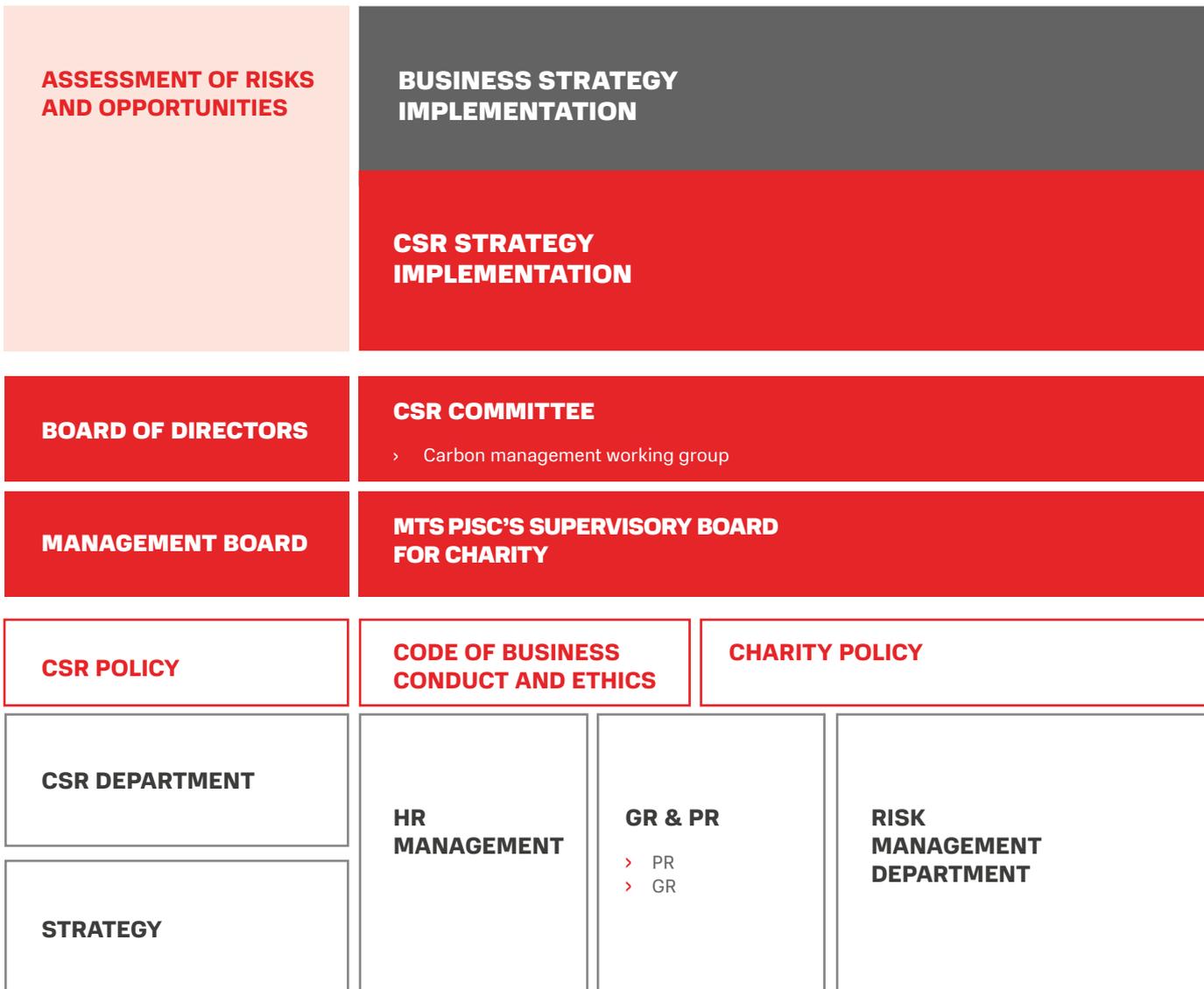


GRI 102-20

# SUSTAINABLE DEVELOPMENT MANAGEMENT SYSTEM



## CSR KPIS FOR 2019

Number of Social Idea projects in 2019 considered for implementation within the Company's business

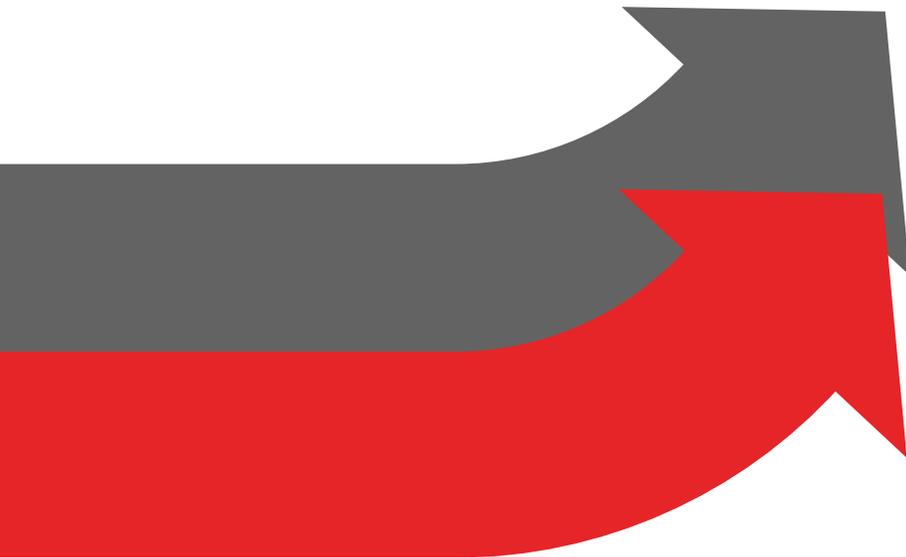
**307** projects

Share of regions in mts's socially important projects

**50%** (+8 pp)

Share of mts group employee volunteers participating in social programs

**14%**



### COMPLIANCE COMMITTEE

- > Anti-corruption
- > Security of personal data processing
- > Occupational safety
- > Observing human rights
- > Compliance with environmental standards

### OCCUPATIONAL HEALTH & SAFETY

IR

### PROCUREMENT MANAGEMENT

- Supplier code of business conduct:
- > Environmental protection
  - > Human rights

### BUSINESS ETHICS AND COMPLIANCE DEPARTMENT

### MARKETING DEPARTMENT

External audience involved in volunteer campaigns

**125** thousand people (+20%)

#### GRI 102-12

**QUALITY PRODUCTS AND SERVICES TO MEET THE NEEDS OF CUSTOMERS IN VARIOUS AREAS OF THEIR LIVES IN ORDER TO MAXIMIZE VALUE FOR CUSTOMERS AND THE COMPANY**

**PROMOTE THE QUALITY OF LIFE AND SAFETY FOR AN INDIVIDUAL AND SOCIETY THROUGH FOSTERING INNOVATION**

### PARTICIPATION IN MAJOR INTERNATIONAL AND NATIONAL INITIATIVES

- **GSMA**
- **The JAC association, CSR supplier audits**
- **The UN Global Compact (as a Signatory)**
- **The Russian Union of Industrialists and Entrepreneurs (RSPP, through Sistema PJSC)**
- **The Russian Managers Association**

### PUBLIC REPORTING

- > Sustainable Development Report (endorsed by the RSPP Board on Non-Financial Reporting)
- > Reporting under the CDP international system

## THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

The Board of Directors and the Management Board of MTS PJSC are the main governing bodies exercising oversight of CSR matters, including the environmental policy and climate-related activity. Their responsibilities include approval of the CSR strategy and social initiatives, as well as monitoring of the implementation and effectiveness of social initiatives, including in environmental protection. A member of the Management Board and Vice President for Human Resources, as well as the CSR Department (headed by a Department Director) in HR Management are responsible for planning, implementation and consolidation of CSR activity. Employees of regional units, including managers in the HR and talent management functions, as well as Marketing and PR employees, oversee the planning and implementation of MTS's regional social climate initiatives.

MTS PJSC's Board of Directors is responsible for reviewing the annual Sustainable Development Report and monitoring the performance against project and program objectives. The Board

of Directors receives regular updates on relevant risks, including climate change risks. A risk status report for MTS PJSC's risks is reviewed quarterly by the Risk Committee, which discusses the Company's key risks and makes collective decisions on mitigation measures. The Risk Committee is chaired by MTS's President. The Strategy Committee of MTS PJSC's Board of Directors oversees the IT and technology strategy. The IT strategy includes the energy saving policy.

The Strategy Committee of MTS PJSC's Board of Directors and the Management Board of MTS PJSC annually review the technology strategy which includes energy saving and energy efficiency programs, use of energy efficient equipment and the implementation of alternative energy sources – matters that are the responsibility of MTS's Chief Energy Officer. Regional offices annually present their local energy saving and energy efficiency targets and programs aligned with MTS's overall technology strategy.

## THE CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The CSR management system is aligned with the Company's business processes and MTS's new business strategy with the customer at the center of its ecosystem. As its business ecosystem develops, so does MTS's responsibility to all stakeholders. Cross-functional projects in CSR and sustainable development matter now more than ever. The role of the CSR Committee in these aspects is paramount as it facilitates the achievement of the set goals and addressing today's complex challenges.

The Committee is an advisory body under a member of the Management Board and Vice President for Human Resources of MTS PJSC. The Committee was established in 2011 to coordinate partnership programs, communicate the Company's CSR policy internally and externally, foster a CSR environment within and around the Company, consolidate and ensure the efficient use of Company resources in integrated CSR projects, conduct independent

reviews of Sustainable Development Reports and approve annual work plans of the Corporate Center and clusters.

The CSR Committee working group includes nominees from the following MTS's units:

- > CSR Department at HR
- > Administrative
- > Marketing
- > Sales and Customer Service
- > Procurement Management
- > Internal Control and Audit
- > Corporate and Legal
- > Corporate Security
- > Strategic Communications Department
- > Business Ethics and Compliance Department
- > Finance and Investments
- > HR Management
- > Cluster regional development directors
- > Partners and recognized experts in CSR.

In 2019, meetings in person and by absentee voting discussed the following matters:

- > presentation of the CSR and sustainable development strategy for 2019
- > presentation of the outcomes of MTS PJSC's self-assessment according to ISO 26000:2010
- > presentation of CSR and sustainable development KPIs
- > the Approval of the Material Topics and the Concept of the 2018 MTS Group Sustainable Development Report facilitation session
- > approval of the 2018 MTS Group Sustainable Development Report
- > approval of MTS's CDP Climate Change Questionnaire for 2018.

As the impact of MTS Group's sustainable development projects grows, plans for 2020 include restructuring the CSR Committee into the Sustainable Development and CSR Committee. To achieve the strategic goals in sustainable development, the Company has to develop effective cross-functional interaction between its divisions. For example, the Carbon Management Working Group was set up under the CSR Committee to facilitate the Unified Carbon Management Program and MTS PJSC's climate change risk assessment.



**In 2019, the CSR Committee developed a set of CSR and sustainable development KPIs. All the KPIs are linked to the Company's strategic priorities and grouped into thematic blocks: environmental, social, territories of operation, quality, and safety and security.**

## SUPERVISORY BOARD FOR CHARITY

The Supervisory Board for Charity is a collective body under the Strategic Communications Department. The Board supervises MTS Group's charitable activities, endorses and approves the list of charitable projects to be funded out of MTS Group's charity budget.

The Supervisory Board For Charity:

- > approves the Company's annual charitable activity plan
- > approves the charitable projects that emerge during the year and not included in the annual charitable activity plan
- > decides on increasing funding for a charitable project if such a request is initiated during the project implementation.



GRI 102-9

## PROCUREMENT MANAGEMENT

The procurement management process is designed to enable business development, serve the interests of the Company and guarantee the best value for money. Procurement is carried out in accordance with MTS PJSC's Procurement Rules<sup>1</sup>, developed in accordance with applicable laws and aimed at efficient use of funds, promoting competition and transparency. Equal access to procurement procedures is ensured by establishing a level playing field for all participants before a procurement procedure begins.

The Company has MTS PJSC's Supplier Code of Business Conduct<sup>2</sup>, containing minimum standards that suppliers are expected to comply with. In addition to operating ethically and with integrity, the Code emphasizes the need for supplier compliance with environmental laws and human rights.



See more information  
on the Procurement Rules



See more information  
on MTS PJSC's Supplier  
Code of Business Conduct

## COMPLIANCE COMMITTEE

In 2016, the Company established the Compliance Committee under MTS PJSC's President, which includes the President, top managers reporting directly to the President, and Vice President for Business Ethics and Compliance who is chairing the Committee.

The Committee was set up to make decisions related to the development and implementation of compliance programs which together form the Unified Compliance System. The main objective of the Compliance Committee is to drive the implementation of the compliance risk management policy, including risks of non-compliance with health and safety standards, environmental laws, human rights at the workplace laws and standards, as well as other aspects of sustainability activities.

In 2019, five Compliance Committee meetings were held with the following matters reviewed:

- > setting KPIs for the employees who are functionally responsible for compliance programs, implement assignments of the Committee and are on the working group under the Committee
- > allocation of necessary resources for the implementation of compliance programs
- > approval of an action plan to increase employee awareness of compliance program training courses and raise the profile of compliance programs as elements of the Unified Compliance System.



**The compliance risk management system is part of MTS Group's integrated risk management process. In 2019, a scheduled risk review was carried out with the compliance programs updated accordingly.**

<sup>1</sup> For more information on the Procurement Rules see our corporate website at <https://tenders.mts.ru/>.

<sup>2</sup> For more information on MTS PJSC's Supplier Code of Business Conduct see [https://tenders.mts.ru/upload/SUPPLIER\\_CODE.rar](https://tenders.mts.ru/upload/SUPPLIER_CODE.rar).