

## RESPONSIBLE SUPPLY CHAINS

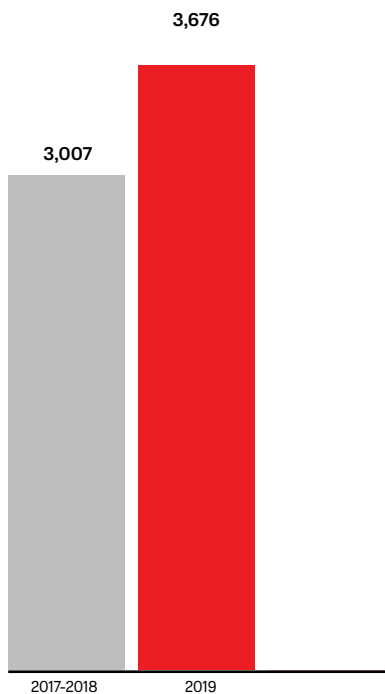
An integral part of MTS Group's procurement documentation is the Participant CSR Questionnaire, which is mandatory for all contractors to complete. The availability of an up-to-date Participant Questionnaire in the system accelerates the supplier verification process for compliance with MTS requirements when bidding.

The Participant Questionnaire covers CSR and compliance topics, including general information on compliance and CSR practices, as well as the topics of occupational health & safety and environmental protection. When completing the Questionnaire, a supplier also puts his signature in order to certify that they have read and understood the following documents:

- > MTS PJSC Anti-Corruption Laws Compliance Policy
- > MTS PJSC Code of Business Conduct and Ethics
- > MTS PJSC Supplier Code of Business Conduct

The submitted information is analyzed automatically. No participant can win a tender without completing a Questionnaire.

### \\ Participant CSR Questionnaires completed



The implementation of an automated completion functionality for Supplier Questionnaires has increased the number of both completed Questionnaires and suppliers complying or on the path to complying with CSR standards and principles.

In 2019, some amendments were made to the Company's procurement regulations:

- > Controls have been established as part of the development process for an intellectual property risk management system
- > The Participant Questionnaire has been expanded to cover information about subcontractors/joint contractors, as well as CSR topics
- > Within the MTS StartUp Hub, a startup-driven procurement procedure has been introduced for innovative projects

In order to promote sustainability among its suppliers, MTS has developed educational initiatives on the following topics:

- > Compliance
- > Policies and codes aligned with our corporate strategy.

MTS has also launched its CSR Platform educational project to spread sustainability and CSR knowledge among partners and suppliers, including the Sustainable Business Development course. In 2019, MTS held a number of supplier conferences, where compliance function provided the MTS's Anti-Corruption Tools for Procurement training. In addition, compliance and corruption risk prevention topics are included in the Supplier Questionnaire, Procurement Rules and Supplier Code.



For the MTS PJSC Anti-Corruption Laws Compliance Policy see our corporate website



For more information on the Sustainable Business Development course see our corporate website

## ANNUAL SUPPLIER ASSESSMENT

Previously, supplier assessments were conducted via a country-wide survey of MTS supplier-facing employees who managed the relevant relationships during the year. The Net Promoter Score (NPS) was used to calculate the overall score. In 2019, a decision was made to switch to a new supplier evaluation system based on actual supplier performance data covering metrics such as deadlines, fines and claims. A project was launched to develop an integrated automated supplier evaluation system driven by insights from internal and external sources into suppliers, their activities and competitive environment.

In 2019, radio subsystem construction contractors were evaluated using actual data on deadline performance, claims and fines. The resulting scores were used to rank suppliers, and a series of meetings were held to discuss issues arising from the performance of MTS contracts and orders.

## SUPPLIER TRAINING COURSE

The Sustainable Business Development course uses the webinar format and comprises eight lessons. Each lesson involves mandatory testing.

### Lesson topics

- > Sustainable development concept and principles
- > Management for sustainable development
  - Integration of sustainable development goals into business practices
- > Sustainable business development problems
- > Sustainable business development strategies
- > Sustainable development projects. Part 1 (social innovation)
- > Sustainable development projects. Part 2
- > New business models and designing for sustainable development



The Sustainable Business Development course is published on the MTS Corporate University's website



## “Responsible business. Be better every day” conference

The event brought together in one place about 200 major equipment suppliers and service vendors of MTS, NPOs, international experts, CSR and sustainable development managers, and top managers. The conference highlighted our strategic priorities for corporate social responsibility and discussed the problems related to global trends and Russian CSR and sustainable development practices, including in supply chains, as well as the impact of ESG factors on valuation and the tools that drive performance for businesses and stakeholders: employees and customers, suppliers and partners, shareholders and top management. The 2018 MTS Group Sustainable Development Report was also presented.

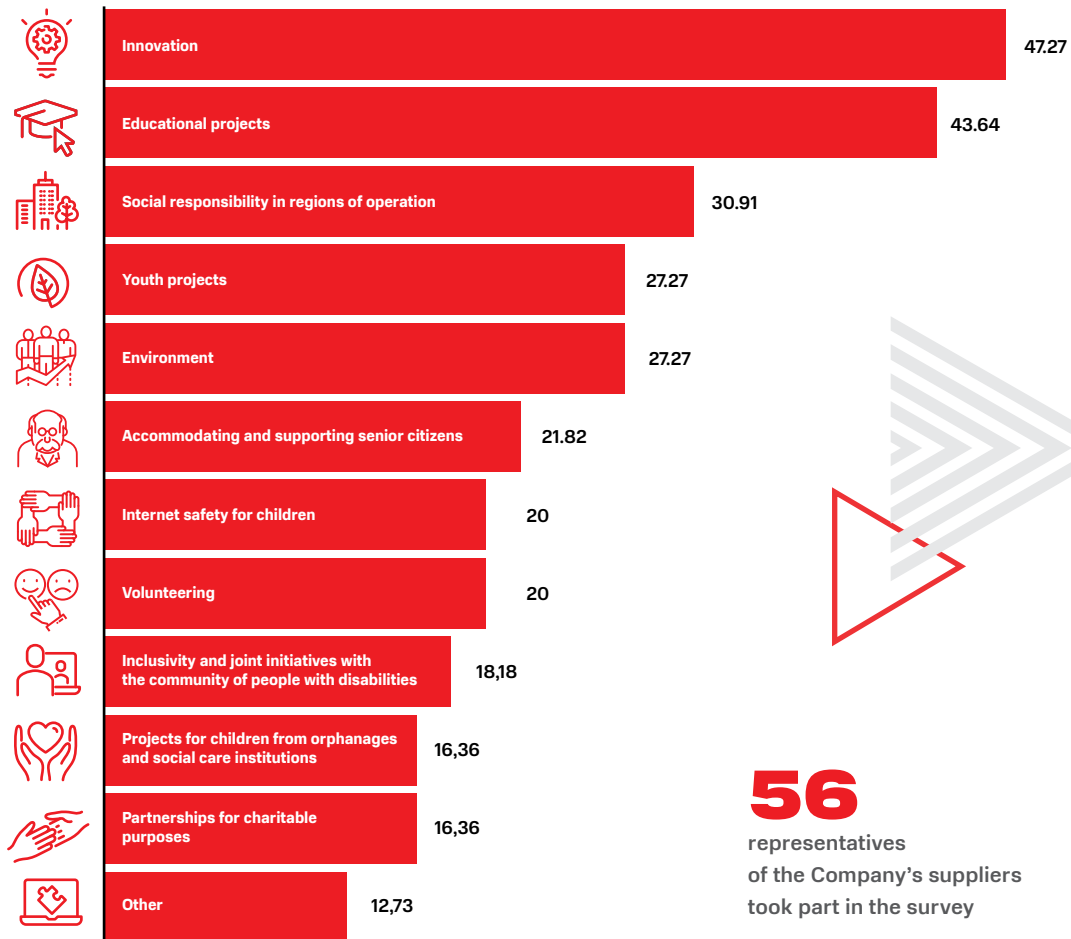
As a follow-up to the conference, a survey of suppliers was conducted to obtain feedback on the event and identify the topics and areas for further supplier engagement. The survey involved 56 representatives of the Company's suppliers.

# 200

representatives of major companies participated in the conference



\\ Areas in which suppliers are willing to collaborate with MTS



**56**  
representatives  
of the Company's suppliers  
took part in the survey

## JAC AUDITS

JAC targets enhancing the performance of those involved in the Information and Communication Technology (ICT) supply chains, including increased efficiency and productivity for companies and their suppliers, reducing pollution and any kind of environmental impact, improved conditions for workers, economic development and reducing risk to ensure continuity of supply.

Audits are undertaken according to the JAC CSR guidelines based on the internationally recognized CSR standards (SA8000, ISO 14000) and cover five main areas:

- > Labor;
- > Health & Safety;
- > Environmental;
- > Ethics;
- > Management Systems.

On average, each JAC member company undertakes five audits per year. MTS undertook four audits in 2018, five audits in 2019, and has planned six audits for 2020.

Audit reports, corrective action plans and information on their implementation progress are stored in a single database and are available to all JAC members. This approach allows members of the association to save financial and time resources spent on undertaking audits. By joining forces, each JAC member is empowered for better supplier engagement. This allows JAC members to promptly identify weaknesses in operations, close gaps, and ultimately improve the sustainability of their supply chains.

Participation in the Climate Change Workstream working group allowed MTS to gain access to best practices in greenhouse gas emissions management. This has enabled the Company to improve the performance of its existing initiatives and define new objectives in greenhouse gas emissions management, including:

- > identification of the most significant sources of greenhouse gas emissions and their volume in MTS's supply chain
- > setting targets to reduce greenhouse gas emissions in MTS's supply chain, measuring and monitoring progress on targets
- > setting requirements for suppliers to achieve emission reduction targets.

## \\Share of procurement queries handled by the Single Hotline in 2017–2019

Indicator	Topic	2017	2018	2019
Procurement Management's line within the Single Hotline ( <a href="mailto:buz@mts.ru">buz@mts.ru</a> )	Product, service and work proposals	204	179	236
	Participation in procurement procedures	128	110	124
	Other questions on corporate issues	2	3	6
<b>Total</b>		<b>334</b>	<b>292</b>	<b>366</b>
<a href="mailto:tendersmail@mts.ru">tendersmail@mts.ru</a> , an email address for supplier queries and consultations on navigating the Procurement Procedure Newsletter Opt-In System on the Procurement portal ( <a href="https://tenders.mts.ru">tenders.mts.ru</a> )	Account registration, restoration, and adding/removing points of contact	213	166	190
<b>Handled queries, %</b>		<b>100</b>	<b>100</b>	<b>100</b>

## JOINT PROCUREMENT

MTS runs joint procurement procedures with a number of partners. In addition to the economic benefits, such cooperation enables the standardization of technical and functional requirements, approaches and methods.

In 2019, MTS PJSC continued providing procurement outsourcing to five partner companies for various procurement categories. Procurement takes place in the form of joint procedures, collaboration or individual procedures. The total budget of partner procurement procedures amounted to some RUB 1.3 billion.

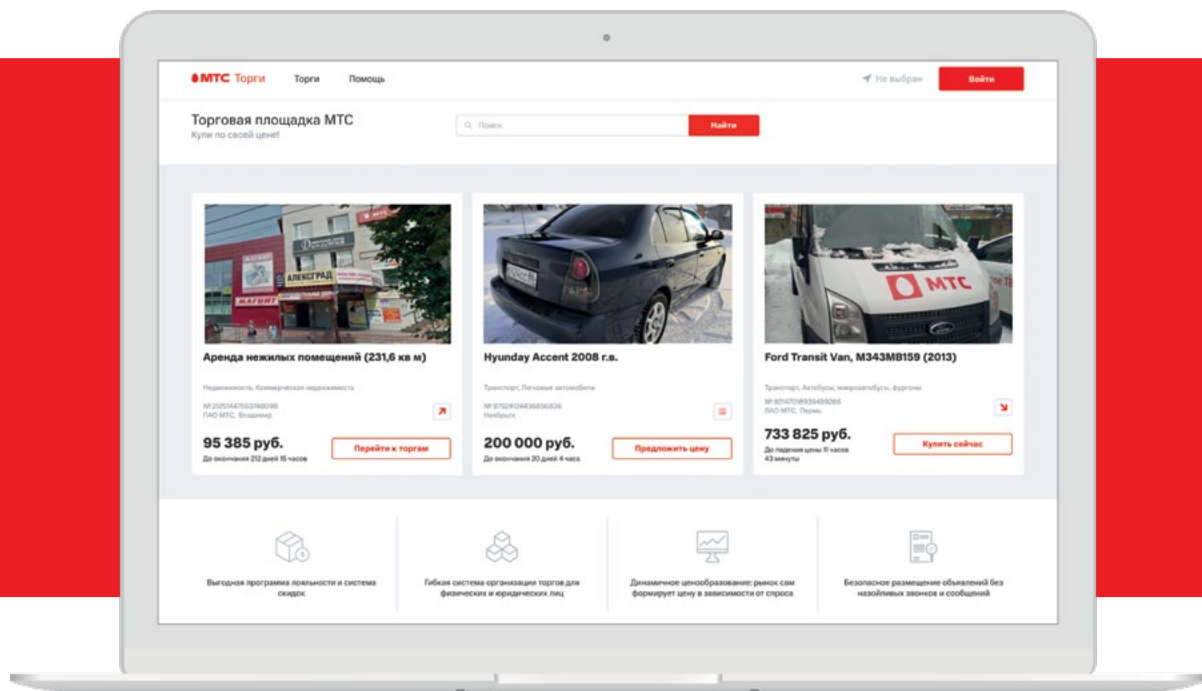
**RUB 1.3 bln**

total budget of partner procurement procedures

## MTS AUCTIONS

The MTS Auctions platform was launched in 2017 to dispose of all types of idle property and equipment of MTS. The platform is not only a corporate marketplace for selling property but also an efficient tool for optimizing costs, creating additional income streams and effective disposal of assets in the external market. This approach is aligned with our sustainable consumption model. All equipment and dead stock are sent for reuse, significantly reducing the amount of stored waste.

Starting from 2019, external companies may sell their assets via our platform, benefiting from the convenient sales tool with a transparent trading system we have brought to the market. In 2019, sales via the platform totaled RUB 1.15 billion, with MTS Group revenue at 45% of total sales.



**RUB 1.15 bln**

turnover on the MTS Auctions platform in 2019

**45 %**

of the total volume –  
MTS Group revenue



The MTS Auctions platform