

# MTS APPROACH TO SUSTAINABLE DEVELOPMENT AND SOCIAL RESPONSIBILITY



Last year we successfully demonstrated the readiness of the MTS ecosystem for socially responsible actions to all groups of stakeholders under the pandemic conditions.

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## SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

A negative impact of the COVID-19 pandemic demonstrated business vulnerability. Social relations between people were affected, which led to global economic crisis. Under these circumstances, ESG-related aspects came to the fore for the companies, since they made it possible to estimate the importance of the changes for further business development.

When assessing companies, investors started paying more attention not only to financial figures, but to performance as well. The issues such as carbon dioxide emissions, responsible supply chains, management of labor resources and respect for human rights in the work environment are becoming increasingly relevant. Moving towards a stronger and higher potential in the area of ESG, MTS demonstrates its commitment to achieve the objectives set, which are critical for all our stakeholders.

The strategic objective of MTS in the area of sustainable development and corporate social responsibility is to comply with the principles of transparent and responsible business aimed at improving the quality of living of people through rendering a wide range of services and developing innovations in the field of health care, education, environment, urban infrastructure and other spheres.

Solving the Company's strategic tasks related to social and environmental responsibility helps strengthen the corporate spirit and reputation of the employer,

demonstrates the transparency of business and enhances its attractiveness to shareholders, investors, partners and suppliers.

Social role of MTS is reflected in the Company's strategy in terms of ensuring confidentiality and security of clients' personal data, extended social package for the employees, control over environmental impact, lean power consumption and resource saving, support of inclusive programs and local communities, preservation of the cultural heritage and development of the territories of presence. The Company implements the principles of social responsibility in its corporate culture and strives to raise the awareness of all stakeholders, using various interaction formats.

An important part of MTS activities in the area of sustainable development and corporate social responsibility (SD and CSO) is to build up a sustainable supply chain. The Company develops relationships with suppliers based on the principles of honesty, integrity and transparency. The procurement management process is aimed at maximizing the development of the business and satisfying the interests of the Company, guaranteeing an optimal price-quality ratio<sup>1</sup>.

MTS activities in the area of SD and CSR in 2020 were carried out on the basis of the CSR Strategy effective until 2020, Business and HR Strategies of MTS, the UN Sustainable Development Goals until 2030 (SDGs), recommendations of the international Standard ISO 26000 (Guidance on Corporate Social Responsibility), best Russian and global practices.

The Board of Directors, the Management Board, the Committee on SD and CSR at the President of MTS PJSC are the main management bodies for sustainable business development and corporate social responsibility, which approve the strategies of CSR and social programs, monitor the implementation and evaluate their effectiveness.

The Committee on SD and CSR established in 2020 is necessary for the effective and timely introduction of the sustainable development principles into all business processes of the Company as an integral part and philosophy.

The basis for setting up the Committee on SD and CSR was the Committee on Corporate Social Responsibility at the member of the Management Board – Vice President for HR of MTS PJSC. Two working groups have been established at the Committee – for the preparation of the sustainable development report

and the Working Group on carbon management and responsible investment.

Prerequisites for setting up the Committee included a growing role of non-financial reporting, which is the basis for assessment of the Company's obligations related to compliance with the principles of sustainable development and corporate social responsibility approaches, in particular, timely and full disclosure of socially and environmentally significant information for investors and partners of the Company on ESG factors.

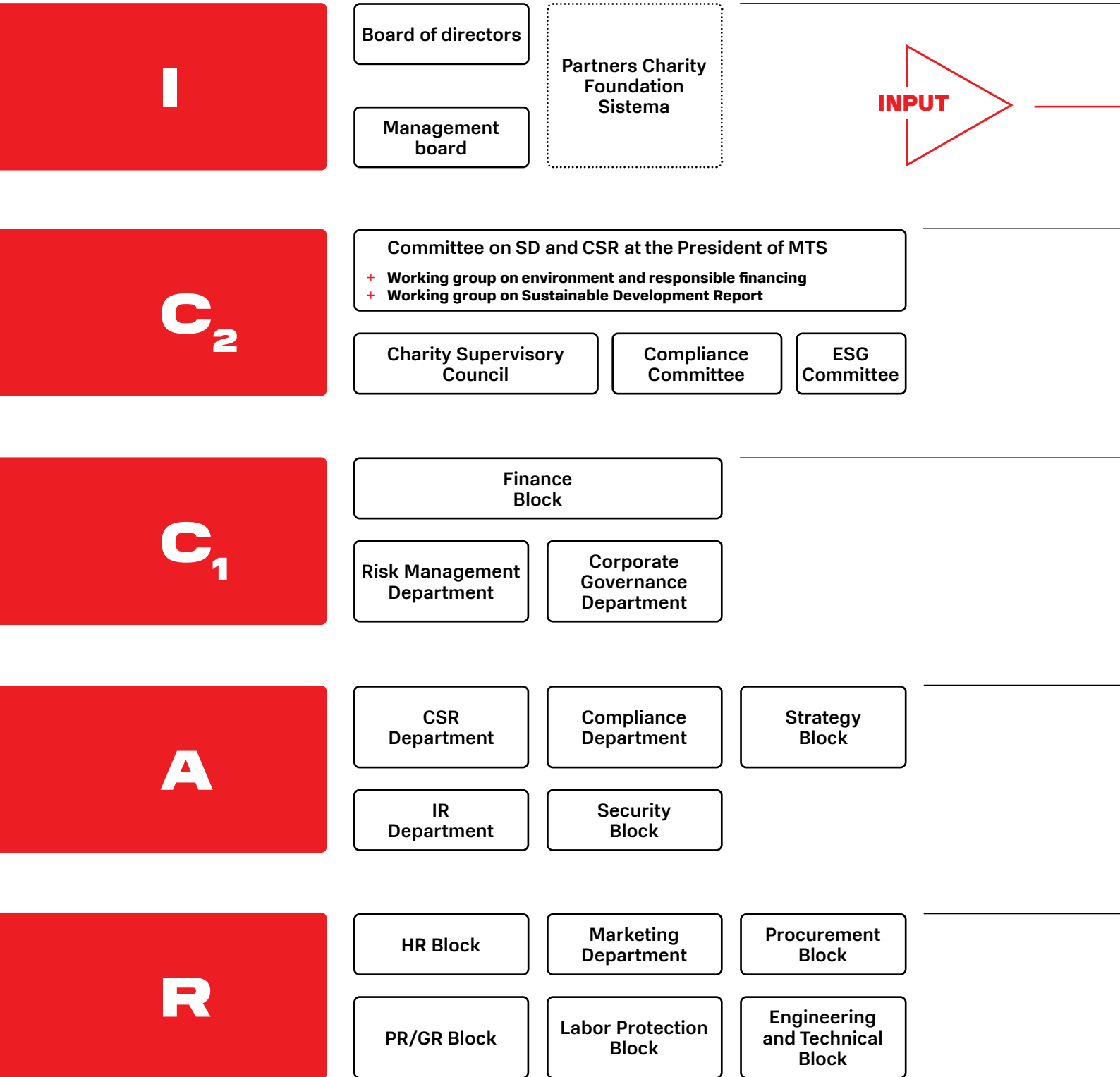
#### **The Committee on SD and CSR performs the following functions:**

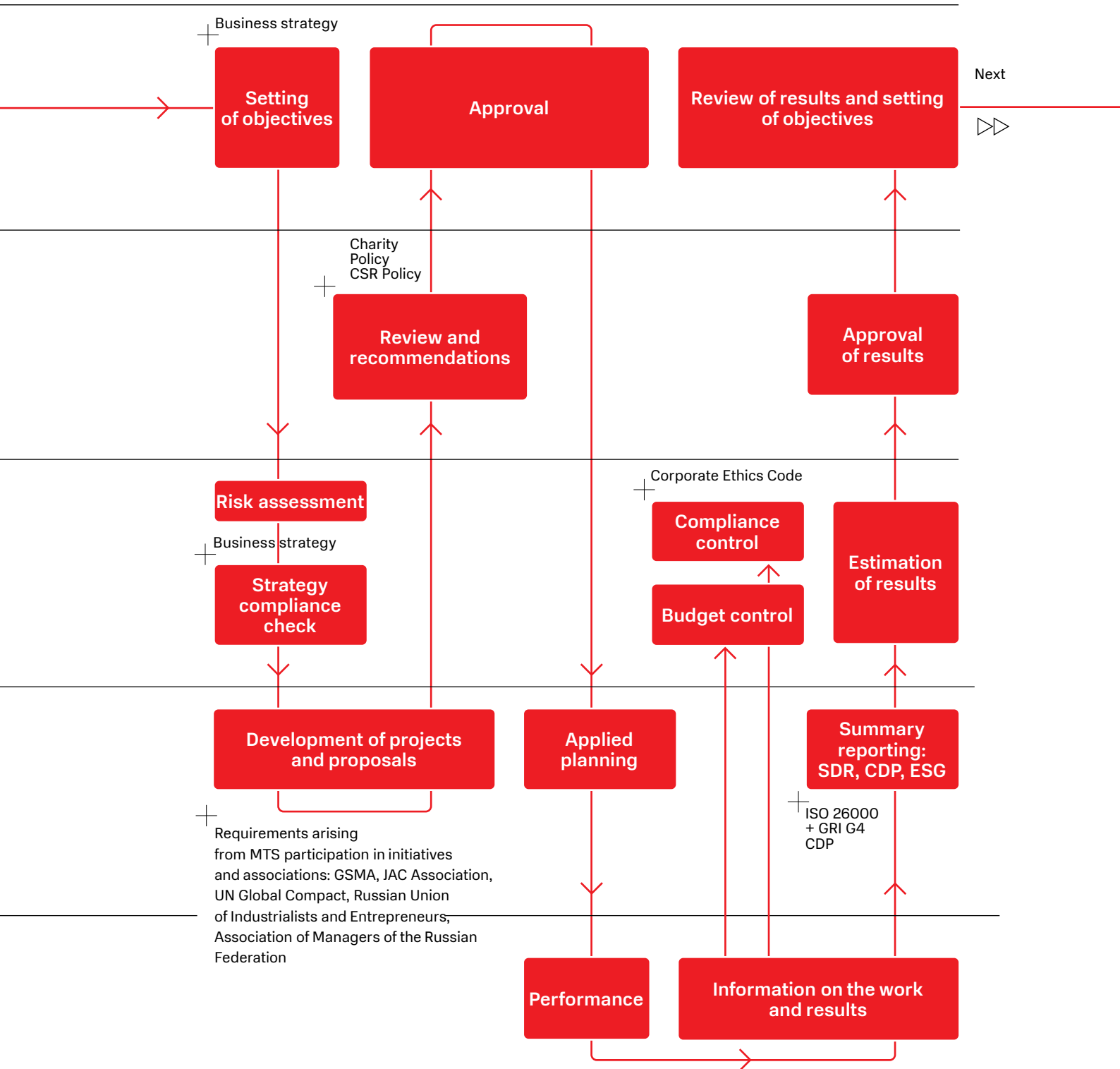
- › addressing of tasks in the area of SD and CSR set by the President, the Management Board, the Board of Directors of MTS PJSC and other authorized management bodies of the Company;
- › maintenance of a single corporate policy and positioning of the Company's commitment to the SD and CSR principles;
- › development and inclusion of the SD and CSR principles into MTS business strategy, functional strategies and other regulations of the Company;
- › initiation of changes to the Company's business processes in connection with the performance of functions and decisions of the Committee on SD and CSR;
- › approval of MTS Group's sustainable development report;
- › approval of strategic plans for operation of the corporate center and regions in the area of SD and CSR;
- › review of proposals on the possibility to implement large-scale external partnership programs in the area of SD and CSR;
- › establishment of the working groups at the Committee on SD and CSR to prepare and implement proposals for the development of MTS Group from the perspective of sustainability and social responsibility, including:
  - approval of the working group composition and the plan of works;
  - control over progress in the performance of the approved plan of works;
  - assessment of the effectiveness of implemented actions included into the approved plan of works;
  - approval of the results following performance of the approved plan of works;
- › review of the proposals to set up new working groups at the Committee on SD and CSR;
- › performance of other functions related to the implementation of the objectives assigned to the Committee on SD and CSR.

<sup>1</sup> More details on the supply chain are available in the Sustainable Development Report.

**\ Algorithm for managing cross-functional activities in the area of SD and CSR**

Main lines of activity of MTS in the area of SD and CSR: social, economic and environmental.





## SOCIAL AREA

In the social area, MTS strives to elevate the quality of life and to provide equal access for its clients and to care for its employees and their development, fosters the spirit of corporate volunteerism, and engages in charity work. Activities in the field of SD and CSR are aimed at all groups of the stakeholders, with which the Company interacts in the process of providing services.

MTS introduces the SD and CSR principles in the field of personnel management and improvement of labor conditions, establishment of a favorable and comfortable environment within the Company. Corporate volunteerism that has been in effect in MTS since 2011 (currently more than 7.5 thousand people) impacts higher level of personnel involvement in social activities.

## ECONOMIC AREA

MTS activities in the economic area are aimed at improving the social climate, promoting societal change and fostering social development. MTS demonstrates unwavering commitment to the principles of responsible business practice and builds a responsible supply chain through active participation in Joint Audit Cooperation (JAC), an international industrial organization of telecom operators. All activities of the Company in the markets of operation strictly comply with applicable local laws and regulations of relevant state authorities.

## ENVIRONMENTAL AREA

MTS is an environmentally responsible company. We strive to continuously improve energy efficiency of our facilities, and also to expand own program to use green alternative sources of energy. MTS consistently reduces its environmental footprint through active participation in dedicated climate action groups within industrial organizations GSMA and JAC; with the help of its own digital services, it enables clients and partners to responsibly approach the environmental protection issue.

## SD AND CSR STRATEGY. MAIN CONCLUSIONS

### MAIN RESULTS OF THE SD AND CSR STRATEGY IMPLEMENTATION IN 2020

- › MTS CSR Strategy for 2017–2020 was implemented, and the scheduled list of actions in environmental, social and business areas was completed.
- › The updated MTS SD and CSR Strategy until 2025, focused on MTS business strategy CLV 2.0 and HR strategy ELV 2.0, was approved.
- › The Committee on SD and CSR at the President of MTS PJSC<sup>1</sup> was established in connection with expanded impact areas of MTS Group's projects in the field of sustainable development.
- › The system of regular reporting has been built (report on sustainable development of MTS Group), permanent CSR corporate governance authorities are in place (Committee on SD and CSR at the President of MTS PJSC).
- › The working group on environment and responsible financing was established at the Committee on SD and CSR to create an ecosystem approach towards implementing environmental responsibility projects.
- › In March 2021, the ESG Committee was created under the MTS Board of Directors to monitor the introduction and implementation of the sustainable development principles in the Company, including the improvement of corporate governance, as well as environmental and social responsibility.
- › A new type of volunteering activity – Digital-volunteerism – was established as an important mechanism in the implementation of socially responsible actions under the conditions of COVID-19 pandemic.
- › The number of employees – participants in the volunteering movement of MTS, “Simply Do Good”, exceeded 7,500 volunteers.
- › Within the ecosystem project MTS Inclusion, a pilot project was launched for the recruitment of the disabled in MTS Retail network, and the practices of interaction with the inclusive audience were scaled up in partnership with the non-profit organizations, Public Employment Centers and charity foundations.
- › The array of social and environmental activities was expanded through involvement of Sistema PJSC assets and partnership with Charity Foundation Sistema.



<sup>1</sup> The committee was transformed from the existing one under the Vice President for Human Resources.

## SD AND CSR STRATEGY UNTIL 2025

Taking into account the qualitative and quantitative results of the first strategy implementation, and also the internal and external contexts, in December 2020, the Committee on SD and CSR approved and recommended for review by the Board of Directors of MTS PJSC the Strategy on Sustainable Development and Corporate Social Responsibility of MTS Group for 2021–2025 (hereinafter also referred to as the Strategy on SD and CSR)<sup>1</sup>.

The Strategy on SD and CSR includes principal provisions, both developing those included in the similar strategy of the previous cycle and those that replaced them. The approaches to be improved until 2025 cover the three areas:

- > new level of objectives based on the measurable contribution to solving specific social problems of the society and the humankind as a whole, which substantially expands the spectrum

of MTS focuses with objectives implying targeted proactive activity;

- > UN SDGs as the basis for planning, where MTS undertakes obligations for 14 out of 17 objectives within its industrial specifics and social role, and in respect of the 3 remaining ones – it responds to the requests of the parties concerned;
- > new KPIs that characterize the changes;
- > new tools related to the main business, such as marketing, assessment (information and estimation), volunteerism, and financial innovative tools;
- > correlation of the sustainable development “ecosystem” with the Company’s business strategy (suggesting a consumer “ecosystem”), which will cover units, subsidiaries, related organizations and contractors within the perimeter of impact of MTS for the purposes of building a single system in the area of SD and CSR;
- > taking into account the interests of all stakeholders, including the audience of marketing and societal relations.

### Principal provisions of the Strategy on SR and CSR until 2025



<sup>1</sup> Approved on December 24, 2020 at the Committee on Sustainable Development and CSR at the President of MTS.