

# ESG AND SUSTAINABLE DEVELOPMENT

156 ESG Agenda in MTS

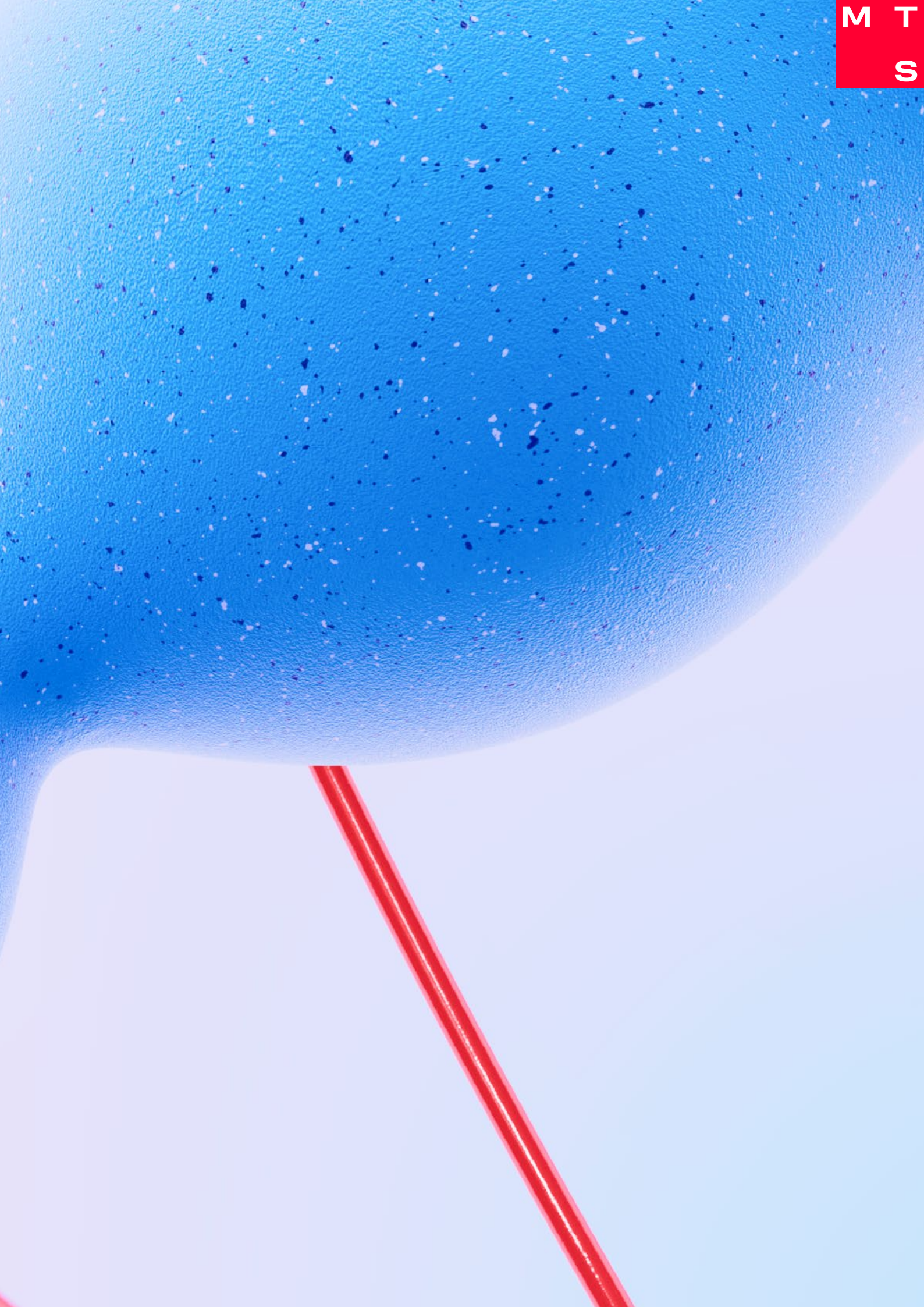
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# ESG AGENDA IN MTS

**In 2022, MTS has maintained a proactive approach to the implementation of the ESG agenda, taking into account current business challenges. Key principles of MTS are openness, transparency and high quality disclosure of significant ESG information for a wide range of stakeholders in the Annual Report, the Sustainable Development Report and the CDP.<sup>1</sup>**

As a representative of the JSFC Group, MTS took an active part in meetings of the ESG Alliance profile committees, contributed to the refinement of national methodologies for rating and ESG evaluation of Russian companies. Within the framework of the international ESG agenda, the Company continued to participate in the GSMA Association's international project "ESG Metrics for Mobile" on the development and piloting of an integrated ESG metrics system for the telecom industry and digital IT companies.

**In 2022, MTS representatives joined the 5 profile committees of the national ESG Alliance, which unites the leaders of the sustainable development agenda in Russia.**

MTS participates in an international project to conduct an ESG assessment of the largest suppliers of telecom and IT equipment. In 2022, a pilot was launched to survey a number of national counterparties according to ESG criteria.

## ESG agenda management system

**Board of Directors ESG Committee** — determines development priorities and advises on the MTS ESG agenda, evaluates the results of work in ESG areas. In the reporting year, 12 meetings were held in face-to-face form, including joint meetings of the ESG Committee and the Remuneration and Appointments Committee (for detailed information see "Board of Directors' Committees" Section).

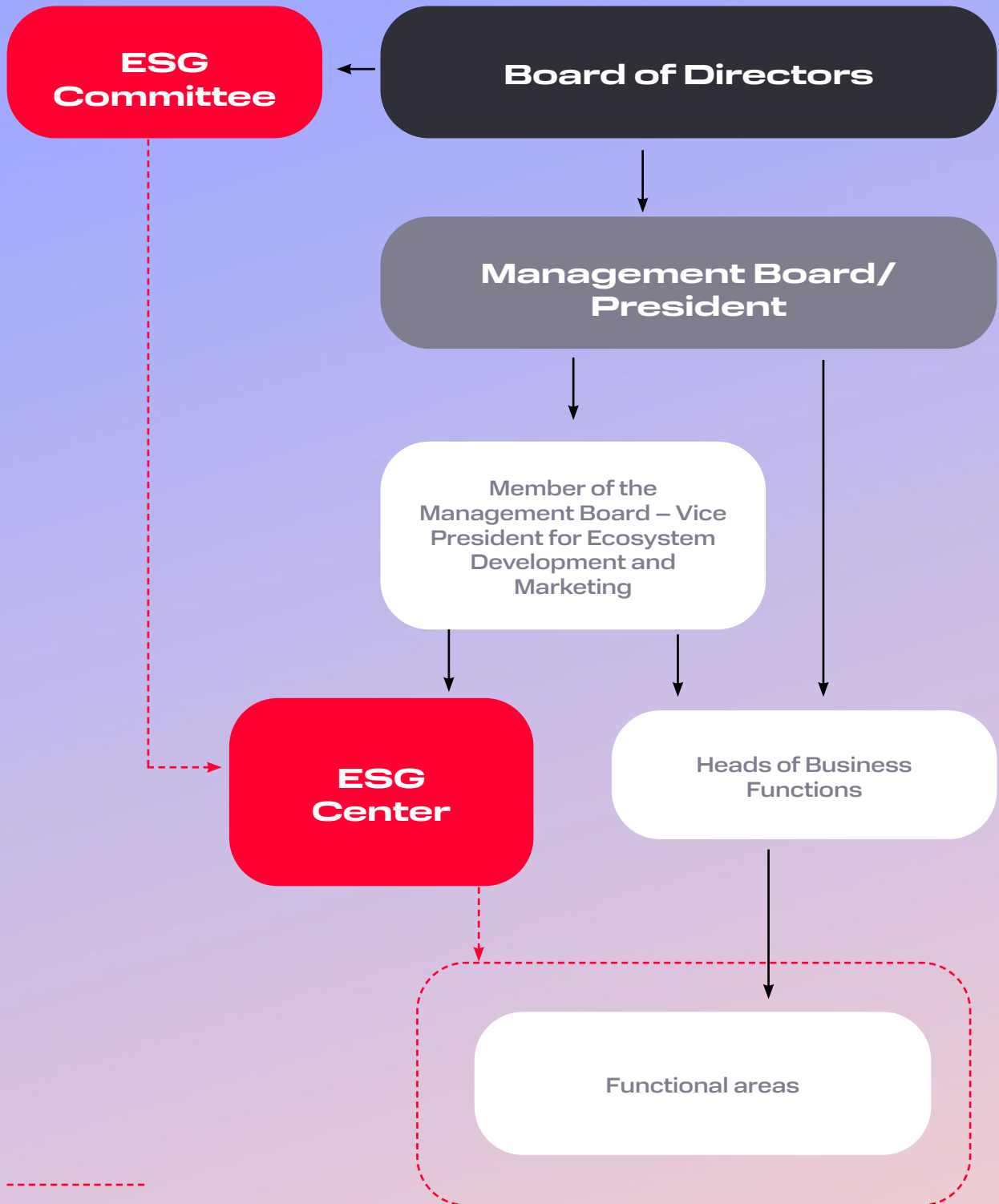
Подробная информация в разделе «Комитеты Совета директоров»

**MTS ESG Center** — is responsible for the formation and effective implementation of the ESG strategy, coordinates the implementation of key ESG areas, promotes the introduction of ESG aspects into the Company's business processes and the agenda of sustainable development in the MTS Group.

**Business areas involved in the ESG agenda** are responsible for the implementation of activities in key ESG areas, as well as collecting ESG data for further consolidation in the ESG Center.

<sup>1</sup> <https://ir.mts.ru/sustainability>.

# ESG Center in MTS structure



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Focus on SD

\_\_\_\_\_  
Business agenda

## ESG strategy

The MTS approach is based on the ESG risk management system and their consistent integration into all decision-making procedures, including strategic and operational planning, analysis of the impact of MTS projects and products on the ESG agenda.

In 2022, MTS revised the priorities of the implemented ESG initiatives, shifting the emphasis towards social support for employees and customers.

MTS actively expanded educational programs, introduced elements of an inclusive culture, provided support for a healthy lifestyle, etc. The company has provided continuous access to modern digital services and high-quality communication services for all categories of citizens, regardless of geographical location, nationality, age and health characteristics. национальной принадлежности, возраста и особенностей здоровья.

### MTS ESG Strategy



#### Environmental care

- Energy efficiency management
- Carbon footprint monitoring
- Development of circular economy
- Ecological education



#### Development of digital society

- Providing everyone with affordable products and services
- Digital skills training
- Development of skilled IT professionals
- Developing digital infrastructure



#### Providing an inclusive environment

- Observance of human rights, decent working conditions, inclusion and diversity
- Providing everyone with accessible environment
- Volunteering
- Support of development of regions and communities



#### Responsible business management

- Ethical business conduct
- Information security
- Efficient ESG agenda management
- ESG agenda development at the local and global level

● Environment   ● Social area   ● Corporate governance



# RESPONSIBLE BUSINESS MANAGEMENT

## Code of Business Conduct and Ethics of MTS PJSC

The Code of Business Conduct and Ethics of MTS PJSC<sup>1</sup> includes key principles, a set of standards and requirements accepted at the Company with the purpose of maintaining fair and ethical business of

MTS PJSC and preventing abuse. Provisions of the Code were updated in 2021. In 2022, more than 97% of employees of MTS PJSC completed e-training in the Code of Business Conduct and Ethics.

## Code of Business Conduct of MTS PJSC Counterparty

In accordance with the best international practices, the Company has approved the MTS Counterparty Code of Business Conduct<sup>2</sup>, which contains basic requirements and ethical standards, compliance with which is expected from MTS counterparties. The provisions of the Code apply to all counterparties of MTS, as well as any third parties involved by a

counterparty to act on behalf and/or for the benefit of MTS Group. Familiarization with the Code and acceptance of its commitments are an integral part of the contractual relationship with the Company. Over 3,200 counterparties completed training in various formats during 2022.

## Unified Compliance System supporting ESG strategy

Compliance programs that support our ESG strategy allows us to develop our ecosystem based on business ethics principles, strictly following the requirements of the regulatory authorities, investing in sustainable development of society while observing the balance of stakeholders' interests.

Since 2016, the Company has been actively developing the Unified Compliance System (hereinafter — UCS) on the basis of the norms of the applicable law, recommendations of regulatory authorities, the specific nature of the industry and best practices in this sphere. UCS allows us to to develop our ecosystem based on business ethics principles,

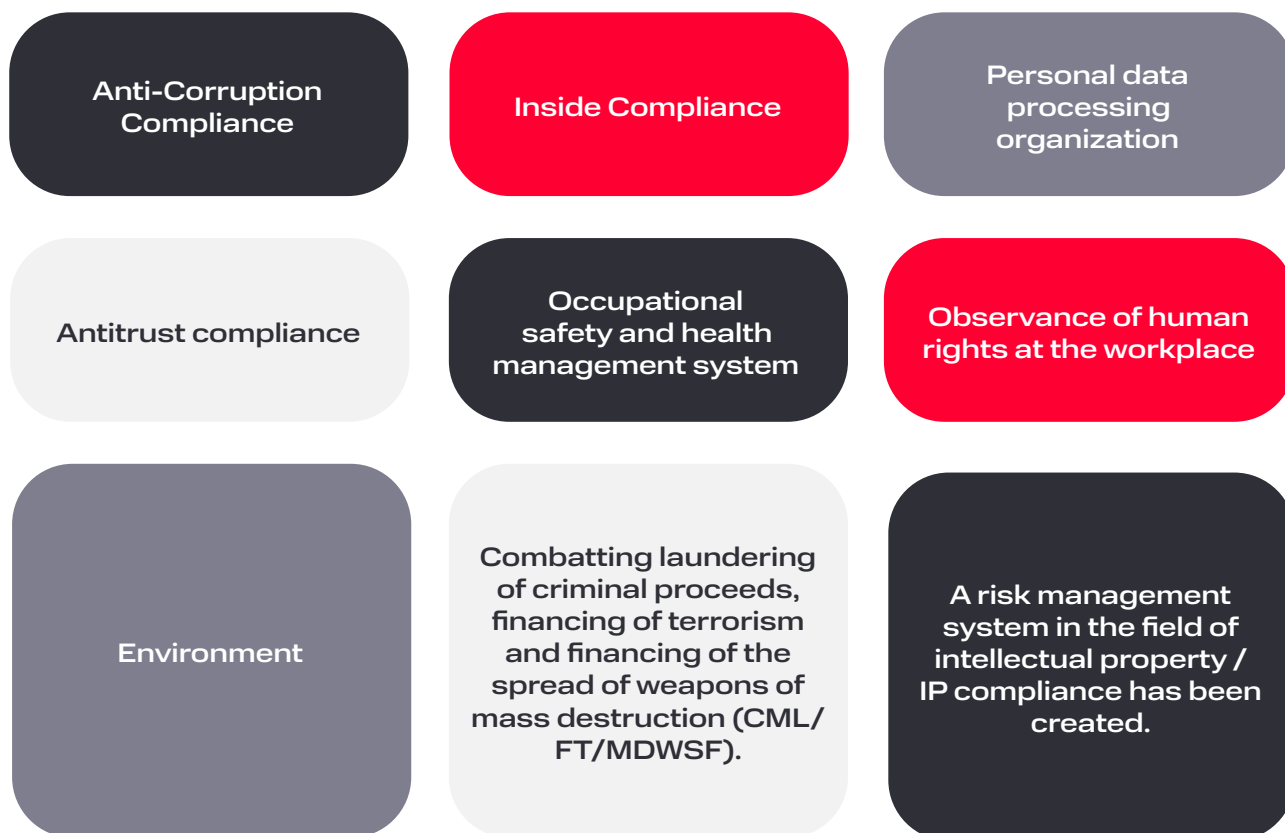
strictly following the requirements of the regulatory authorities, investing in sustainable development of society while observing the balance of stakeholders' interests.

MTS makes a significant contribution to the processes of digitalization and increasing the transparency of information flows. In this regard, it is especially important for the Company to build an effective compliance risk management system at all levels, in all businesses and in all areas of presence. The unified compliance system for the entire MTS digital holding is based on the general principles of sustainable development and ethical behavior,

<sup>1</sup> [https://ir.mts.ru/about\\_mts/compliance\\_and\\_business\\_ethics](https://ir.mts.ru/about_mts/compliance_and_business_ethics).

<sup>2</sup> [https://ir.mts.ru/about\\_mts/compliance\\_and\\_business\\_ethics](https://ir.mts.ru/about_mts/compliance_and_business_ethics).

## Key areas of MTS Unified Compliance System



forms the foundation of its responsible management (G part of ESG strategy).

Each compliance areas is assigned to the relevant mentor functional units, each of which implements its compliance program and risk minimization system. Coordination of implementation and operation of the Unified Compliance System is entrusted to the Department of Business Ethics and Compliance of MTS PJSC.

**In 2022, a supervisory audit of USC MTS compliance was performed with ISO 37001:2016 (“Systems of Compliance Management”). MTS also confirmed compliance with the requirements to the international standard ISO 37301:2021 with the scope of application “Anticorruption Compliance Management Systems”.**

In 2022, a scheduled work was carried out to reassess risks with a subsequent adaptation of compliance programs. The risks of compliance programs are taken into account in the general risk management system of the Company. Much attention was

paid to activities aimed at improving the level of compliance culture of employees. On the corporate portal, the blog of the UCS regularly posted publications on the most significant events of the compliance program. An annual survey of MTS employees was conducted to assess the level of compliance culture in the Company. The overall level of compliance culture was 91.1 points, which is 2.1 points higher than last year’s results.

### Compliance Committee

In 2016, the Company established the Compliance Committee under the President of MTS PJSC, which included the President, the managers in his direct subordination. The Committee is chaired by the Vice President for Business Ethics and Compliance.

The Committee was established to make decisions on the setting-up and implementation of compliance programs. The main tasks of the Committee are to implement a policy in the area of compliance risk management and to make proposals on the directions of development of MTS Group in this area.

As part of the Committee's work in 2022, the following issues were considered:

- results of the Supervisory Audit of the USC 2022 for compliance with ISO 37301:2021 (formerly ISO 19600:2014) and ISO 37001:2016;
- approval of changes in the Regulations on the Compliance Committee, as well as making changes to the Working Group composition;
- consideration of the Progress Report of MTS PJSC UCS for the 2nd half of 2021 and the 1st half of 2022.

## Day of Ethics and Compliance

Annually in October, the Company celebrates the corporate Day of Ethics and Compliance. On this day, MTS PJSC and subsidiaries of the Company conduct training sessions, master classes, and topical competitions. In 2022, the Day of Ethics was held under the slogan "Ethics has its own aesthetics". An appeal was published from the Vice President for Business Ethics and Compliance on the importance of the corporate value #together as an element of trust, support and respect among the company's employees. Engaging events were also held: the Compliance Cup game among MTS Group employees, creative contests, dialogues on the principles of employment in the company, as well as other events prepared by the curators of compliance programs of the MTS Unified Compliance System.

## The Unified Hotline

Information on violations of business ethics and compliance standards by MTS employees can be reported to the Unified Hotline<sup>1</sup>. All requests received are checked in accordance with the local regulation

that determines the procedure for addressing such requests.

Proposals for improvement of anti-corruption procedures and other internal control procedures are received at the hotline addressed to the Audit Committee of the Board of Directors and the Internal Control Block. A person who has submitted relevant information is protected from any forms of pressure (including from dismissal, persecution, any forms of discrimination).

In 2022, the processing of reports received at the Unified Hotline (hereinafter referred to as the "UH") was carried out in accordance with the Regulations on Processing of Reports Received at the Unified Hotline of MTS Group. Conclusions and responses to messages' authors were prepared in a timely manner. Press releases on UH were posted on the corporate MTS information portal on a monthly basis in order to inform MTS Group employees about the UH operational results.

All situations of conflict of interest, violation of the provisions of the Code of Business Conduct and Ethics, risks of violation of anti-corruption legislation were settled in accordance with the Code of Business Conduct and Ethics, the Conflict of Interest Management Policy and the Anti-Corruption Law Compliance Policy approved by the Company with the involvement of the Business Ethics & Compliance Department.

The Company ensures an independent and comprehensive review of all reports of possible violations. MTS has a permanent MTS Discipline Committee that reviews cases of compliance violations and other significant violations, ensuring compliance with the principles of legality, fairness, uniformity and reasonableness when making decisions on the imposing disciplinary penalties to employees, and develops sustainable corrective measures. In addition, the Company has developed and applied

<sup>1</sup> <https://hotline-mts.b1.ru/>

The Unified Hotline is an essential tool for promoting honest and ethical business, as well as preventing violations of the Code of Business Conduct and Ethics, internal company policies and procedures. This is an indicator of trust of employees and third parties who are ready to report violations in the Company and thereby contribute to their elimination.

Commitment to the principles of transparency will help us to develop and maintain an atmosphere of trust and comfortable working environment, where employees will perform their duties in good faith, without being afraid of getting involved in any unfavorable situation".

**Director for Internal Audit**



## Number of messages received at the Unified Hotline of MTS Group

MTS Group companies	2020	2021	2022
RTC JSC	575	534	460
MTS PJSC	1105	647	327
MGTS PJSC	32	38	33
MTS Digital LLC	1	15	31
MTS Bank PJSC	37	13	17
MTS Armenia CJSC	24	14	16
MTS Belarus	11	16	14
Satellite TV LLC	0	5	7
Green Point Group of Companies	0	12	2
MTS Entertainment LLC	0	1	0
NVision Group JSC	41	—	—
NIS JSC	2	—	—
<b>Total</b>	<b>1,828</b>	<b>1,295</b>	<b>907</b>

compliance KPIs and compliance triggers that support the commitment of all employees to business ethics and compliance standards.

In accordance with the law, work has been carried out with employees who have committed violations of the Company's internal regulatory documents to eliminate violations and prevent the recurrence of such situations in the future.

### Anti-Corruption Compliance

The anti-corruption compliance program at MTS PJSC establishes measures to control regulatory risks, to protect the Company from any manifestations of corruption (both within the Company and attempts to involve the Company in corrupt activity from the outside), to improve the corporate culture, introduce and develop in the Company the best corporate governance practices, as well as standards of responsible and ethical behavior.

The Company provides an independent and comprehensive investigation of all possible violations. In MTS, the Discipline Committee of MTS is in place on a constant basis that reviews cases of violations of compliance requirements and other significant violations, ensuring the observance of the principles of legality, justice, uniformity and reasonableness when making decisions on the application of disciplinary sanctions to employees, and develops sustainable corrective measures. Moreover, the

Company has developed and applies compliance KPIs and compliance triggers that support the commitment of all employees to the business ethics and compliance standards.

### Projects and initiatives in the development of the anti-corruption compliance program and strengthening of the compliance culture in 2022

In 2022, in order to improve the compliance culture, a number of initiatives were implemented:

- All local regulations containing compliance controls have been reviewed and updated taking into account the risks identified.
- A methodological framework of MTS Group has been updated to perform operational tasks in accordance with the requirements of the regulator and anti-bribery and anti-corruption best practices.
- As part of a large-scale project to automate compliance processes:
  - a single IT tool "Risk Matrix" has been developed and implemented. Risk-Matrix is applicable for the annual risk assessment, quarterly monitoring and testing, compliance policies' management, annual management compliance certifi—

cation and integrated review of the Company's business environment;

— a case management system (CMS) has been introduced, which increases the efficiency of the investigation and verification process, as well as systematizes the identified root causes and the results of working therewith;

— a process of contractor complex verification has been automated;

— an automated conflict of interest management system has been implemented.

- Mandatory compliance courses were held, in which more than 26 thousand MTS employees (more than 97 %) took part.
- Directors for regional development and directors of the branches spoke to the employees on the subject of compliance, explained compliance controls, promoted values and importance of compliance culture and conducted activities in the regions, discussed ethical dilemmas in teams. In 2022, about 450 events were held with the participation of more than 89 thousand employees.
- Posts and information materials were posted in compliance communities, on the corporate portal "Pulse". In 2022, 21 posts were published on the anti-corruption area of compliance, in the group "Unified Compliance System. A communication campaign was conducted to promote the culture of open conversation.
- For the purposes of spreading best compliance practices and sharing experience, in 2022, representatives of the Business Ethics and Compliance Department were speakers at 12 external compliance events, including: the conference "Compliance in Russia — the future we are creating today", the 9th Annual Conference "Compliance in Russia: The future that we are creating today", meetings of RCCA Anti-corruption Core Group, etc.

## Inside Compliance

MTS PJSC, as a company with on-exchange trading of its financial instruments in Russia and the United States, pays great attention to maintaining an effective system of misuse of insider information and market manipulation.

The system preventing breaches of legislation on the usage of insider information built with due account of best Russian and international practices, based on the three underlying documents: Regulation on Principles and Procedures for Preventing Transactions using MTS Insider Information, Policy "On Countering the Misuse of Insider Information and Market Manipulation" and "Conditions for Transactions with Financial Instruments of Companies MTS Group by Individuals Specified in Clauses 7 and 13 of Article 4 of the Law on Insider Information<sup>1</sup>, included in the list of MTS insiders, and persons associated therewith."

Local regulations of MTS PJSC define the procedure for using insider information, rules for protecting its confidentiality and monitoring compliance with the requirements of law on the use of insider information. Control procedures ensure fair pricing of financial instruments, protection of the rights and property interests of all MTS shareholders and equality of other investors in terms of the timing and volume of information received, strengthening investor confidence and curbing abuse in the form of misuse of insider information and market manipulation.

In accordance with best practices, the Company set limits for all employees regarding the performance of operations involving MTS PJSC securities in so-called "closed" periods. The next Closed Period starts every time 14 calendar days prior to the scheduled date of publication of MTS financial performance data for the previous financial quarter and ends two business days after the publication.

In order to ensure compliance with the requirements for "closed" periods, the system provides for quarterly reporting (twice per quarter) of employees and members of management bodies on their beginning and end. In addition, special calendar has been created in a special information system for members of the management bodies, which contains up-to-date information on the current "closed" or "open" period.

The Company maintains a list of its insiders. It includes individuals and legal entities. Since 2014, the Company has operated a full-time training system for all insiders who are employees of the Company. When being hired, each employee reads Company's regulations aimed at preventing violations of insider laws. In 2022, an interactive course for all employees of the Company dedicated to the basics of insider law was updated.

Risks related to the violation of insider legislation are recorded in a specialized automated system and are reevaluated every six months or on a regular basis.

<sup>1</sup> Federal Law dated 27.07.2010 N 224-FZ "On Countering the Misuse of Insider Information and Market Manipulation and on Amending Certain Legislative Acts of the Russian Federation".

# Results of independent appraisal of the compliance culture level

## General survey results

**91.1**

Overall indicator of culture in MTS Group in 2022

+ 2.1 point to the 2021 results of MTS Group

**89.0**

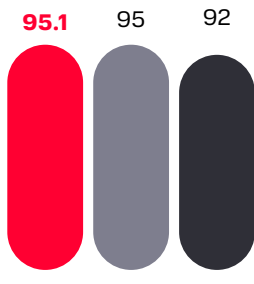
Overall indicator of culture in MTS Group in 2021

**83.7**

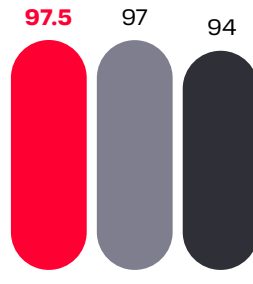
Benchmark

+ 7.4 points to the 2021 benchmark

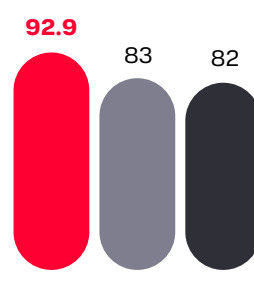
### Results by each Pillar



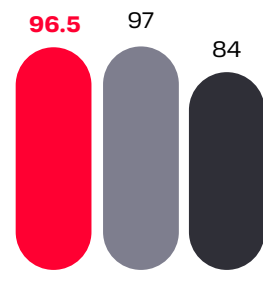
Pillar 1. Awareness of the Program and Resources



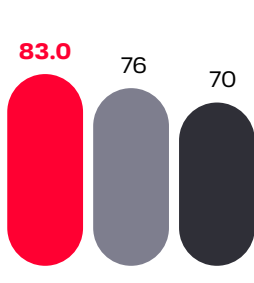
Pillar 2. Perception of the Function



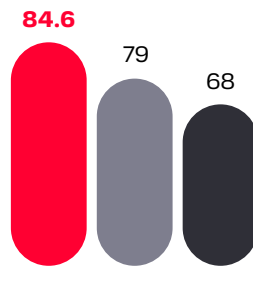
Pillar 3. Controlling Misconduct and Reporting Violations



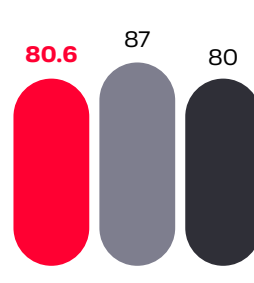
Pillar 4. Pressure



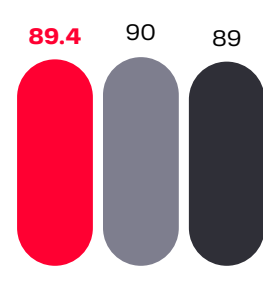
Pillar 5. Organizational Justice



Pillar 6. Perception of the Supervisor



Pillar 7. Perception of the Senior Management



Pillar 8. Perception of Colleagues and the Environment

● 2022 ● 2021 ● Benchmark

In accordance with the requirements of the Law on Insider Information, MTS has approved Internal Control Rules for Preventing, Detecting and Suppressing the Misuse of Insider Information and (or) Market Manipulation, and a working group has been established to control compliance with the requirements of insider information law and monitor its implementation. The internal control rules establish the goals, objectives and methods of internal control over MTS' compliance with the requirements of the law on insider information, the procedure and timing of disclosure of MTS insider information, the procedure for access to insider information and the rules for protecting its confidentiality. Monitoring MTS' compliance with the requirements of insider information law is part of the duties of the Vice President for Corporate and Legal Affairs of the MTS Group CC (member of the Management Board), who is accountable to the President of MTS.

In order to maintain an effective insider compliance program, the Company audits the program controls as necessary (taking into account the risk-based approach) — by the internal audit unit headed by a person accountable to the Board of Directors.

### Personal data processing organization

In 2022, the Information Security Department identified the main areas of changes.

- Customer care
- Continuous engagement
- Assistance of product teams
- Simplicity and speed
- Mutual trust with product teams

In the reporting year, the following documents were updated: Policy "Personal data processing in MTS PJSC" and Regulations of the Process "Recruitment, hiring and adaptation of personnel". Notifications in the register of personal data operators have been updated taking into account changes in the personal data law. Risks associated with violation of the legislation on personal data are taken into account in the Company's risk management system and are reassessed on a regular basis. In 2022, 32.1 thousand MTS employees completed training in "Personal Data Processing at MTS PJSC".

### Antitrust compliance

In 2022, the Company conducted large-scale anti-trust training in subsidiaries based on a risk-oriented approach and taking into account the specifics of MTS activities. Antitrust controls were also finalized when acquiring new assets, interaction between various units in subsidiaries was strengthened, including accountability for antitrust risks.

In order to consolidate employees' "zero tolerance" to violations of antitrust law, the Company regularly informs employees about antitrust requirements using various formats.

### Occupational Health and Safety Management System<sup>1</sup>

The Company operates a two-tier system of H&S management, focused on creating a safe working environment, prevention of occupational injuries and personnel training in safe work rules.

As part of the compliance program, the following activities were carried out in 2022:

- special assessment of working conditions and production control;
- procedures for identification, assessment and management of professional risks;
- medical examinations;
- training of employees and experts in the field of health-and-safety;
- provision of the employees with the special clothing, safety shoes and other personal protective equipment;
- various events and communications in order to increase employee awareness of health and safety;
- control procedures of various levels;
- interaction with regulatory authorities.

The costs of organizing occupational safety measures increase annually due to the expansion of the staff and the list of implemented measures.

<sup>1</sup> Detailed information on the program is contained in the section "Our Employees".



## Human rights at the workplace<sup>1</sup>

In 2022, the Company continued work on development of the compliance program "Observance of Human Rights at the Workplace" according to the recommendations received based on the results of the external annual audit of compliance programs and the results of assessment of compliance risks at the level of business processes.

Based on 2022 results:

- an additional risk associated with violation of employee rights during the coronavirus pandemic was added to the risk register;
- the "Human Rights at the Workplace" section was updated at the internal corporate portal;
- the company launched a training course "Human Rights at the Workplace" to be completed by all employees.
- the Policy "MTS Activities in the Field of Diversity, Equality and Inclusiveness" has been updated in accordance with the Company's strategic goals.
- Four educational courses have been created for managers, recruiters and HR specialists, team employees and employees with disabilities within the framework of the MTS Inclusion program on the topics of interaction with people with disabilities.
- an audit of the company's business processes DEI-metrics was conducted, an action plan has been drawn up to comply with the principles of inclusiveness, diversity and equality, including in the field of human rights.
- Workplaces and offices of the Company were audited from the position of accessibility for people with disabilities.

## Environment<sup>2</sup>

The MTS approach is based on effective management of regulatory environmental and climate risks. In 2022, the Company continued to implement the environmental safety program at MTS facilities, strategic projects on environmental responsibility aimed at the widespread introduction of the principles of cyclical economy into the business

processes of MTS Group, and also approved the results of an analytical study on the areas and indicators of energy efficiency improvement of companies in the technology sector at the ESG Committee of the Board of Directors. Regular work on the audit of the environmental protection function in MTS branches has continued.

In August 2022, the Company updated the intra-corporate eco-educational project. More than two thousand employees watched a series of MTS Terra training webinars.

Employees are regularly informed about the requirements of law in the field of environmental safety and environmental protection. On the MTS Blog platform, over 30 articles on various environmental topics have been published.

## Combatting the legalization (laundering) of criminal proceeds, the financing of terrorism and/or financing of the spread of weapons of mass destruction (CML/FT/MDWSF).

The CML/FT/MDWSF program has been developed pursuant to the requirements of the applicable legislation, which changes are monitored on a regular basis. The Department of Regional Security conducts a daily audit of all MTS subscribers to check whether some of the subscribers are included in the list of Rosfinmonitoring. When the Company's subscribers carry out high-risk transactions on personal accounts, an additional check is initiated against the database of invalid passports. The Company also carries out daily monitoring of termination of contracts for the provision of communication services with the return of the balance of the advance, as well as other transactions of subscribers.

In 2022, the Company:

- updated local regulations developed for the purposes of CML/TF/MDWSF;
- conducted scheduled training of the top management in the form of targeted briefing / raising the level of knowledge for the purpose of CML/TF/MDWSF.

<sup>1</sup> Detailed information is provided in "ESG and Sustainable Development" Section, as well as in MTS PJSC Sustainability Report for 2022

<sup>2</sup> Detailed information about the Company's approaches to managing its own environmental impact is provided in the "Caring for the Environment" section of this report, as well as in the MTS Group Report on Sustainable Development for 2022.

## Risk management system in the field of intellectual property

In 2022, the compliance program "Intellectual Property Risk Management System" successfully confirmed compliance with the new standard "Compliance Management Systems" (ISO 37301:2021, formerly ISO 19600:2014) and continued its development.

In order to manage the risks associated with intellectual property, changes were made to internal documents regulating the processes of software lifecycle management, the launch of marketing programs and the organization of contractual work.

To simplify the verification of the designations of marketing materials, a naming verification service was created. The service helps to speed up the verification for infringement of intellectual property rights of third parties by checking designations against databases and ranking the results depending on the possible risks of infringement of rights.

In 2022, the mandatory remote learning course "Rules for the Use of Intellectual Property" was

updated, which is taken by all employees of the Company.

Training events were held on the issues of risks in procurement and conclusion of contracts in the field of intellectual property, use of copyright items in PR events, creation of derivative copyright objects and the International Intellectual Property Day.

The Company continued to work on projects for the automation of management of intellectual property and related risks.

## Compliance training for members of MTS PJSC Board of Directors

In 2022, trainings on the anti-corruption compliance system were conducted for members of the Board of Directors of MTS PJSC, the Management Board and members of the Board of Directors committees.

The training was attended by 100% of the members of the Board of Directors, the Management Board and members of Committees of the Board of Directors.

## Responsible supply chain

The Company's purchases are carried out in accordance with the MTS Procurement Rules<sup>1</sup>, developed in accordance with the legal requirements. The MTS PJSC Counterparty Code of Business Conduct<sup>2</sup> contains recommended standards, compliance with which is expected from counterparties, applies in all subsidiaries and affiliates of MTS PJSC. In addition to good faith and honesty, the Code notes the importance of compliance by vendors with environmental laws and human rights. Equal access to procurement procedures is ensured by the establishment of equal competitive opportunities and uniform rules for all participants of the procurement procedure prior to its implementation.

In 2022, procedures aimed at increasing the transparency of procurement activities were introduced, namely:

- mandatory anti-corruption training for contractors was introduced;
- a questionnaire for sub-contractors and compliance verification was introduced;
- business procurement processes were developed for profitable contracts in case of spontaneous irregular needs, as well as for mass regular needs;
- a set of measures has been implemented to consolidate procurement procedures for companies belonging to the MTS Group.

The 3Click "Independent Procurement" system has been developed and implemented, in which MTS Group employees can independently carry out a small purchase with a digital footprint, but with a simplified design.

### Increasing the transparency of procurement procedures

In order to comply with the requirements of applicable anti-corruption law, a risk-based approach is used to conduct an anti-corruption audit of counterparties and third parties. The procedure involves the involvement of employees of procurement departments and business customers at the stage

of the procurement procedure or the conclusion of the contract and the provision of relevant information about the counterparty and the third parties involved thereby to the economic security unit to verify their reliability.

In 2022, mandatory anti-corruption training of counterparties was introduced, as well as compliance verification of sub-counterparties.

### Suppliers ESG evaluation (JAC)

Since 2017, as part of its membership in the international association of telecoms operators JAC (Joint Audit Cooperation<sup>3</sup>, MTS annually conducts ESG audits of suppliers, engaging leading audit companies for this purpose. Audits are conducted in accordance with the JAC methodology developed on the basis of international standards SA8000 and ISO 14000, taking into account the industry specifics of the sector.

ESG-audit reports on suppliers, corrective action plans, and information on their implementation progress are available to all JAC members. As a result of joining efforts, each JAC member gets opportunities to increase the sustainability and transparency of their supply chains.

MTS is a member of the Climate Change Workstream and Circular Economy Workstream working groups, created as part of the JAC association. The objectives of the working group are to develop and implement the standards aimed at reducing the negative impact of digital companies on the climate and the nature environment.

# 100%

of procurement procedures are carried out by the company in electronic form<sup>4</sup>

<sup>1</sup> <https://tenders.mts.ru>.

<sup>2</sup> <https://profile.mts.ru/documents/contracts/offers/kodeks-kontragenta>.

<sup>3</sup> <http://jac-initiative.com/>.

<sup>4</sup> MTS procurement procedures are carried out electronically through the EDM module (electronic document management) of the Oracle Sourcing IT system (among contractors who have the appropriate IT systems)

## Complex Security System

**In 2022, activities to ensure the corporate security and access control were conducted in accordance with the Functional Strategy of MTS PJSC in the Field of Ensuring Complex Security for 2022 and the Action Plan for Ensuring Integrated Security of MTS PJSC for 2022.**

### Information security

The information security system operates with consideration of the best global practices on the basis of national and international standards. In 2022, a comprehensive assessment of the level of maturity of information security of the key companies of the MTS Group was carried out, which confirmed a fairly high level for all companies of the Group.

**In 2022, MTS established Serenity Cyber Security LLC to develop and promote innovative products in the field of information security, increase the level of knowledge of employees about the best practices in the field of cybersecurity.**

The changes in legislation that occurred during 2022, including restrictions on the use of information security tools from unfriendly countries, required the development of a roadmap for their import substitution, amendments to the technical specifications of projects for the organization of tenders for the purchase of software and hardware, as well as reengineering of the corporate architecture of the CII protection system.

During 2022, significant changes were made to the vulnerability control system. A vulnerability scanner has been implemented on signal communication networks. Data protection measures have been implemented on corporate laptops. An IGA SSO authentication system of its own design has been implemented. In 2022, more than 9.3 million incidents of information security violations were recorded.

### Conflict of interest management

The Policy "Conflict of Interest Management", as well as the instruction on the conflict of interest management at the Company are posted on the MTS external website<sup>1</sup>, the corporate portal, and also in the My MTS mobile application. When being hired, all employees familiarize themselves with this Policy, fill in the form "Disclosure of information about the conflict of interests". A survey is conducted twice

a year for members of the management bodies of MTS PJSC. During 2022 information in regard of 417 situations was audited in order to identify the presence of the conflict of interest. 306 situations were resolved, 111 — the conflict was not confirmed.

### SORM (Law Enforcement Support System)

Special complexes have been installed on the communication networks of MTS PJSC, the availability of which provides the possibility of providing new communication technologies (NB IoT, IMS, RCS, 4G/5G, eSIM), as well as new converged services.

### Economic security and anti-corruption

The Department of economic security and anti-corruption ensures transparency and efficiency of procurement procedures, security of transactions, reimbursement of overdue receivables, and measures are taken to prevent economic damage to the Company. In 2022, in order to speed up the Company's procurement activities, the process of checking counterparties was switched to automatic mode. The process of verification of foreign companies — founders of MTS counterparties was organized.

### Security of personnel and facilities

The anti-terrorist protection and security of facilities was provided in accordance with the MTS Group Strategy in the field of integrated security for 2022–2023.

In 2022, fire-fighting and anti-terrorist training were conducted on a regular basis. In order to increase the level of anti-terrorist security, checks are carried out on persons admitted to critical information infrastructure facilities.

<sup>1</sup> [https://ir.mts.ru/about\\_mts/compliance\\_and\\_business\\_ethics](https://ir.mts.ru/about_mts/compliance_and_business_ethics).



During the preparation and holding of significant socio-political events and public holidays, enhanced measures were taken to protect the Company's facilities, ensure intra-facility and access control. Incidents and violations at the facilities were excluded.

## Antifraud

The Anti-Fraud Department has carried out work on the implementation of technical requirements for connecting telecom operators to the "Anti-Fraud" information system. In 2022, 1.7 million facts of fraud were detected; the amount of prevented losses was RUB 415.76 million. In 2022, 88.1 billion calls were processed on the MTS network, of which 3.8 billion were blocked.

Joint controls have been organized with MTS Fintech, the function of blocking/unblocking linked electronic wallets has been implemented. More than 100 thousand restrictions "prohibition of the return of part of the advance" were imposed on the personal accounts of subscribers of MTS PJSC. The amount of citizens' funds saved was more than RUB 94 million.

## Responsible supply chain

The Company's purchases are carried out in accordance with the MTS Procurement Rules<sup>1</sup> developed

in accordance with the legal requirements. Equal access to procurement procedures is ensured by the establishment of equal competitive opportunities and uniform rules for all participants of the procurement procedure prior to its implementation.

In 2022, procedures aimed at increasing the transparency of procurement activities were introduced, namely:

- mandatory anti-corruption training for contractors was introduced;
- a questionnaire for sub-contractors and compliance verification was introduced;
- business procurement processes were developed for profitable contracts in case of spontaneous irregular needs, as well as for mass regular needs;
- a set of measures has been implemented to consolidate procurement procedures for companies belonging to the MTS Group.

The 3Click "Independent Procurement" system has been developed and implemented, in which MTS Group employees can independently carry out a small purchase with a digital footprint, but with a simplified design.

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<sup>1</sup> <https://tenders.mts.ru>

# SOCIAL RESPONSIBILITY AND DE&I<sup>1</sup>



**MTS pays priority attention to building and developing an effective and successful team of professionals.**

## Recruitment and adaptation

Onboarding of a new employee in the work and corporate culture is done through the adaptation measures that were organized in 2022 in a new online platform. The adaptation program includes seven courses and includes knowledge about the culture and processes in the company and mandatory requirements. Also, within the onboarding, newcomers participate in the Welcome Day online event, where trainers immerse them into the company structure, introduce them to the strategy and opportunities.

### Internships

Since 2022, both students and graduates of educational institutions may participate in the MTS Intro internship program, without reference to the year of graduation. 562 trainees were trained under the program in 2022. More than 25% of interns were transferred to the company staff, while the transfers to the IT staff amounted to about 45%.

	2020	2021	2022
Number of students who completed internship in MTS, pers.	350	465	562

### Work with universities

MTS Group cooperates with leading universities. Among the Company's specialists, there are graduates of: HSE, MIPT, Plekhanov Russian University of Economics, Lomonosov Moscow State University, St. Petersburg State University, and other leading universities of the country. The Company develops partnerships in master's degree programs.

### Moove

Moove is an additional education program for students aimed at developing soft skills and skills in managing products and services in IT. The project

More detailed information is available in MTS Group's Sustainability Report for 2022



[Sustainability Report ... Moscow \(mts.ru\)](https://sustainability.mts.ru)

**>64 thousand employees**

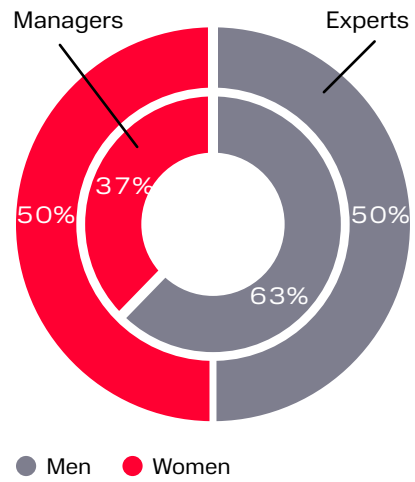
the number of employees of MTS Group as of the end of the year (including non-personnel)

<sup>1</sup> DE&I – Diversity, Equity & Inclusion

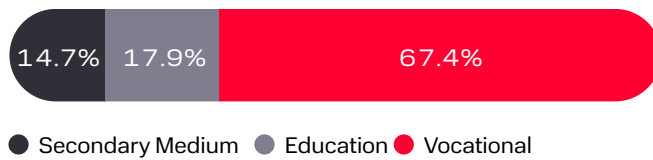
### Portrait of the company's average employee



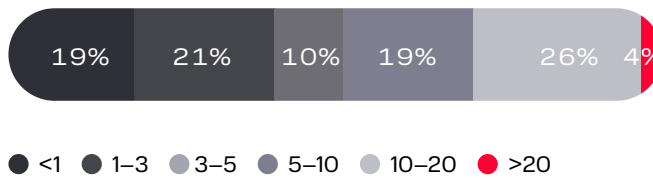
### Gender composition



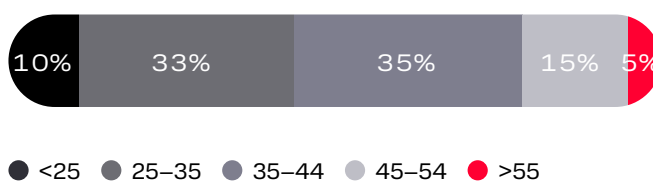
### Personnel structure by education



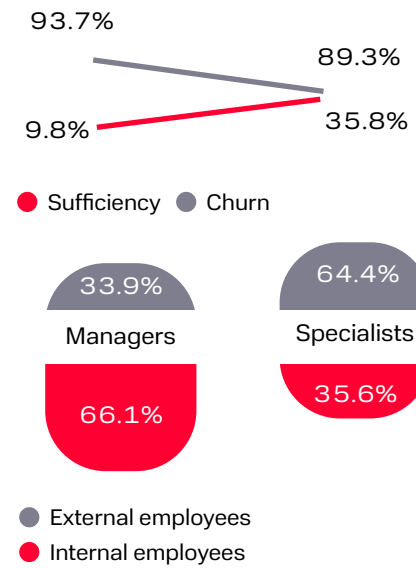
### Personnel structure by experience



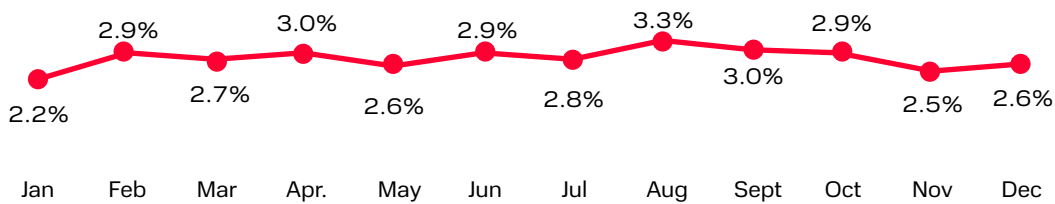
### Personnel structure by age



### Closing of vacant positions



### Net churn dynamics



is implemented in support of digital leadership in cooperation with a leading business school and includes analysis of real business cases, lectures, workshops, as well as individual consultations and coaching. In 2022, 1028 applications were received

(681 in 2021), 42 students were accepted into the program. Graduates mainly build careers in digital companies and startups, including businesses in the MTS digital ecosystem. In just four years, 175 young specialists have been trained.

## Remuneration and social benefits

MTS has a competitive remuneration system. According to the data for 2022, the average salary at the Company is 19.7% higher than in the country as a whole. Furthermore, the employees can take part in the "Benefit Cafeteria" program where a set of an

employee's benefits may be changed based on their individual decision. In 2022, MTS employees got the opportunity to receive medical care within the framework of the corporate VMI program from the first month of work.

## Performance Evaluation

All employees of the Company annually undergo an assessment of the implementation of key performance indicators and the development of competencies. In 2022, the work on the improvement of the

KPI system was continued, including an increase in the number of cross-cutting team indicators which help effectively unite teams in order to achieve common objectives.

## Advanced training for personnel

Personnel training in MTS is provided by Corporate University Department (CUD), which presents more than 3000 remote courses. The Corporate University has been given the opportunity to build flexible individual development trajectories taking into account the business context and the results of constant research on the experience of employees. In 2022, 20.6 thousand students completed their studies at 22 departments. Thanks to a properly built personnel development system, 66% of manager's vacancies in the company are closed by means of in-house candidates.

### MTS Corporate University platform coverage

	2020	2021	2022
Remote training coverage,%	90	96	98

### Training formats

In 2022, three main training formats were used: online trainings, online workshops for the purpose of developing skills, and offline format. During the year, 356 events were held, in which more than 16 thousand employees of the Company took part. A pilot of product training was conducted for 200 managers of the technical unit.

### Personal consultations

In 2022, the service of individual consultations, psychological support, coaching and career consultations was expanded. Due to the increased interest in the service, an additional 14 career consultants were engaged, who conducted 431 consultations.



## Occupational health and labor safety

The MTS Group's strategy in the field of safety, health and well-being for the period 2021-2023 involves the implementation of the Vision Zero international approach in three areas: safety, occupational health and well-being of workers at all levels of production.

### Costs for the implementation of occupational safety measures, RUB million

	2020	2021	2022
Budget of all programs	69.5	87.3	83.9

In 2022, 26.6 thousand people, including managers, specialists, members of occupational safety commissions and other categories of employees, underwent external and internal training on occupational safety.

In all departments, an assessment of working conditions is carried out, which allows identifying and evaluating hazardous production factors and plan-

ning measures to improve working conditions. As of December 31, 2022, in the MTS Group Corporate Center and MTS PJSC branches, 24 thousand workplaces (94% of the total quantity) were evaluated.

The "Requirements to investigation of accidents" standard has been in effect at the Company, which the branches use to take the corresponding actions. In 2022, six minor accidents took place at MTS PJSC, as a result of which six employees were injured (men).

	2020	2021	2022
Accident Frequency Rate (AFR) <sup>1</sup>	0.20	0.25	0.20
Accident Severity Rate (ASR) <sup>2</sup>	55.7	30.4	29.0

MTS annually works with the Social Insurance Fund of the Russian Federation (SIF RF) to reduce occupational injuries and occupational diseases of employees. No occupational diseases were found in employees in 2022.

Detailed information on assessment results is available



[Labor conditions assessment ... Moscow \(mts.ru\).](#)

<sup>1</sup> Accident Frequency Rate (AFR) defines the number of accidents for the reporting period per 1,000 workers.

<sup>2</sup> Accident severity rate (ASR) defines number of disability days per one injury.

# SOCIAL INVESTMENT

**MTS builds and consistently implements long-term social investment programs aimed at achieving sustainable positive changes in society, improving the quality of life of the population, digitalizing the economy, increasing digital security by providing a wide range of services and developing innovations in education, social services and urban infrastructure.**

The Company focuses its efforts on the implementation of the UN goals that best meet the main areas of its business strategy. Thus, the main principle of MTS social strategy is the focus on the effective solution of social and environmental problems with the help of technological tools and digital expertise of MTS.

At the same time, the Company actively engages a wide audience in its social programs, provides an opportunity for personal contribution to solving urgent problems, thereby creating a basis for high-quality and long-term interaction with the public, develops partnership practices and intersectoral interaction to achieve synergy in solving socially important issues.

Charitable activities of the Group are a continuation of the business strategy and social strategy of the company. It is regulated by the Policy "MTS Activities in the field of charity", mandatory for all subsidiaries.

In 2022, the expenses on social and charitable projects, including social support for employees, amounted to RUB 603.5 million. Significant initiatives include: MTS federal social programs:

- Generation M: MTS online platform for the creative development of children and adolescents in a digital environment with vivid educational content from more than 350 masters of art and competitive mechanics. The project is among the world's best practices recognized by the UN as advanced for achieving Sustainable Development Goals
- MTS "Place of Power" and "Urban Legends" programs for the creation of free digital products (VR films, audio guides, smart video monitoring systems, educational materials with AR elements, interactive books, etc.) for the preservation of natural and popularization of cultural values using digital technologies operate in 69 cities and 10 national parks countries.
- Volunteer project "Cultural Code" to support unique cultural values in the regions of the country and original ethno-cultural formations to preserve the national identity of the peoples of Russia.

## Developing an Inclusive Environment and Information-Oriented Society

The MTS program is based on the principles of inclusivity, equality and diversity. The program is implemented within the framework of the company's ESG strategy and DE&I<sup>1</sup> — Policy — "MTS activities in the field of diversity, equality and inclusivity"<sup>2</sup>. The DE&I policy applies to all subsidiaries of the MTS Group. Since 2022, the Company has been an official member of the National Inclusive Agreement.

In 2022, a comprehensive audit of the Company's business processes was also conducted from the point of view of DE&I metrics, growth points were identified, and a work plan for 2023 was drawn up taking into account the results obtained. Following the study, 60% of MTS ecosystem employees and leaders are ready to help the company develop the inclusion principles.

As part of the development of a corporate culture of inclusivity, MTS, in partnership with the All-Russian Society of the Disabled (ARSD), conducted an audit of the conditions of an accessible environment at

workplaces in the Company's offices. A survey of employees with health limitations recorded that most of them (80%) are satisfied with the existing working environment.

**MTS has started implementing a large-scale project to translate KION online cinema films into Russian sign language<sup>3</sup>.**

### Digital Inclusion

In 2022, MTS launched a project to train employees in all areas and create manuals for specialists to increase the availability of the Company's products and services.

Training will help make digital products accessible, convenient and understandable for anyone. The course provides cases on all stages of inclusive development practice: design, WEB, IOS, ANDROID, testing.

<sup>1</sup> DE&I — Diversity, Equity & Inclusion.

<sup>2</sup> Approved by the Board of Directors in 2021

<sup>3</sup> <https://kion.ru/video/filter/mainSignLanguage>.



[Video on Inclusion](#)



[Cinema in Russian sign language](#)

The Company actively helps form an inclusive culture both within the company and in society. The company has special HR initiatives for recruiting employees of "unpopular" age groups, as well as people with disabilities; training, adapting managers and teams to work with inclusive target audiences. These programs have already shown results: more than 70% of employees are in favor of hiring people with disabilities and mature age, in 2022 alone 420 candidates with health problems have completed training programs and internships.

**Head of the MTS Center for Corporate Social Responsibility, Diversity and Inclusion**



**Program: "MTS – a Company for Everyone"**

- Short list of ESG AWARDS RUSSIA 2022
- is included in the collection "Successful CSR practices" of the educational acceleration program of corporate social responsibility "CSR University"

**Project "MTS Inclusive Culture"**

- HR IMPACT award in the nomination "Diversity&Inclusion"

**Project "Inclusive Hiring"**

- 2nd place of the People Investor Award in the nomination "Human Resource Management"



## Corporate volunteering

A separate area of the Company's social investments is corporate volunteering. MTS volunteer movement "Simply Do Good!" has a long history bringing together 7.5 thousand volunteer employees of the Group.

The main areas of the volunteer movement in MTS include: assistance to children, people with disabilities, the elderly, mentoring, assistance to people with low starting opportunities, cultural support, donorship, digital volunteering, and eco-volunteering.

### Employees have 3 additional paid days to carry out volunteer activities

MTS implements a special incentive program for volunteers annually celebrating the most significant initiatives of employees. In 2022, 255 social Ecosystem projects from 25 regions of the Russian Federation took part in the competition for the Best social project.

### Acknowledgement of the Resource Center of Volunteerism in Russia "Mosvolonter"

for contribution to the development of the volunteer movement in the capital and socially significant public activities in the nomination "Responsible business"

### Acknowledgement of the Moscow Regional Duma

for volunteering to MTS employees in Moscow

### Award "Time of Innovations"

in the category "Telecommunication technologies", nomination "Social Innovation of the Year" by the project "My country SvyaziyA".



# ENVIRONMENTAL CARE

E

Environmental

**Environmental responsibility is an integral part of the MTS Group's ESG strategy and includes three strategic areas – "Responsible Resource Management", "E-Waste Management" and "Carbon Management". The company consistently reduces its environmental footprint, and also actively develops digital services using Internet of Things technology, artificial intelligence, cloud technologies, big data, the implementation of which allows our customers to effectively manage their own resource consumption and reduce emissions of harmful substances and greenhouse gases.**

MTS activities in the field of environmental protection are based on the law of the Russian Federation and regulated by the environmental policy. Design of MTS network facilities includes "List of Actions for Environmental Protection", development of which is carried out in accordance with requirements of GOST R 21.1101-2013.

## Energy efficiency management

The "Strategy of Energy Savings and Energy Efficiency" effective at MTS is aimed at restricting growth and reducing electric energy specific consumption. In order to reduce energy consumption by base stations, MTS uses modern energy-saving equipment. Moreover, this segment is a driver of technological innovation and has significant potential to reduce greenhouse gas emissions.

MTS actively uses modern renewable energy systems to ensure stable operation of base stations in hard-to-reach areas. They have proven their effec-

tiveness due to their environmental cleanliness and low cost of operation.

## Carbon management

Carbon management is one of the strategic areas of the ESG strategy. Understanding the relevance and importance of the carbon agenda for society, MTS regularly discloses information about the carbon footprint of the MTS Group, as well as about opportunities and actions aimed at decarbonization. Since 2019, the Company has been reporting annually on the results achieved in reducing greenhouse gas emissions on the international Carbon Disclosure Project (CDP) platform. Thereby, the company contributes to the implementation of the industry GSM Association's initiative to develop a roadmap for the telecommunications industry for achieving zero greenhouse gas emissions by 2050 in support of the Paris Climate Agreement. MTS discloses a wide range of environmentally important data about its operations, including resource consumption and direct and indirect greenhouse gas emissions. Every

**1,875.5** (+ 4.7%)  
**million kWh**

amount of electricity used by MTS in 2022

year, the Company expands the scope of disclosed information and involves an increasing number of subsidiaries in public non-financial reporting.

### Development of circular economy

In 2022, the implementation and consistent scaling of environmentally significant initiatives of the integrated ecosystem project "MTS Life Cycle Laboratory" continued. Thanks to the widespread introduction of a system of separate waste collection (SWC) and recyclables, over 7,750 tons of recyclables were collected and transferred to responsible contractors for processing and disposal at MTS Group facilities. Technologies that increase the service life of IT equipment were actively introduced. In partnership with SuperWave, in 2022, 362.6 thousand units were restored under the client equipment referral program. 22,396 kg of plastic and 18,745 kg of electronic components were transferred for responsible disposal.

**MTS continued to work on the widespread introduction of electronic document management systems. By the end of the year, 93% of internal personnel documents were transferred to electronic form.**

By the end of 2022, together with its subsidiaries, the Company sent:

- 130 tons of waste paper for recycling and responsible disposal,
- more than 100 kg of plastic bottles and 280 kg of plastic caps,
- 1.5 tons of used batteries,
- 1,100 kg of telephones and over 45 tons of other small electronic equipment.

MTS pays special attention to improving the efficiency of resource use.

### Environmental education

The Company implements educational projects aimed at raising awareness of a wide range of stakeholders about the need for rational consumption of natural resources. In 2022, the Company updated the MTS Terra intra-corporate eco-educational project, and also developed and launched a new interactive environmental lesson "What is an eco-trail and how digital technologies help to reduce it"<sup>1</sup>, which has already been listened to by more than 2.5 thousand high school students across Russia.

## Volume of the energy resources used by MTS PJSC in 2022

Resource type	In kind quantity	Unit of measurement	In monetary terms, RUB, w/o VAT
Electric power	1,875,543,332	kWh	11,242,983,365
Heat power	52,089.4	Gcal	92,819,115.42
Water supply	239,182.56	m <sup>3</sup>	9,125,214.111
Gas supply	1,729,822	m <sup>3</sup>	10,485,264.82
Petrol	2,859,120	liters	114,986,183.00
Diesel fuel	3,572,303	liters	158,719,772.00
Liquified petroleum gas – propane	14,433	liters	264,319.00

<sup>1</sup> <https://заповедныйурок.рф/ekosled/>.

### Best ESG projects

- The integrated ecosystem project "MTS Life Cycle Laboratory" became the winner in the category "Responsible consumption and production"

### Environmental culture. Peace and Harmony" (V.I. Vernadsky Foundation competition)

- The project "BUD'ECO (#BUD'ECO) with MTS" won in the nomination "Eco-education"

### ECObest Award 2022

- MTS became the winner of the award – the project "MTS Life Cycle Laboratory" won in the nomination "Best intra-corporate project"

### "Green and healthy office 2022"

- MTS projects won in two nominations "Best eco-education and training program for employees" and "Best environmental corporate project"