards <sup>(4)</sup>
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	Number of Shares of Stock or Units (#)	
Thomas P. "Todd" Gibbons	EICP	—	—	\$3,312,500	\$4,968,750					
	PSUs	2/8/2021				—	145,174	217,761		\$6,090,049
	RSUs	2/8/2021							72,587	\$3,045,025
Robin Vince	EICP	—	—	\$2,775,000	\$4,162,500					
	PSUs	2/8/2021					23,661	35,492		\$992,579
	RSUs	2/8/2021							13,145	\$551,433
Emily H. Portney	EICP	—	—	\$1,320,000	\$1,980,000					
	PSUs	2/8/2021					36,768	55,152		\$1,542,418
	RSUs	2/8/2021							20,426	\$856,871
Bridget E. Engle	EICP	—	—	\$1,920,000	\$2,880,000					
	PSUs	2/8/2021				—	64,966	97,449		\$2,725,324
	RSUs	2/8/2021							36,092	\$1,514,059
Senthil Kumar	EICP	—	—	\$1,320,000	\$1,980,000					
	PSUs	2/8/2021				—	42,537	63,806		\$1,784,427
	RSUs	2/8/2021							23,631	\$991,320

- (1) Represents the target and maximum cash incentive compensation amounts for performance during 2021 under The Bank of New York Mellon Corporation Executive Incentive Compensation Plan (the "EICP"). There was no threshold payout under this plan for 2021. Actual cash incentive compensation paid is determined based on the Corporate Component and Individual Modifier.
- (2) Represents the portion of the NEO's incentive compensation awarded in the form of PSUs under the LTIP for performance during 2020. The amounts shown under the "Maximum" column represent the maximum payout level of 150% of target; there is no threshold (minimum) payout level. Upon vesting, earned PSUs, inclusive of any earned dividend equivalents, will be paid out in shares of BNY Mellon common stock. These PSUs will be earned between 0% – 150% based on average return on tangible common equity (as adjusted) and relative TSR versus the TSR Peer Group, each over a three-year period. Earned PSUs cliff vest after the end of the performance period subject to continued employment.
- (3) Represents the portion of the NEO's incentive compensation award granted in the form of RSUs under the LTIP for performance during 2020. These RSUs vest in equal installments over three years.
- (4) The aggregate grant date fair value of awards presented in this column is calculated in accordance with ASC 718.

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## ITEM 2. ADVISORY VOTE ON COMPENSATION > Executive Compensation Tables and Other Compensation Disclosures

### 2021 Outstanding Equity Awards at Fiscal Year-End

The market value of unvested or unearned awards is calculated using a \$58.08 per share value, which was the closing price per share of our common stock on the NYSE on December 31, 2021 (the last trading day of the year).

Name	Year of Grant/Performance Period <sup>(1)</sup>	Option Awards				Stock Awards <sup>(2)</sup>		
		Number of Securities Underlying Unexercised Options (#)		Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)
Thomas P. "Todd" Gibbons	2019					42,132	\$2,447,027	
	2020					21,678	\$1,259,058	
	2021					72,587	\$4,215,853	
	2019-2021							67,358 <sup>(4)</sup>
	2020-2022							68,407 <sup>(3)</sup>
	2021-2023							147,807 <sup>(3)</sup>
Robin Vince	2020					98,337	\$5,711,413	
	2021					13,145	\$763,462	
	2021-2023							24,090 <sup>(3)</sup>
Emily H. Portney	2018					3,798	\$220,588	
	2019					9,475	\$550,308	
	2020					17,912	\$1,040,329	
	2021					20,426	\$1,186,342	
	2021-2023							37,435 <sup>(3)</sup>
Bridget E. Engle	2019					8,747	\$508,026	
	2020					55,872	\$3,245,046	
	2021					36,092	\$2,096,223	
	2019-2021							26,898 <sup>(4)</sup>
	2020-2022							43,929 <sup>(3)</sup>
	2021-2023							66,144 <sup>(3)</sup>
Senthil Kumar	2019					6,488	\$376,823	
	2020					33,670	\$1,955,554	
	2021					23,631	\$1,372,488	
	2020-2022							21,249 <sup>(3)</sup>
	2021-2023							43,308 <sup>(3)</sup>

(1) Refers to the year of grant for RSUs and to the performance period for PSUs.

(2) RSUs vest in accordance with the following schedule:

Year of Grant	
2018	For Ms. Portney, 2,138 will vest on 3/8/2022 and 1,660 will vest on 3/8/2023.
2019	Three-year pro-rata vesting for annual awards, with the remaining unvested RSUs having vested on 2/11/2022. For Mr. Gibbons, 29,962 will vest on 10/28/2022. For Mr. Kumar, 4,138 having vested on 1/20/2022 and 2,350 will vest on 1/20/2023.
2020	Generally, three-year pro-rata vesting, with 50% of the remaining unvested RSUs having vested on 2/10/2022 and 50% vesting on 2/10/2023. For Ms. Engle, 40,404 will vest on 2/10/2023. For Mr. Vince, 71,594 having vested on 1/17/2022 and 26,743 will vest on 1/17/2023. For Mr. Kumar, 20,202 will vest on 2/10/2023.
2021	Three-year pro-rata vesting on 2/8/2022, 2/8/2023 and 2/8/2024.

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## ITEM 2. ADVISORY VOTE ON COMPENSATION > Executive Compensation Tables and Other Compensation Disclosures

PSUs are earned and vest in accordance with the following schedule:

Year of Grant	
2019	Earned at 95% based on adjusted average revenue growth and average operating margin, each over a three-year period; earned PSUs cliff vest after the end of the performance period on 2/11/2022.
2020	Earned, between 0% – 150% of target, based on adjusted average revenue growth and average operating margin, each over a three-year period; earned PSUs cliff vest after the end of the performance period on 2/10/2023.
2021	Earned, between 0% – 150% of target, based on adjusted average Return on Tangible Common Equity (ROTCE) and relative Total Shareholder Return (TSR), each over a three-year period; earned PSUs cliff vest after the end of the performance period on 2/8/2024.

- (3) Includes accrued dividends on the PSUs granted in 2020 and 2021, assuming target performance.
- (4) Includes accrued dividends on the PSUs granted in 2019 as of December 31, 2021, which were earned based on performance, but remained subject to ongoing time-vesting conditions.

### 2021 Option Exercises and Stock Vested

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise(#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting (\$)
Thomas P. "Todd" Gibbons	—	\$ —	109,240	\$ 5,118,384
Robin Vince	—	\$ —	—	\$ —
Emily H. Portney	—	\$ —	20,570	\$ 870,608
Bridget E. Engle	—	\$ —	42,207	\$ 1,775,936
Senthil Kumar	—	\$ —	13,275	\$ 559,004

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## ITEM 2. ADVISORY VOTE ON COMPENSATION > Executive Compensation Tables and Other Compensation Disclosures

### 2021 Pension Benefits

Name	Plan Name <sup>(1)</sup>	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$) <sup>(2)</sup>	Payments During Last Fiscal Year (\$)
Thomas P. "Todd" Gibbons	BNY Mellon Tax-Qualified Retirement Plan	28.08	\$1,303,572	\$0
	Legacy BNY Excess Plan	28.08	\$2,122,051	\$0
	Legacy BNY SERP	27.58	\$3,668,678	\$0

- (1) Benefit accruals under the Legacy BNY SERP were frozen as of December 31, 2014, and benefit accruals under the Legacy BNY Excess Plan and BNY Mellon Tax-Qualified Retirement Plan were frozen as of June 30, 2015.
- (2) The present values shown above are based on benefits earned as of December 31, 2021 under the terms of the various plans as summarized below. Present values are determined in accordance with the assumptions used for purposes of measuring our pension obligations under FASB ASC 715 as of December 31, 2021, including a discount rate of 3.03%, with the exception that benefit payments are assumed to commence at the earliest age at which unreduced benefits are payable.

#### BNY Mellon Retirement Plans

All of the plans listed in the table above are closed to new participants and were frozen as of December 31, 2014 for the Legacy BNY SERP and as of June 30, 2015 for the BNY Mellon Tax-Qualified Retirement Plan and the Legacy BNY Excess Plan. Benefits for Legacy BNY participants under the BNY Mellon Tax-Qualified Retirement Plan, the Legacy BNY Excess Plan and the Legacy BNY SERP were determined under a career average pay formula for service on and after January 1, 2006 and under a final average pay formula for service prior to 2006.

The BNY Mellon Tax-Qualified Retirement Plan was amended effective January 1, 2009, to change the benefit formula for participants under age 50 as of December 31, 2008 and for new participants to a cash balance formula for service earned on and after January 1, 2009. Plan participants who were age 50 or older as of December 31, 2008 continued to earn benefits through June 30, 2015 under the provisions of the legacy plan in which they participated as of that date. Because Mr. Gibbons was over age 50 as of December 31, 2008, he continued to earn benefits under the provisions of the legacy plans in which he participates.

Because Mr. Gibbons is over age 55, he is eligible for immediate retirement under the BNY Mellon Tax-Qualified Retirement Plan. Mr. Gibbons is eligible to retire with unreduced benefits under the BNY Mellon Tax-Qualified Retirement Plan and the Legacy BNY Excess Plan. Since Mr. Gibbons is over age 60, he is also entitled to an unreduced benefit from the Legacy BNY SERP upon retirement. Additionally, since Ms. Portney, Mr. Vince, Ms. Engle and Mr. Kumar do not participate

in any retirement plan that provides for specified payments and benefits (other than defined contribution plans), they are not included in the Pension Benefits table above.

**BNY Mellon Tax-Qualified Retirement Plan—Legacy BNY Provisions.** The Legacy BNY Tax-Qualified Retirement Plan (the "Legacy BNY Plan") formula is a career average pay formula subject to IRC limits on eligible pay for determining benefits. Benefits are based on eligible base pay prior to the plan freeze effective June 30, 2015. Employees who participated in the Legacy BNY Plan prior to January 1, 2006 may choose between a monthly benefit and a lump sum at retirement, while other participants will receive monthly benefits at retirement.

**Legacy BNY Excess Plan.** This plan is an unfunded nonqualified plan designed to provide the same benefit to Legacy BNY employees as under the BNY Mellon Tax-Qualified Retirement Plan to the extent their benefits are limited under such plan as a result of IRC limits on accrued benefits and eligible base pay. Benefits are paid in a lump sum.

**Legacy BNY SERP.** This plan is an unfunded nonqualified plan that provides benefits according to a benefit formula similar to that of the BNY Mellon Tax-Qualified Retirement Plan benefit formula but includes an annual bonus (capped at 100% of base salary after 2005) for senior executives who were selected to participate in the plan by The Bank of New York's board of directors prior to July 8, 2003. Benefits are paid in a lump sum. Participants are entitled to benefits in this plan only if they terminate service on or after age 60.

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## ITEM 2. ADVISORY VOTE ON COMPENSATION > Executive Compensation Tables and Other Compensation Disclosures

### 2021 Nonqualified Deferred Compensation

The following table provides information with respect to each plan that provides for nonqualified deferred compensation in which the NEOs participate. Each of these plans is described below.

Name	Executive Contributions in Fiscal Year 2021	Registrant Contributions in Fiscal Year 2021	Aggregate Earnings in Fiscal Year 2021	Aggregate Withdrawals/ Distributions	Aggregate Balance at End of Fiscal Year 2021
Thomas P. "Todd" Gibbons	\$ 0	\$ 0	\$ 23,096	\$ 0	\$ 106,803
Robin Vince	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Emily H. Portney	\$ 0	\$ 0	\$ 1,462	\$ 0	\$ 12,873
Bridget E. Engle	\$ 0	\$ 0	\$ 2,770	\$ 0	\$ 27,825
Senthil Kumar	\$ 0	\$ 0	\$ 833	\$ 0	\$ 7,788

#### BNY Mellon Nonqualified Deferred Compensation Plans

**BNY Mellon 401(k) Benefits Restoration Plan.** Due to an amendment to the tax-qualified BNY Mellon 401(k) Savings Plan effective January 1, 2021, no NEOs are eligible to earn non-elective contributions under that plan after December 31, 2020. Therefore, no additional benefits were earned by NEOs under the BNY Mellon 401(k) Benefits Restoration Plan for the year ended December 31, 2021. The BNY Mellon 401(k) Benefits Restoration Plan is a nonqualified plan designed for the purpose of providing deferred compensation on an unfunded basis for eligible employees. The deferred compensation provided under the BNY Mellon 401(k) Benefits Restoration Plan is intended to supplement the benefit provided under the 401(k) Plan where the employee's retirement contributions under the 401(k) Plan are limited due to the maximums imposed on "qualified" plans by Section 401(a)(17) of the IRC. Pursuant to the BNY Mellon 401(k) Benefits Restoration Plan, we set up a notional account that is credited with an amount, if any, of non-elective company contributions that would have been credited to each eligible employee's 401(k) Plan account absent those tax limitations, including for prior years in which the BNY Mellon 401(k) Benefits Restoration Plan was not yet in effect. The amounts credited to the notional accounts generally vest after three years of service, as defined and calculated under the 401(k) Plan. Mr. Vince did not earn a contribution under the BNY Mellon 401(k) Benefits Restoration Plan prior to December 31, 2021. Mr. Kumar's balance is invested at the end of 2021.

**BNY Mellon Deferred Compensation Plan.** The BNY Mellon Deferred Compensation Plan permits eligible employees, including our NEOs, to defer receipt of cash bonus/incentive amounts above the Social Security wage base (which was \$142,800 in 2021) until a later date while employed, upon retirement or after retirement not to exceed age 70. Changes are permitted to the payment election once annually; however, they must comply with the regulations contained in The American Jobs Creation Act of 2004. Deferred compensation may be paid in a lump sum or annual payments over 2 to 15 years. If an executive terminates employment prior to age 55, his or her benefit is paid in a lump sum shortly after termination. Investment alternatives, based on a selection of variable rate options, must be selected when the executive makes a deferral election and may be changed each quarter for future deferrals. Previously deferred amounts may generally be reallocated among the investment options at the beginning of each quarter. The plan is a nonqualified unfunded plan.

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## ITEM 2. ADVISORY VOTE ON COMPENSATION > Executive Compensation Tables and Other Compensation Disclosures

### Potential Payments upon Termination or Change in Control

The following discussion summarizes the arrangements, agreements, and policies of the company relating to potential payments to our NEOs upon termination or change in control.

#### Retirement Benefits

As shown in the “2021 Pension Benefits” and the “2021 Nonqualified Deferred Compensation” Tables above, we provide qualified and non-qualified pension retirement benefits and qualified and non-qualified defined contribution retirement benefits (with the specific plans varying depending on when participation began).

In addition, we provide continued vesting of equity awards for participants who are eligible for retirement, with the eligibility dependent on the individual’s age and length of service and the terms of the applicable plan and award agreements. At December 31, 2021 and using the same assumptions as used for the “Table of Other Potential Payments” below, our NEOs were eligible to receive continued vesting of stock awards in the following amounts: for Mr. Gibbons, \$23,070,406; and for Mr. Vince, \$8,014,881. In accordance with the terms of Mr. Vince’s offer letter, any equity awards that Mr. Vince is granted (other than RSUs granted in connection with his buyout award) prior to his turning 55 years old will continue to vest according to their terms if Mr. Vince complies with all applicable covenants and (i) his employment is terminated without cause, (ii) his employment is terminated pursuant to mutual agreement, or (iii) he voluntarily resigns as a result of a material and adverse change in duties, responsibilities or scope of his position except to the extent required by law or regulation. Also, in accordance with the terms of his offer letter, RSUs granted to Mr. Vince in connection with his buyout awards shall continue to vest unless his employment is terminated for cause. Ms. Portney, Ms. Engle, and Mr. Kumar are not included above because they are not retirement-eligible. Continued vesting is not provided on termination by the company if the NEO is terminated for cause.

#### Other Potential Payments upon Termination or Change in Control

**Change in Control and Severance Arrangements.** Since 2010, our Board has implemented a “Policy Regarding Stockholder Approval of Future Senior Officer Severance Arrangements.” The policy provides that the company will not enter into a future severance arrangement with a senior executive that provides for severance benefits (as defined in the policy) in an

amount exceeding 2.99 times the sum of the senior executive’s annual base salary and target bonus for the year of termination (or, if greater, for the year before the year of termination), unless such arrangement receives approval of the stockholders of the company.

Under the Executive Severance Plan, if an eligible participant is terminated by the company without “cause” (as defined in the plan), the participant is eligible to receive a severance payment equal to one times the participant’s base salary for the year of termination (or, if greater, for the year before the year of termination) and benefit continuation and outplacement services for one year.

The participant is also eligible for a pro-rata annual bonus for the year of termination in the company’s sole discretion. If a participant’s employment is terminated by the company without cause or if the participant terminates his or her employment for “good reason” (as defined in the plan) within two years following a “change in control” (as defined in the plan), then instead of receiving the benefits described above, the participant is eligible to receive a severance payment equal to two times the sum of the participant’s base salary and target annual bonus for the year of termination (or, if greater, for the year before the year of termination), a pro-rata target annual bonus for the year of termination, benefit continuation for two years and outplacement services for one year.

The payments and benefits under the plan are subject to the participant signing a release and waiver of claims in favor of the company and agreeing not to compete against the company, or solicit our customers and employees, for so long as the participant is receiving benefits under the plan. If any payment under the plan would cause a participant to become subject to the excise tax imposed under Section 4999 of the IRC, then payments and benefits will be reduced to the amount that would not cause the participant to be subject to the excise tax if such a reduction would put the participant in a better after-tax position than if the participant were to pay the tax.

Payments and benefits that are payable under the plan will be reduced to the extent that the amount of such payments or benefits would exceed the amount permitted to be paid under the company’s “Policy Regarding Stockholder Approval of Future Senior Officer Severance Arrangements” and such amounts are not approved by the company’s stockholders in accordance with the policy.



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## ITEM 2. ADVISORY VOTE ON COMPENSATION > Executive Compensation Tables and Other Compensation Disclosures

**Unvested Equity Awards.** Equity awards granted to our NEOs through December 31, 2021 were granted under the LTIP or its predecessor. Each award is evidenced by an award agreement that sets forth the terms and conditions of the award and the effect of any termination event or a change in control on unvested equity awards. The effect of a termination event or change in control on outstanding equity awards varies by executive officer and type of award.

**Table of Other Potential Payments.** The following table is based on the following:

- Assumes termination effective as of December 31, 2021.
- Equity awards valued at \$58.08, the closing price of our common stock on December 31, 2021.
- The amounts shown in the table include the estimated potential payments and benefits that are payable as a result of the triggering event and do not include any pension, deferred compensation, or equity award vesting that would be earned on retirement as described above. We have only included amounts by which an NEO's retirement benefit is enhanced by the triggering event, or additional equity awards that vest on the triggering event that would not vest on retirement alone. See "BNY Mellon Retirement Plans" on

page 76 above for information on the acceleration or continued vesting of equity awards upon retirement.

- The designation of an event as a termination in connection with a change in control is dependent upon the termination being either an involuntary termination by the company without cause or a termination by the NEO for good reason.
- "Cash compensation" includes payments of salary, bonus, severance, or death benefit amounts payable in the applicable scenario.

The actual amounts that would be payable in these circumstances can only be determined at the time of the executive's separation, would include payments or benefits already earned or vested, and may differ from the amounts set forth in the tables below. In some cases a release may be required before amounts would be payable. Although we may not have any contractual obligation to make a cash payment or provide other benefits to any NEO in the event of his or her death or upon the occurrence of any other event, a cash payment may be made or other benefit may be provided in our discretion. The incremental benefits that would be payable upon certain types of termination of employment as they pertain to the NEOs are described below.

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## ITEM 2. ADVISORY VOTE ON COMPENSATION > Executive Compensation Tables and Other Compensation Disclosures

Named Executive Officer	By Company Without Cause	Termination in Connection with Change of Control	Death
<b>Thomas P. "Todd" Gibbons</b>			
Cash Severance <sup>(1)</sup>	\$1,250,000	\$15,750,000	\$—
Pro-rated Bonus <sup>(1)</sup>	\$7,287,500	\$6,625,000	\$—
Health and Welfare Benefits	\$1,497	\$2,994	\$—
Additional Stock Award Vesting <sup>(2)</sup>	\$1,937,943	\$1,937,943	\$1,937,973
<b>TOTAL</b>	<b>\$10,476,940</b>	<b>\$24,315,937</b>	<b>\$1,937,973</b>
<b>Robin Vince</b>			
Cash Severance <sup>(1)</sup>	\$750,000	\$11,675,000	\$—
Pro-rated Bonus <sup>(1)</sup>	\$5,596,250	\$5,087,500	\$—
Health and Welfare Benefits	\$18,151	\$36,302	\$—
Additional Stock Award Vesting <sup>(2)</sup>	\$—	\$—	\$—
<b>TOTAL</b>	<b>\$6,364,401</b>	<b>\$16,798,802</b>	<b>\$—</b>
<b>Emily H. Portney</b>			
Cash Severance <sup>(1)</sup>	\$600,000	\$6,040,000	\$—
Pro-rated Bonus <sup>(1)</sup>	\$2,662,000	\$2,420,000	\$—
Health and Welfare Benefits	\$12,378	\$24,756	\$—
Additional Stock Award Vesting <sup>(2)</sup>	\$5,304,613	\$5,304,613	\$5,304,613
<b>TOTAL</b>	<b>\$8,578,991</b>	<b>\$13,789,369</b>	<b>\$5,304,613</b>
<b>Bridget E. Engle</b>			
Cash Severance <sup>(1)</sup>	\$600,000	\$8,240,000	\$—
Pro-rated Bonus <sup>(1)</sup>	\$4,065,600	\$3,520,000	\$—
Health and Welfare Benefits	\$17,860	\$35,720	\$—
Additional Stock Award Vesting <sup>(2)</sup>	\$14,113,712	\$14,113,712	\$14,113,712
<b>TOTAL</b>	<b>\$18,797,172</b>	<b>\$25,909,432</b>	<b>\$14,113,712</b>
<b>Senthil Kumar</b>			
Cash Severance <sup>(1)</sup>	\$600,000	\$6,040,000	\$—
Pro-rated Bonus <sup>(1)</sup>	\$2,795,100	\$2,420,000	\$—
Health and Welfare Benefits	\$17,786	\$35,572	\$—
Additional Stock Award Vesting <sup>(2)</sup>	\$7,587,719	\$7,587,719	\$7,587,719
<b>TOTAL</b>	<b>\$11,000,605</b>	<b>\$16,083,291</b>	<b>\$7,587,719</b>

- (1) Amounts shown assume that no NEO received payment from any displacement program, supplemental unemployment plan or other separation benefit other than the Executive Severance Plan. Amounts have been calculated in accordance with the terms of the applicable agreements. For terminations by the company without cause, cash severance amounts will be paid in installments over a one-year period following termination, and pro-rated bonuses will be paid or awarded at the same time(s) as annual incentives for the fiscal year in which the termination occurs. For terminations in connection with a change of control, amounts will be paid in a lump sum.
- (2) The value of "Additional Stock Award Vesting" represents the value at December 31, 2021 of all shares of restricted stock units (along with cash dividends accrued on the restricted stock units) and earned PSUs (along with dividend equivalents on the PSUs) on that date that were subject to service-based restrictions, which restrictions lapse on or after certain terminations of employment, including following a change of control, to the extent such restrictions would not lapse on retirement alone. Information relating to the vesting of stock awards on retirement can be found in "BNY Mellon Retirement Plans" on page 76 above.

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## ITEM 2. ADVISORY VOTE ON COMPENSATION > Executive Compensation Tables and Other Compensation Disclosures

### Pay Ratio

Set forth below is the annual total compensation of our median employee, the annual total compensation of Mr. Gibbons, and the ratio of those two values:

- The 2021 annual total compensation of the median employee of BNY Mellon (other than our CEO) was \$76,123<sup>(1)</sup>;
- The 2021 annual total compensation of our CEO, Mr. Gibbons, was \$14,129,539<sup>(2)</sup>; and
- For 2021, the ratio of the annual total compensation of Mr. Gibbons to the annual total compensation of our median employee was 186 to 1.

#### Background

We previously identified our median employee (who is located in the U.S.) using our world-wide employee population (without exclusions) as of October 31, 2020 and measuring compensation based on total pay actually received over the period November 1, 2019–October 31, 2020. There has been no change in our employee population, our employee compensation arrangements or our median employee's circumstances that we believe would significantly impact our pay ratio disclosure. Therefore, as permitted by SEC rules, we calculated the 2021 pay ratio set forth above using the same median employee that we used to calculate our 2020 pay ratio.

As required by SEC rules, we calculated 2021 annual total compensation for our median employee using the same methodology that we use to determine our NEOs' annual total compensation for the "2021 Summary Compensation Table".

The pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules based on our payroll and employment records and the methodology described above. The SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions and to make reasonable estimates and assumptions that reflect their compensation practices. As such, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

<sup>(1)</sup> The median employee's total compensation includes the value of company-paid benefits applicable to the median employee.

<sup>(2)</sup> For purposes of the CEO pay ratio disclosure, Mr. Gibbons' annual total compensation includes the amount reported in the "Total" column of the "2021 Summary Compensation Table" on page 71, plus the value of company-paid benefits applicable to Mr. Gibbons.

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[Table of Contents](#)**ITEM 3. RATIFICATION OF KPMG LLP****> Resolution****Proposal**

We are asking stockholders to ratify the Audit Committee's appointment of KPMG LLP ("KPMG") as our independent registered public accountants for the year ending December 31, 2022.

**Background**

The Audit Committee and the Board believe that the continued retention of KPMG to serve as our independent registered public accounting firm for the 2022 fiscal year is in the best interests of the company and its stockholders.

Our Audit Committee has direct responsibility:

- For the selection, appointment, compensation, retention and oversight of the work of our independent registered public accountants engaged to prepare an audit report or to perform other audit, review or attestation services for us.
- To negotiate and approve all audit engagement fees and terms and all non-audit engagements of the independent registered public accountants.
- To annually evaluate KPMG, including its qualifications and independence, and to replace KPMG as our independent registered public accountant, as appropriate.
- To discuss with management the timing and process for implementing the five-year mandatory rotation of the lead engagement partner.

**The Board recommends that you vote "FOR" ratification of the appointment of KPMG LLP as our independent registered public accountants for the year ending December 31, 2022.**



KPMG or its predecessors have served as our independent registered public accounting firm since the merger in 2007 and previously served as the independent registered public accountant of Mellon since 1972. As in prior years, in 2021, the Audit Committee engaged in a review of KPMG in connection with considering whether to recommend that stockholders ratify the selection of KPMG as BNY Mellon's independent auditor for 2022. In that review, the Audit Committee considered the continued independence of KPMG; the breadth and complexity of BNY Mellon's business and its global footprint and the resulting demands placed on its auditing firm; KPMG's demonstrated understanding of the financial services industry in general and BNY Mellon's business in particular; and the professionalism of KPMG's team, including their exhibited professional skepticism, objectivity and integrity.

To assist the Audit Committee with its review, management prepares an annual assessment of KPMG that includes (1) an analysis of KPMG's known legal risks and significant proceedings that may impair KPMG's ability to perform BNY Mellon's annual audit, (2) the results of a survey of management and Audit Committee members regarding KPMG's overall performance and (3) KPMG's fees and services compared to services provided by KPMG and other auditing firms to peer companies. In addition, KPMG provides to, and reviews with, the Audit Committee an analysis of KPMG's independence, including the policies that KPMG follows with respect to rotating key audit personnel so that there is a new partner-in-charge at least every five years.

We expect that representatives of KPMG will be present at the Annual Meeting to respond to appropriate questions, and they will have the opportunity to make a statement if they desire.

**Voting**

Adoption of this proposal requires the affirmative vote of a majority of the votes cast on the proposal at the Annual Meeting by the holders of our common stock voting electronically at the Annual Meeting or by proxy. Unless contrary instructions are given, shares represented by proxies solicited by the Board will be voted "for" the ratification of the selection of KPMG as our independent registered public accountants for the year ending December 31, 2022.

If the selection of KPMG is not ratified by our stockholders, the Audit Committee will reconsider the matter. If selection of KPMG is ratified, the Audit Committee in its discretion may still direct the appointment of a different independent registered public accountant at any time during the year if it determines that such a change is in the best interests of the company and our stockholders.

[Table of Contents](#)**ITEM 3. RATIFICATION OF KPMG LLP****> Report of the Audit Committee**

On behalf of our Board, the Audit Committee oversees the operation of a comprehensive system of internal controls with respect to the integrity of our financial statements and reports, compliance with laws, regulations and corporate policies and the qualifications, performance and independence of our independent registered public accounting firm. The Committee's function is one of oversight, since management is responsible for preparing our financial statements, and our independent registered public accountants are responsible for auditing those statements.

Accordingly, the Audit Committee has reviewed and discussed with management the audited financial statements for the year ended December 31, 2021 and management's assessment of internal control over financial reporting as of December 31, 2021. The Audit Committee has also discussed with KPMG the conduct of the audit of our financial statements, as well as the quality of the company's accounting principles and the reasonableness of critical accounting estimates and judgments. KPMG issued its unqualified report on our financial statements and the operating effectiveness of our internal control over financial reporting.

The Committee has also discussed with KPMG the matters required to be discussed in accordance with Public Company Accounting Oversight Board ("PCAOB") Auditing Standard, Communications with Audit Committees. The Committee has also received the written disclosures and the letter from KPMG required by applicable PCAOB standards regarding the independent accountants' communications with the Audit Committee concerning auditor independence, and has conducted a discussion with KPMG regarding its independence. The Audit Committee has determined that KPMG's provision of non-audit services is compatible with its independence.

Based on these reviews and discussions, the Audit Committee recommended to the Board that our audited financial statements for the year ended December 31, 2021 be included in our 2021 Annual Report.

By: The Audit Committee

**Frederick O. Terrell, Chair**  
**Linda Z. Cook**  
**Joseph J. Echevarria**  
**M. Amy Gilliland**  
**Ralph Izzo**  
**Samuel C. Scott III**

[Table of Contents](#)**ITEM 3. RATIFICATION OF KPMG LLP****> Services Provided by KPMG LLP****Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees**

We have been advised by KPMG that it is an independent public accounting firm registered with the PCAOB and that it complies with the auditing, quality control and independence standards and rules of the PCAOB and the SEC. The appointment of KPMG as our independent registered public accounting firm for the 2021 fiscal year was ratified at our 2021 Annual Meeting of Stockholders. The following table reflects the fees earned by KPMG for services provided to us for 2021 and 2020:

Description of Fees	Amount of Fees Paid to KPMG for 2021	Amount of Fees Paid to KPMG for 2020
Audit Fees <sup>(1)</sup>	\$ 23,828,000	\$ 21,905,000
Audit-Related Fees <sup>(2)</sup>	\$ 23,458,000	\$ 22,711,000
Tax Fees <sup>(3)</sup>	\$ 2,802,000	\$ 2,189,000
All Other Fees <sup>(4)</sup>	\$ 442,000	\$ 637,000
<b>Total</b>	<b>\$ 50,530,000</b>	<b>\$ 47,442,000</b>

- (1) Includes fees for professional services rendered for the audit of our annual financial statements for the fiscal year (including services relating to the audit of internal control over financial reporting under the Sarbanes-Oxley Act of 2002), for reviews of the financial statements included in our quarterly reports on Form 10-Q and for other services that only our independent registered public accountant can reasonably provide.
- (2) Includes fees for services that were reasonably related to performance of the audit of the annual financial statements for the fiscal year, other than "Audit Fees," such as service organization reports (under Statement on Standards for Attestation Engagements 16), employee benefit plan audits and internal control reviews.
- (3) Includes fees for tax return preparation and tax planning.
- (4) Includes fees for regulatory and other advisory services.

**Other Services Provided by KPMG LLP**

KPMG also provided services to entities associated with us that were charged directly to those entities and accordingly were not included in the amounts disclosed in the table above. These amounts included \$14.25 million for 2021 and \$14.5 million for 2020 for the audits and tax compliance services for mutual funds, collective funds and other funds advised by us. Also excluded from the amounts disclosed in the table above are fees billed by KPMG to joint ventures or equity method investments in which we have an interest of 50% or less.

**Pre-Approval Policy**

Our Audit Committee has established pre-approval policies and procedures applicable to all services provided by our independent registered public accountants. In accordance with SEC rules, our pre-approval policy has two different approaches to pre-approving audit and permitted non-audit services performed by our independent registered public accountants. Proposed services may be pre-approved pursuant to policies and procedures established by the Audit Committee that are detailed as to a particular class of service without consideration by the Audit Committee of the specific case-by-case services to be performed ("class pre-approval"). If a class of service has not received class pre-approval, the service will require specific pre-approval by the Audit Committee before it is provided by our independent registered public accountants ("specific pre-approval"). A list of services that has received class pre-approval from our Audit Committee (or its delegate) is attached to our Audit and Permitted Non-Audit Services Pre-Approval Policy, a copy of which is available on our website (see "Helpful Resources" on page 100). For 2021, 100% of the fees associated with the independent registered public accounting firm services were pre-approved by the Audit Committee.

[Table of Contents](#)**ITEM 4. STOCKHOLDER PROPOSAL REGARDING STOCKHOLDER RIGHT TO CALL A SPECIAL MEETING****> Stockholder Proposal****Proposal and Background**

John Chevedden, on behalf of Kenneth Steiner, c/o John Chevedden, 2215 Nelson Ave., No. 205, Redondo Beach, CA 90278, the beneficial owner of more than \$2,000 of our common stock for the last three years, has given notice that he intends to introduce the following resolution at the Annual Meeting. In accordance with the applicable proxy regulations, the text of the proponent's proposal and supporting statement and any graphics, for which we accept no responsibility, are set forth immediately below:

**Proposal 4—Special Shareholder Meeting Improvement**

Shareholders ask our board to take the steps necessary to amend the appropriate company governing documents to give the owners of a combined 10% of our outstanding common stock the power to call a special shareholder meeting.

It is important to vote for this Special Shareholder Meeting Improvement proposal because we have a useless right to act by written consent.

Management made a rule that it would be mandatory to have the backing of 20% of all shares in existence to do so little as to ask for record date to start the written consent process. Why would any group of shareholders, who own 20% of our company, find it attractive to do so little as to ask management to look a calendar and come up with a date when these same owners of 20% of our company could compel management to hold a special shareholder meeting.

There appears to have been an evil genius corporate governance person at The Bank of New York Mellon in 2019 that gave us this useless version of written consent. Such a person trashes the concept of genuine shareholder engagement. The Bank of New York Mellon shareholders gave 41%-support to a 2021 shareholder proposal to reform our useless right to act by written consent in spite of full-blown BK management opposition. This 41%-support may have exceeded 51%-support from the share that have access to independent proxy voting advice and are not forced to rely on the biased opinion of management.

Since BK management is opposed to giving shareholders a useful right to act by written consent we need a more useful right to call a special shareholder meeting.

And management has less reason to resist a special shareholder meeting because online meetings give management more control.

A more reasonable shareholder right to call for a special shareholder meeting can make shareholder engagement meaningful. If management is insincere in its shareholder engagement, a right for shareholders to call for a special meeting in our bylaws can make management think twice about insincerity. We have no protection in our bylaws that any sort of shareholder engagement will be continued.

A more reasonable shareholder right to call for a special shareholder meeting could give our directors more incentive to improve their performance. Mr. Joseph Echevarria, Chairman of the Board and Mr. Samuel Scott received the most negative votes at the 2021 annual meeting—up to 14-times the negative votes of other BK directors.

To make up for our lack of a real right to act by written consent we need the right of 10% of shares to call for a special shareholder meeting.

Please vote yes:

**Special Shareholder Meeting Improvement—Proposal 4**



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## ITEM 4. STOCKHOLDER PROPOSAL REGARDING STOCKHOLDER RIGHT TO CALL A SPECIAL MEETING

### > Board's Response

#### Voting

Adoption of this proposal requires the affirmative vote of a majority of the votes cast on the proposal at the Annual Meeting by the holders of our common stock voting at the Annual Meeting or by proxy. Unless contrary instructions are given, shares represented by proxies solicited by the Board will be voted "against" this stockholder proposal.

#### Board's Response

We have concluded that adoption of this proposal is not in the best interests of our stockholders and recommend that you vote AGAINST this proposal for the following reasons:

**Consistent with its commitment to strong principles of corporate governance, BNY Mellon has intentionally selected a 20% ownership threshold for stockholders to call a special meeting to balance the costs to stockholders of special meetings with the need to ensure that stockholders have an efficient and accessible means to take corporate action.** In 2015, the Board determined that it would be in the company's best interests to allow stockholders holding an aggregate of at least 20% of our outstanding shares of common stock to call a special meeting (rather than permitting only the Board, CEO, or Chair to call a special meeting), and amended our By-Laws accordingly. The 20% threshold enhances access and engagement opportunities for stockholders, while also safeguarding against the risk that stockholders could be subjected to numerous special meeting requests pertaining to issues which may be relevant to only select constituencies. This comprehensive special meeting right has become a cornerstone of our strong corporate governance framework.

The Board recommends a vote  
"AGAINST" the stockholder  
proposal.



Moreover, we amended our Restated Certificate of Incorporation in 2019 to allow 20% of stockholders to request a record date to act by written consent. This amendment was adopted following a review by our Board and management that included additional stockholder engagement, in response to a 2018 stockholder proposal from Mr. Chevedden seeking to reduce the standard for stockholder action by written consent from unanimous stockholder approval to majority stockholder approval. Although the 2018 proposal did not pass, the Board determined that it would be in the company's best interests to implement the majority written consent standard with a requirement that stockholders holding at least 20% of our outstanding shares of common stock request that the Board set a record date. Similar to the 20% threshold for stockholders to call a special meeting, this threshold enhances stockholder rights while also safeguarding against numerous written consents relevant to only minority constituencies. Stockholders overwhelmingly voted in favor of the amendment to our Restated Certificate of Incorporation in 2019 (with 97.67% of votes cast FOR) and re-affirmed support for the 20% threshold at last year's Annual Meeting by voting against a proposal by Mr. Chevedden to decrease the 20% threshold.

The Board continues to believe that the thresholds for stockholders to call a special meeting and to request a record date to initiate written consent should be the same, and that the thresholds should be 20%. Lowering the 20% ownership threshold to call a special meeting would be detrimental to our stockholders and disrupt the balance between stockholders' access to special meetings and the costs to stockholders in two main ways: (1) increasing time and expense costs to stockholders and (2) giving undue control to a small percentage of stockholders.

- **Increasing time and expense costs to stockholders.** Special meetings are an important tool for stockholders to take corporate action, but calling for and arranging a special meeting requires significant time and expense. The company must secure a venue—whether virtual or otherwise—and arrange for sufficient support to administer the meeting. Management must devote time and focus away from running the company to prepare for the special meeting, including developing, preparing, and distributing written materials, in addition to other administrative requirements. Stockholders must take time to review the proposal, attend the special meeting, and vote. Given these significant time and expense costs, special meetings should be reserved for significant matters of widespread concern among stockholders that must be raised before the next annual meeting. Lowering the special meeting ownership threshold would incentivize special meetings to be called for non-urgent issues or issues relevant to only small constituencies, and thus increase the time and expense borne by the company and stockholders.
- **Giving undue control to a small percentage of stockholders.** Given the significant costs of special meetings, such meetings should be called only when a critical mass of stockholders feel such a meeting is necessary. A

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## ITEM 4. STOCKHOLDER PROPOSAL REGARDING STOCKHOLDER RIGHT TO CALL A SPECIAL MEETING > Board's Response

lower threshold would allow for the special meeting right to be co-opted by a small percentage of stockholders. For example, several institutional stockholders currently hold more than 5% of BNY Mellon common stock individually, allowing as few as two stockholders, acting in concert, to call a special meeting if the ownership threshold were lowered to 10%. A 10% threshold would also allow smaller stockholders holding an aggregate of only 10% of shares to call a special meeting when stockholders representing 90% of shares do not believe a special meeting is warranted. Lowering the special meeting ownership threshold would thus give undue control to a small percentage of stockholders and allow such stockholders the ability to call special meetings that may be relevant only to them and are viewed as unnecessary by an overwhelming majority of stockholders.

**A 20% ownership threshold ensures that stockholders' right to call a special meeting is complementary with stockholders' right to request a record date to initiate written consent.** When setting the ownership threshold to initiate written consent, one of the Board's key considerations was for the written consent ownership threshold to match the special meeting ownership threshold, given that these rights are complementary methods for stockholders to act outside of annual meetings. Having identical 20% ownership thresholds ensures that stockholders are deterred from seeking to leverage one right over the other at the expense of fellow stockholders and avoids prejudicing stockholders who may be inclined to act by one method over the other. For example, if the ownership threshold to call a special meeting is lower than the ownership threshold to initiate written consent, then stockholders may be inclined to more often use the more costly method (to both the company and the stockholders) of special meetings. Further, stockholders that prefer to act via written consent (to avoid the additional costs and burden of special meetings) would be prejudiced by having to meet a higher ownership threshold. Last year, when faced with a similar proposal to reduce the written consent threshold from 20% to 10%, stockholders voted against the proposal in order to preserve the complementary nature of the ownership requirements to exercise these rights. We encourage stockholders to once again affirm the importance of this symmetry in the context of our robust governance framework and therefore recommend voting AGAINST this proposal.

**A 20% ownership threshold is in line with widespread market practice and aligns with corporate governance best practices.** Many other large-capitalization companies hold the same view as the Board that a 20% ownership threshold to call a special meeting is in stockholders' best interests. Nearly 70% of both S&P 1500 companies and Fortune 500 companies that afford special meeting rights have an ownership threshold of 20% or higher. Market practice is also holding steady, with stockholders at such companies frequently voting against proposals to lower the ownership threshold. According to a report by a leading law firm, during last year's proxy season, stockholders at only one company voted in favor of a stockholder proposal to lower the special meeting ownership threshold (from 25% to 10%)—and that proposal passed with only 51% of the votes. A vote AGAINST this proposal would therefore ensure that BNY Mellon's special meeting rights remain consistent with market practice and that the company's governance profile is not compromised in favor of select constituencies that may not be acting in the best interest of all stockholders.

**We have adopted strong governance practices and policies, including robust stockholder engagement and stockholder rights, to ensure that our Board is accountable and responsive to stockholders.** At BNY Mellon, we are committed to remaining accountable and responsive to our stockholders. We have demonstrated this commitment both in our approach to developing and expanding stockholder rights and in the robust set of stockholder rights that we currently have.

Our approach to developing stockholder rights is holistic. Not only do our Board and management regularly review our corporate governance practices and market trends, but they also proactively engage stockholders on these topics year-round. As part of this process, our Board and management solicit feedback on a variety of matters that can then be used, as it was in 2019 in connection with the written consent right, to carefully expand stockholder rights in a measured way that is more likely to be supported by stockholders.

As discussed in detail under the "Our Corporate Governance Practices" section starting on page 20, we have developed expansive and robust governance practices that are designed, in large part due to this holistic approach and our engagement with stockholders, to afford stockholders greater influence over the governance of the company. In addition to our existing meaningful special meeting rights, these practices include:

- **Annual election** of all directors, with majority voting in uncontested director elections (each director must be elected by a majority of votes cast) and a resignation requirement for directors who do not receive a majority of votes cast.

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## ITEM 4. STOCKHOLDER PROPOSAL REGARDING STOCKHOLDER RIGHT TO CALL A SPECIAL MEETING > Board's Response

- **No supermajority voting for stockholder actions** (only a majority of votes cast is required, not a majority of shares present and entitled to vote).
- **Proxy access rights** that allow stockholders, individually or in a group of up to 20, holding 3% of our outstanding stock for at least 3 years, to nominate up to 20% of the Board.
- **Written consent rights** that allow stockholders representing at least the minimum number of votes that would be necessary to take action at a meeting to take the action without formally meeting.

These practices, in conjunction with stockholders' ability to submit stockholder proposals under Rule 14a-8 of the Exchange Act, afford stockholders with meaningful opportunities to share their feedback while simultaneously providing appropriate safeguards to protect stockholders and their interests.

In recommending that our stockholders vote AGAINST this proposal, the Board believes that it is important that stockholders consider not only how BNY Mellon's meaningful special meeting right is in line with market practice, but also the other tools that stockholders can use to make their voices heard—including through our year-round stockholder engagement process and any of the carefully designed stockholder rights described throughout this proxy statement. Lowering the special meeting ownership threshold from 20% to 10% as requested by the proponent would unduly amplify the administrative burden and expense to the company and its stockholders without meaningfully improving stockholder rights. Lowering the threshold would also make it easier for a small minority of stockholders to inappropriately leverage BNY Mellon's corporate governance principles to call (potentially numerous) special meetings that may be relevant to, and supported by, only a small group. This would have the effect of advancing the interests of a small minority of stockholders and their outside constituencies at the expense of the majority of stockholders and the company. As a result, we continue to believe, as in 2015, that the market-standard 20% threshold for special meeting rights, which is aligned with the 20% threshold for written consent actions that our stockholders re-affirmed last year, best ensures that stockholders have an efficient and accessible means to take corporate action while limiting unnecessary costs to stockholders and the company, and safeguarding against numerous special meetings relevant to only minority constituencies. For these reasons and the others discussed herein, we recommend that you vote AGAINST this proposal.

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The following table shows information relating to the number of shares authorized for issuance under our equity compensation plans as of December 31, 2021.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in second column)
<b>Equity compensation plans</b>			
Approved by stockholders	15,108,754 <sup>(1)</sup>	\$ 22.03	28,345,824 <sup>(2)</sup>
Not approved by stockholders	78,731 <sup>(3)</sup>	—	—
<b>Total</b>	<b>15,187,485<sup>(4)</sup></b>	<b>\$ 22.03<sup>(4)(5)</sup></b>	<b>28,345,824</b>

- (1) Includes 15,084,125 shares of common stock that may be issued pursuant to outstanding options, RSUs, PSUs and escrowed dividends awarded under the LTIP; 5,767 shares of common stock that may be issued pursuant to outstanding director deferred share units under the Mellon Director Equity Plan (2006); and 18,862 shares of common stock that may be issued pursuant to outstanding stock options under The Bank of New York Mellon Corporation Employee Stock Purchase Plan. The number of shares of common stock that may be issued pursuant to outstanding unearned PSUs reflects the target payout. At maximum payout, the number of shares would increase by 641,963. For additional information about how PSUs are earned, see "Compensation Discussion and Analysis—Compensation of NEOs—Recent PSUs" on page 61.
- (2) Includes 4,864,642 shares of common stock that remain available for issuance under The Bank of New York Mellon Corporation Employee Stock Purchase Plan and 23,481,182 shares of common stock that remain available for issuance under the LTIP.
- (3) Includes 78,731 shares of common stock that may be issued pursuant to deferrals under the Bank of New York Directors Plan, which is described in further detail in "Director Compensation" on page 43 above.
- (4) The weighted average term for the expiration of outstanding stock options under our equity compensation plans is 0.1 years.
- (5) This weighted-average exercise price relates only to the options described in footnote 1. Shares underlying RSUs, PSUs and deferred share units are deliverable without the payment of any consideration, and therefore these awards have not been taken into account in calculating the weighted-average exercise price.

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[Table of Contents](#)**ADDITIONAL INFORMATION****> Information on Stock Ownership****Beneficial Ownership of Shares by Holders of  
More Than 5% of Outstanding Stock**

As of February 16, 2022, we had 807,106,234 shares of common stock outstanding. Based on filings made under Section 13(d) and 13(g) of the Exchange Act reporting ownership of shares and percent of class as of December 31, 2021, the only persons known by us to be beneficial owners of more than 5% of our common stock as of February 16, 2022 were as follows:

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percent of Class
<b>Warren E. Buffett and Berkshire Hathaway Inc.(1)</b> 3555 Farnam Street Omaha, NE 68131	74,346,864	9.2%
<b>The Vanguard Group(2)</b> 100 Vanguard Blvd. Malvern, PA 19355	65,812,336	7.97%
<b>Dodge &amp; Cox(3)</b> 555 California Street, 40th Floor San Francisco, CA 94104	58,247,004	7.1%
<b>BlackRock, Inc.(4)</b> 55 East 52nd Street New York, NY 10055	55,439,159	6.7%

- (1) Based on a review of the Schedule 13G/A filed on February 16, 2021 by Warren E. Buffett, Berkshire Hathaway Inc. and certain other reporting persons. The Schedule 13G/A discloses that Mr. Buffett had shared voting power as to 74,346,864 shares and shared dispositive power as to 74,346,864 shares, and Berkshire Hathaway Inc. had shared voting power as to 74,346,864 shares and shared dispositive power as to 74,346,864 shares (including shares beneficially owned by certain subsidiaries of Berkshire Hathaway Inc. as a result of being a parent holding company or control person).
- (2) Based on a review of the Schedule 13G/A filed on February 9, 2022 by The Vanguard Group. The Schedule 13G/A discloses that The Vanguard Group had shared voting power as to 1,256,603 shares, sole dispositive power as to 62,624,081 shares and shared dispositive power as to 3,188,255 shares.
- (3) Based on a review of the Schedule 13G/A filed on February 14, 2022 by Dodge & Cox. The Schedule 13G/A discloses that Dodge & Cox had sole voting power as to 55,197,874 shares and sole dispositive power as to 58,247,004 shares.
- (4) Based on a review of the Schedule 13G/A filed on February 7, 2022 by BlackRock, Inc. The Schedule 13G/A discloses that BlackRock, Inc. had sole voting power as to 47,228,757 shares and sole dispositive power as to 55,439,159 shares.

We and our affiliates engage in ordinary course brokerage, asset management or other transactions or arrangements with, and may provide ordinary course financial services to, holders of 5% or more of our outstanding common stock, including asset servicing, clearing, issuer services, treasury services, broker-dealer and credit services. These transactions are negotiated on an arm's-length basis and contain terms and conditions that are substantially similar to those offered to other customers under similar circumstances. Please also refer to the "Business Relationships and Related Party Transactions Policy" starting on page 29 for additional information.

[Table of Contents](#)**ADDITIONAL INFORMATION > Information on Stock Ownership****Beneficial Ownership of Shares by Directors and Executive Officers**

The table below sets forth the number of shares of our common stock beneficially owned as of the close of business on February 16, 2022 by each director, each nominee for director, each individual included in the “2021 Summary Compensation Table” on page 71 above and our current directors and executive officers as a group, based on information furnished by each person. Sole voting and sole investment power with respect to the shares shown in the table below are held either by the individual alone or by the individual together with his or her immediate family. Each of our directors and executive officers is subject to our robust anti-hedging and anti-pledging policy, which is described above under “Hedging and Pledging” on page 67.

Beneficial Owners	Shares of Common Stock Beneficially Owned <sup>(1)(2)</sup>
Linda Z. Cook	18,480
Joseph J. Echevarria	63,886
Bridget E. Engle	54,787
Thomas P. “Todd” Gibbons	338,987 <sup>(3)</sup>
M. Amy Gilliland	4,045
Jeffrey A. Goldstein	57,501
K. Guru Gowrappan	4,045
Ralph Izzo	8,358
Edmund F. Kelly	69,561
Senthil Kumar	20,089
Sandie O'Connor	45
Emily Portney	48,434
Elizabeth E. Robinson	20,822
Samuel C. Scott III	81,039
Frederick O. Terrell	9,276
Robin Vince	36,225
Alfred W. “Al” Zollar	12,748
All current directors and executive officers, as a group (27 persons)	699,744

- (1) On February 16, 2022, none of the individuals named in the above table beneficially owned more than 1% of our outstanding shares of common stock. All current directors and executive officers as a group beneficially owned approximately 0.08% of our outstanding stock on February 16, 2022.
- (2) Includes the following amounts of common stock which the indicated individuals and group have the right to acquire under our equity plans and deferred compensation plans within 60 days of February 16, 2022: Ms. Cook, 18,480; Mr. Echevarria, 63,886; Ms. Engle, 27,042; Mr. Gibbons, 67,720; Ms. Gilliland, 4,045; Mr. Goldstein, 57,501; Mr. Gowrappan, 4,045; Mr. Izzo, 8,358; Mr. Kelly, 65,127; Ms. O'Connor, 45; Ms. Portney, 2,138; Ms. Robinson, 20,822; Mr. Scott, 77,077; Mr. Terrell, 9,276; Mr. Zollar, 12,748; and current directors and executive officers as a group, 524,640.
- (3) Includes 67,000 shares held in a family trust and 67,000 shares held by Mr. Gibbons' spouse.

**Delinquent Section 16(a) Reports**

Section 16(a) of the Exchange Act requires our directors and executive officers and any beneficial owner of more than 10% of any class of our equity securities to file with the SEC initial reports of beneficial ownership and reports of changes in ownership of any of our securities. These reports are made on documents referred to as Forms 3, 4 and 5. Our directors and executive officers must also provide us with copies of these reports. We have reviewed the copies of the reports that we have received and written representations that no Form 5 was required from the individuals required to file the reports. Based on this review, we believe that during 2021 each of our directors and executive officers timely complied with applicable reporting requirements for transactions in our equity securities.

[Table of Contents](#)**ADDITIONAL INFORMATION****> Annual Meeting Q&A**

The Board is soliciting your proxy for our 2022 Annual Meeting of Stockholders and any adjournment of the meeting, for the purposes set forth in the Notice of Annual Meeting. While circumstances could change in light of the COVID-19 pandemic, we intend to hold the Annual Meeting at our offices in New York (240 Greenwich Street, New York, New York, 10286). As outlined below, we will continue to monitor the situation, including developments with respect to local guidance, and will communicate special health and safety controls and protocols to registered attendees in advance of the meeting.

**Q: *Who Can Attend The Annual Meeting? How Do I Attend?***

- A:** Only stockholders of record of our common stock at the close of business on February 16, 2022 (the “record date”) have a right to attend the Annual Meeting. In-person admission to the Annual Meeting will be on a first-come, first-served basis. For in-person admission to the Annual Meeting, you must (i) register in advance and (ii) present your admission ticket and government-issued photo identification (such as a driver’s license or passport). You will not be admitted to the Annual Meeting if you have not registered in advance. Please see “How Do I Receive an Admission Ticket?” below for directions on how to register for the meeting and obtain your admission ticket. If you are representing an entity that is a stockholder, you must also present documentation showing your authority to attend and act on behalf of the entity (such as a power of attorney, written proxy to vote or letter of authorization on the entity’s letterhead). We reserve the right to restrict admission to the meeting or limit the number of representatives for any entity that may be admitted to the meeting for security or health and safety reasons at our sole discretion.

In addition, we will be instituting special precautions in light of the COVID-19 pandemic to protect the health and safety of our directors, employees and stockholders seeking to attend the Annual Meeting. Our current policy is that all visitors to our offices at 240 Greenwich Street must be fully vaccinated. We may also require other precautions including, among other protocols, temperature checks and symptom and exposure screening, social distancing, masks, and other safety protocols in accordance with any then-required federal, state and local guidelines. We will require all attendees to comply with such protocols, which will be communicated to registered attendees in advance of the meeting. If you do not pre-register for the meeting or cannot comply with the special health and safety precautions, you will not be admitted to the meeting. Attendees who disrupt or impede the meeting, do not comply with the special health and safety precautions or breach the rules of conduct may be removed from the meeting. No cameras, recording equipment, large bags or packages will be permitted in the Annual Meeting. The use of cell phones, smart phones, tablets and other personal communication devices for any reason during the Annual Meeting is strictly prohibited.

A live audio-only webcast of the Annual Meeting will be available at <https://www.bnymellon.com/us/en/investor-relations/index.jsp> for stockholders that wish to attend the meeting virtually as a guest. You will not be able to vote your shares or submit questions during the meeting if you attend as a guest through the webcast.

As part of our precautions in planning for the Annual Meeting, we are also planning for the possibility that the meeting may be held solely by means of remote communication. If we take this step, we will announce the decision to do so in advance, and the details on how to participate will be available at [www.bnymellon.com/proxy](http://www.bnymellon.com/proxy).

**Q: *How Do I Register for the Meeting and Receive an Admission Ticket?***

- A:** To ensure that we are able to accommodate all stockholders that seek to attend while also administering our special health and safety protocols in an orderly fashion, we are requiring all stockholders that wish to attend the Annual Meeting in person to register in advance. You may pre-register by visiting [www.proxyvote.com](http://www.proxyvote.com) and clicking the “Register for Meeting” link. If you received your proxy materials by mail, you can use the 16-digit control number on your proxy card (for stockholders of record) or voting instruction form (for beneficial owners) to access [www.proxyvote.com](http://www.proxyvote.com) and register for the meeting. If you received your proxy materials by email, you will be able to access the meeting registration link directly from the email. Registration for in-person attendance will be open until **5:00 pm (ET) on April 11, 2022** (the day before the Annual Meeting). You will not be admitted to the meeting if you do not register in advance. We will communicate the special health and safety precautions directly to registered attendees prior to the meeting.

If you received your proxy materials by mail, your admission ticket will be your proxy card (stockholders of record only) or voting instruction form (beneficial owners only). If you received your proxy materials by email, you will be given an opportunity to obtain an admission ticket when you register for the meeting online at [www.proxyvote.com](http://www.proxyvote.com). To be admitted to the meeting, you must pre-register and present your admission ticket and government issued photo identification (see “Who Can Attend The Annual Meeting? How Do I Attend?” above).



[Table of Contents](#)**ADDITIONAL INFORMATION > Annual Meeting Q&A****Q: *Who Can Vote At The Annual Meeting?***

**A:** Only stockholders as of the record date, February 16, 2022, may vote at the Annual Meeting. On the record date, we had 807,106,234 shares of common stock outstanding. You are entitled to one vote for each share of common stock that you owned on the record date. The shares of common stock held in our treasury will not be voted. Your vote is important. Whether or not you plan to attend the Annual Meeting, we encourage you to vote your shares promptly. Please see “*What If I Am A “Beneficial Owner?”*” below for information on providing voting instructions if you hold your shares of common stock through a broker, bank or other nominee.

**Q: *What Is A Proxy?***

**A:** Your proxy gives us authority to vote your shares and tells us how to vote your shares at the Annual Meeting or any adjournment. Three of our employees, who are called “proxies” or “proxy holders” and are named on the proxy card, will vote your shares at the Annual Meeting according to the instructions you give on the proxy card or by telephone or over the Internet.

**Q: *How Are Proxy Materials Being Distributed?***

**A:** We are using the SEC rule that allows companies to furnish proxy materials to their stockholders over the Internet. In accordance with this rule, on or about March 1, 2022, we sent a Notice or a full set of proxy materials to our stockholders of record at the close of business on February 16, 2022. The Notice contains instructions on how to access the Proxy Statement and 2021 Annual Report via the Internet and how to vote. If you receive a Notice, you will not receive a printed copy of the proxy materials in the mail. Instead, the Notice instructs you on how to access and review all of the important information contained in the proxy materials. The Notice also instructs you on how you may submit your proxy via the Internet. This proxy statement will also be available on our website at [www.bnymellon.com/proxy](http://www.bnymellon.com/proxy).

The electronic method of delivery will enable us to reduce our environmental impact, decrease our postage and printing expenses and expedite delivery of proxy materials to you, and we encourage you to take advantage of the availability of the proxy materials on the Internet. If you received a Notice and would like to receive a copy of our proxy materials, follow the instructions contained in the Notice to request a copy electronically or in paper form on a one-time or ongoing basis. Stockholders who do not receive the Notice will receive either a paper or electronic copy of this proxy statement and the 2021 Annual Report, which will be sent on or about March 1, 2022.

**Q: *How Do I Vote? What Are The Different Ways I Can Vote My Shares?***

**A:** If you are a “stockholder of record” (that is, you hold your shares of our common stock in your own name), you may vote your shares by using any of the following methods. Depending on how you hold your shares, you may receive more than one proxy card.

**In Person at the Annual Meeting**

If you are a registered stockholder or hold a proxy from a registered stockholder (and meet other requirements as described in “Who Can Attend the Annual Meeting? How Do I Attend?” on page 94), you may attend the Annual Meeting and vote in person by obtaining and submitting a ballot that will be provided at the meeting.

**By Submitting a Proxy by Mail**

To submit a proxy by mail, complete, sign, date and return the proxy card in the postage-paid envelope provided to you.

**By Submitting a Proxy by Telephone**

To submit a proxy by telephone, call the toll-free telephone number listed on the proxy card. The telephone voting procedures, as set forth on the proxy card, are designed to authenticate your identity, to allow you to provide your voting instructions and to confirm that your instructions have been properly recorded. If you vote by telephone, you should not return your proxy card.

**By Submitting a Proxy by Internet**

To submit a proxy by Internet prior to the Annual Meeting, use the Internet site listed on the proxy card. The Internet voting procedures, as set forth on the proxy card, are designed to authenticate your identity, to allow you to provide your voting instructions and to confirm that your instructions have been properly recorded. If you vote by Internet, you should not return your proxy card.

**Q: *What If I Am A “Beneficial Owner?”***

**A:** If you are a “beneficial owner,” also known as a “street name” holder (that is, you hold your shares of our common stock through a broker, bank or other nominee), you will receive instructions on how to vote at the

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meeting (including, if your broker, bank or other nominee elects to do so, instructions on how to vote your shares by telephone or over the Internet) as part of your proxy materials provided by the record holder. You must follow those instructions to be able to attend the Annual Meeting and have your shares voted.

**Q:** *If I Vote By Proxy, How Will My Shares Be Voted? What If I Submit A Proxy Without Indicating How To Vote My Shares?*

- A:** If you vote by proxy through mail, telephone or over the Internet, your shares will be voted in accordance with your instructions. If you sign, date and return your proxy card without indicating how you want to vote your shares, the proxy holders will vote your shares in accordance with the following recommendations of the Board:

<b>Proposal 1</b>	<b>FOR</b> the election of each nominee for director.
<b>Proposal 2</b>	<b>FOR</b> the advisory resolution to approve the 2021 compensation of our NEOs.
<b>Proposal 3</b>	<b>FOR</b> the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2022.
<b>Proposal 4</b>	<b>AGAINST</b> the stockholder proposal regarding stockholder requests to call a special meeting, if properly presented.

In addition, if other matters are properly presented for voting at the Annual Meeting, the proxy holders are also authorized to vote on such matters as they shall determine in their sole discretion. As of the date of this proxy statement, we have not received notice of any other matters that may be properly presented for voting at the Annual Meeting.

**Q:** *What If I Want To Revoke My Proxy?*

- A:** You may revoke your proxy at any time before it is voted at the Annual Meeting by:
- delivering a written notice of revocation to our Corporate Secretary at 240 Greenwich Street, New York, NY 10286 or via email to [CorporateSecretary@bnymellon.com](mailto:CorporateSecretary@bnymellon.com);
  - submitting another signed proxy card with a later date;
  - submitting another proxy by telephone or over the Internet at a later date; or
  - attending the Annual Meeting and voting electronically.

**Q:** *What Is A Quorum?*

- A:** A quorum is the minimum number of shares required to conduct business at the Annual Meeting. Under our by-laws, to have a quorum, a majority of the outstanding shares of stock entitled to vote at the Annual Meeting must be represented electronically or by proxy at the meeting. Abstentions and broker non-votes (as defined below) are counted as present for determining the presence of a quorum. Inspectors of election appointed for the Annual Meeting will tabulate all votes cast electronically or by proxy at the Annual Meeting. In the event a quorum is not present at the Annual Meeting, we expect that the Annual Meeting will be adjourned or postponed to solicit additional proxies.

**Q:** *What Vote Is Required For Approval Of A Proposal At The Annual Meeting?*

- A:** Our by-laws provide for a majority vote standard in an uncontested election of directors, such as this year's election. Accordingly, each of the 11 nominees for director will be elected if more votes are cast "for" a director's election than are cast "against" such director's election, as discussed further under "Majority Voting Standard" on page 19 above. All other matters to be voted on at the Annual Meeting require the favorable vote of a majority of the votes cast on the applicable matter electronically at the Annual Meeting or by proxy for approval.

Abstentions and broker non-votes are not treated as votes cast, will not have the effect of a vote for or against a proposal or for or against a director's election, and will not be counted in determining the number of votes required for approval or election.

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## ADDITIONAL INFORMATION > Annual Meeting Q&A

### **Q:** *What If I Hold My Shares Through A Broker?*

**A:** If your shares are held through a broker, the broker will ask you how you want your shares to be voted. If you give the broker instructions, your shares will be voted as you direct. If you do not give instructions, one of two things can happen, depending on the type of proposal. For the ratification of the auditor (Proposal 3), the broker may vote your shares in its discretion. For all other proposals, the broker may not vote your shares at all if you do not give instructions (this is referred to as a "broker non-vote"). As a result, on each of these items (other than Proposal 3), if you hold your shares in street name, your shares will be voted only if you give instructions to your broker.

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[Table of Contents](#)**ADDITIONAL INFORMATION****> Other Information****Stockholder Proposals for 2023 Annual Meeting**

Stockholder proposals intended to be included in our proxy statement and voted on at our 2023 Annual Meeting of Stockholders (other than proxy access nominations) must be received at our offices at 240 Greenwich Street, New York, NY 10286, Attention: Corporate Secretary or via email at [CorporateSecretary@bnymellon.com](mailto:CorporateSecretary@bnymellon.com), on or before November 1, 2022. Stockholders who wish to submit a proxy access nomination for inclusion in our proxy statement in connection with our 2023 Annual Meeting of Stockholders may do so by submitting a nomination in compliance with the procedures and along with the other information required by our by-laws to 240 Greenwich Street, New York, NY 10286, Attention: Corporate Secretary, or via email at [CorporateSecretary@bnymellon.com](mailto:CorporateSecretary@bnymellon.com), no earlier than October 2, 2022 and no later than November 1, 2022. Applicable SEC rules and regulations and the provisions of our by-laws govern the submission, and our consideration, of stockholder proposals or proxy access candidates for inclusion in the 2023 Annual Meeting proxy statement and form of proxy.

Pursuant to our by-laws, in order for any business not included in the notice of meeting for the 2023 Annual Meeting of Stockholders to be brought before the meeting by a stockholder entitled to vote at the meeting (including nominations of candidates for director), the stockholder must give timely written notice of that business to our Corporate Secretary. To be timely, the notice must not be received any earlier than November 1, 2022 (at least 120 days prior to March 1, 2022), nor any later than December 1, 2022 (90 days prior to March 1, 2022). The notice also must contain the information required by our by-laws. The foregoing by-law provisions do not affect a stockholder's ability to request inclusion of a proposal in our proxy statement within the procedures and deadlines set forth in Rule 14a-8 of the SEC's proxy rules and referred to in the paragraph above. A proxy may confer discretionary authority to vote on any matter at a meeting if we do not receive notice of the matter within the timeframes described above. A copy of our by-laws is available upon request to: The Bank of New York Mellon Corporation, 240 Greenwich Street, New York, NY 10286, Attention: Corporate Secretary or via email at [CorporateSecretary@bnymellon.com](mailto:CorporateSecretary@bnymellon.com) and can also be found on our Corporate website (see "Helpful Resources" on page 100 for information on how to access our by-laws electronically). The officer presiding at the meeting may exclude matters that are not properly presented in accordance with these requirements.

In addition to satisfying the foregoing requirements under our by-laws, to comply with the universal proxy rules (once effective), stockholders who intend to solicit proxies in support of director nominees other than BNY Mellon's nominees must provide notice that sets forth the information required by Rule 14a-19 under the Exchange Act no later than February 11, 2023.

**How Our Board Solicits Proxies; Expenses of Solicitation**

We will pay all costs of soliciting proxies. We have retained Georgeson, Inc. to assist with the solicitation of proxies for a fee of approximately \$41,000, plus reimbursement of reasonable out-of-pocket expenses. We must also pay brokerage firms, banks, broker-dealers and other similar organizations representing beneficial owners certain fees associated with:

- Forwarding the Notice of Internet Availability to beneficial owners,
- Forwarding printed materials by mail to beneficial owners who specifically request such materials, and
- Obtaining beneficial owners' voting instructions.

We may also use our officers and employees, at no additional compensation, to solicit proxies either personally or by telephone, Internet, letter or facsimile.

**Householding**

To reduce the expense of delivering duplicate proxy materials to our stockholders, we are relying on SEC rules that permit us to deliver only one proxy statement to multiple stockholders who share an address unless we receive contrary instructions from any stockholder at that address. This practice, known as "householding," reduces duplicate mailings, saves printing and postage costs as well as natural resources and will not affect dividend check mailings. If you wish to receive a separate copy of the 2021 Annual Report or proxy statement, or if you wish to receive separate copies of future annual reports or proxy statements, please contact our Annual Meeting provider, Broadridge, by phone at 1-800-579-1639, by Internet at [www.proxyvote.com](http://www.proxyvote.com) or by email at [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com). We will deliver the requested documents promptly upon your request.

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[Table of Contents](#)**ADDITIONAL INFORMATION > Other Information****Other Business**

As of the date of this proxy statement, we do not know of any other matters that may be presented for action at the meeting. Should any other business properly come before the meeting, the persons named on the enclosed proxy will, as stated therein, have discretionary authority to vote the shares represented by such proxy in accordance with their best judgment.

March 1, 2022

**By Order of the Board,**



**James J. Killerlane III**  
*Corporate Secretary*

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**ADDITIONAL INFORMATION**
**> Helpful Resources**
**Annual Meeting**

2022 Proxy Statement	<a href="https://www.bnymellon.com/proxy">www.bnymellon.com/proxy</a>
2021 Annual Meeting of Stockholders Voting Results	<a href="https://www.bnymellon.com/us/en/investor-relations/annual-meeting-voting-results-2021.html">https://www.bnymellon.com/us/en/investor-relations/annual-meeting-voting-results-2021.html</a>

**Corporate Governance**

By-laws	<a href="https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/investor-relations/the-bank-of-new-york-mellon-corporation-amended-and-restated-by-laws.pdf.coredownload.pdf">https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/investor-relations/the-bank-of-new-york-mellon-corporation-amended-and-restated-by-laws.pdf.coredownload.pdf</a>
Committee Charters	<a href="https://www.bnymellon.com/us/en/investor-relations/corporate-governance.html">https://www.bnymellon.com/us/en/investor-relations/corporate-governance.html</a>
Corporate Governance Guidelines	<a href="https://www.bnymellon.com/us/en/investor-relations/corporate-governance/corporate-governance-guidelines.html">https://www.bnymellon.com/us/en/investor-relations/corporate-governance/corporate-governance-guidelines.html</a>
Contacting the Board	<a href="https://www.bnymellon.com/us/en/investor-relations/corporate-governance/communications-with-independent-chairman.html">https://www.bnymellon.com/us/en/investor-relations/corporate-governance/communications-with-independent-chairman.html</a>
Employee Code of Conduct	<a href="https://www.bnymellon.com/us/en/investor-relations/employee-code-of-conduct.html">https://www.bnymellon.com/us/en/investor-relations/employee-code-of-conduct.html</a>
Directors' Code of Conduct	<a href="https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/investor-relations/directors-code-of-conduct.pdf.coredownload.pdf">https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/investor-relations/directors-code-of-conduct.pdf.coredownload.pdf</a>
Audit and Permitted Non-Audit Services Pre-Approval Policy	<a href="https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/investor-relations/audit-and-permitted-non-audit-services-pre-approval-policy.pdf.coredownload.pdf">https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/investor-relations/audit-and-permitted-non-audit-services-pre-approval-policy.pdf.coredownload.pdf</a>

**Enterprise ESG**

2020 Enterprise ESG Report	<a href="https://www.bnymellon.com/csr">https://www.bnymellon.com/csr</a>
Considering Climate at BNY Mellon	<a href="https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/insights/considering-climate-at-bny-mellon.pdf">https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/insights/considering-climate-at-bny-mellon.pdf</a>
Environmental Sustainability Statement	<a href="https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/csr/environment-sustainability-policy-statement.pdf.coredownload.pdf">https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/csr/environment-sustainability-policy-statement.pdf.coredownload.pdf</a>
Enterprise ESG Commitment Statement	<a href="https://www.bnymellon.com/us/en/about-us/esg-and-responsible-investment/enterprise-esg/statement.html">https://www.bnymellon.com/us/en/about-us/esg-and-responsible-investment/enterprise-esg/statement.html</a>
Human Rights Statement	<a href="https://www.bnymellon.com/us/en/about-us/global-impact/enterprise-esg/human-rights-statement.html">https://www.bnymellon.com/us/en/about-us/global-impact/enterprise-esg/human-rights-statement.html</a>
Equal Employment Opportunity/Affirmative Action Policy	<a href="https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/csr/equal-employment-opportunity-and-affirmative-action.pdf.coredownload.pdf">https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/csr/equal-employment-opportunity-and-affirmative-action.pdf.coredownload.pdf</a>
Notice of Affirmative Action Programs and Notice to Veterans and Individuals with Disabilities	<a href="https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/csr/notice-of-affirmative-action-programs-and-notice-to-veterans-and-individuals-with-disabilities.pdf.coredownload.pdf">https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/csr/notice-of-affirmative-action-programs-and-notice-to-veterans-and-individuals-with-disabilities.pdf.coredownload.pdf</a>

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## ADDITIONAL INFORMATION > Helpful Resources

Drug and Alcohol Free Workplace Policy	<a href="https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/csr/drug-and-alcohol-free-workplace.pdf.coredownload.pdf">https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/csr/drug-and-alcohol-free-workplace.pdf.coredownload.pdf</a>
Sexual and Other Discriminatory Harassment Policy	<a href="https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/csr/sexual-and-other-discriminatory-harassment.pdf.coredownload.pdf">https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/csr/sexual-and-other-discriminatory-harassment.pdf.coredownload.pdf</a>
Health and Safety Statement	<a href="https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/csr/health-and-safety-statement.pdf.coredownload.pdf">https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/csr/health-and-safety-statement.pdf.coredownload.pdf</a>
Modern Slavery Statement	<a href="https://www.bnymellon.com/emea/en/modern-slavery-act.html">https://www.bnymellon.com/emea/en/modern-slavery-act.html</a>
Supplier Code of Conduct	<a href="https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/csr/bny-mellon-supplier-code-of-conduct.pdf.coredownload.pdf">https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/csr/bny-mellon-supplier-code-of-conduct.pdf.coredownload.pdf</a>
Gender Equality Statement	<a href="https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/csr/gender-equality-statement.pdf.coredownload.pdf">https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/csr/gender-equality-statement.pdf.coredownload.pdf</a>

## The Bank of New York Mellon Corporation

Corporate Website	<a href="https://www.bnymellon.com">https://www.bnymellon.com</a>
Investor Relations	<a href="https://www.bnymellon.com/us/en/investor-relations/overview.html">https://www.bnymellon.com/us/en/investor-relations/overview.html</a>
2021 Annual Report	<a href="https://www.bnymellon.com/us/en/investor-relations/annual-reports-and-proxy.html">https://www.bnymellon.com/us/en/investor-relations/annual-reports-and-proxy.html</a>
Regulatory Filings	<a href="https://www.bnymellon.com/us/en/investor-relations/regulatory-filings.html">https://www.bnymellon.com/us/en/investor-relations/regulatory-filings.html</a>
Frequently Asked Questions	<a href="https://www.bnymellon.com/us/en/investor-relations/shareholder-information.html">https://www.bnymellon.com/us/en/investor-relations/shareholder-information.html</a>
Company Profile	<a href="https://www.bnymellon.com/us/en/about-us/about-bny-mellon.html">https://www.bnymellon.com/us/en/about-us/about-bny-mellon.html</a>
Leadership	<a href="https://www.bnymellon.com/us/en/about-us/leadership.html">https://www.bnymellon.com/us/en/about-us/leadership.html</a>
Earnings Press Releases	<a href="https://www.bnymellon.com/us/en/investor-relations/quarterly-earnings.html">https://www.bnymellon.com/us/en/investor-relations/quarterly-earnings.html</a>
Credit Ratings	<a href="https://www.bnymellon.com/us/en/investor-relations/bondholder-information.html">https://www.bnymellon.com/us/en/investor-relations/bondholder-information.html</a>

[Table of Contents](#)**ANNEX A: NON-GAAP RECONCILIATION****Reconciliation of net income and diluted EPS**

The following table reconciles our net income applicable to common stockholders of The Bank of New York Mellon Corporation and diluted earnings per common share. These measures exclude the effects of notable items, as specified in the table. We believe that these measures are useful to permit investors to view the financial measures on a basis consistent with how management views the businesses.

	Net Income		Diluted EPS	
	2020 Actual	2021 Actual	2020 Actual	2021 Actual
Net income applicable to common stockholders—reported	\$3,423	\$3,552	\$3.83	\$4.14
Add: Net impact of notable items	159 <sup>(a)</sup>	85 <sup>(b)</sup>	0.18 <sup>(a)</sup>	0.10 <sup>(b)</sup>
Net income applicable to common stockholders—operating	\$3,582	\$3,637	\$4.01	\$4.24

(a) Includes litigation reserves, severance expense, losses on business sales and real estate charges recorded in the fourth quarter of 2020.

(b) Includes litigation reserves, severance expense and gains on disposals.



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The Bank of New York Mellon Corporation  
240 Greenwich Street  
New York, NY 10286  
+1 212 495 1784

[www.bnymellon.com](http://www.bnymellon.com)



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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**  
The Proxy Statement and the 2021 Annual Report to Shareholders are available at [www.proxyvote.com](http://www.proxyvote.com).

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**Proxy — THE BANK OF NEW YORK MELLON CORPORATION (the “Corporation”)**

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**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF THE CORPORATION**

The undersigned hereby appoints James J. Killerlane III, Zachary J. Levine and Blair F. Petrillo or any of them, each with full power of substitution, as attorneys and proxies of the undersigned to vote all The Bank of New York Mellon Corporation Common Stock which the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Corporation to be held on Tuesday, April 12, 2022, commencing 9:00 a.m., at 240 Greenwich Street, New York, New York 10286 and at any adjournment of such meeting, as fully and effectually as the undersigned could do if personally present, and hereby revokes all previous proxies for said meeting. **Where a vote is not specified, the proxies will vote the shares represented by this Proxy FOR the election of all nominees for director, FOR Proxy Item 2, FOR Proxy Item 3, and AGAINST Proxy Item 4, and will vote in their discretion on such other matters that may properly come before the meeting and at any adjournment of such meeting.**

**Participants in the 401(k), ESOP, Deferred Share Award and/or Deferred Compensation Plans:** Your vote will provide voting instructions to the trustee of the plan to vote the proportionate interest as of the record date. If no instructions are given by the vote cut-off date of April 7, 2022 at 11:59 ET, the trustee will vote, subject to review by the voting fiduciary, unvoted shares in the same proportion as voted shares. Consequently, a failure to sign and return a ballot is not equivalent to voting with respect to any of the propositions on the ballot.

**Participants in the UK Stock Accumulation Plan (“SAP”):** If voting instructions are properly provided, shares will be voted in accordance with those instructions. If you properly sign and return the attached ballot but fail to provide a specific voting direction for a particular proposition on the ballot, then any shares you hold in the SAP will be voted in accordance with the recommendation of the Board of Directors on such proposition. If you do not properly sign and return the ballot or provide instructions by telephone or Internet, then for shares held in the SAP, no vote will be recorded. Consequently, a failure to provide instructions is not equivalent to voting with respect to any proposition on the ballot.

This proxy is solicited on behalf of the Board of Directors of the Corporation, and may be revoked prior to its exercise. **The Board of Directors recommends votes FOR the election of all nominees for director, FOR Proxy Item 2, FOR Proxy Item 3, and AGAINST Proxy Item 4.**

(Continued and to be marked, dated and signed, on the reverse side.)

## BNY (NOMINEES) LIMITED

### 4. Capital and reserves

#### *Share capital*

	2022	2021
	£	£
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

### 5. Ultimate parent company and parent company of larger group

The immediate parent undertaking of the Company is BNY International Financing Corporation, a company registered in the United States of America. Copies of accounts for BNY International Financing Corporation can be obtained from the Secretary, 240 Greenwich Street, New York, 10286, USA.

The largest and smallest group in which the results of the Company are consolidated is that headed by The Bank of New York Mellon Corporation, incorporated in the United States of America.

The ultimate parent company as at 31 December 2022 was The Bank of New York Mellon Corporation, incorporated in the United States of America. The consolidated accounts of the ultimate parent company may be obtained from:

The Secretary  
The Bank of New York Mellon  
240 Greenwich Street  
New York  
10286  
USA.