

# STABILITY OF SUPPLY CHAIN

## PROCUREMENT MANAGEMENT

MTS builds 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.

Company purchases are carried out in accordance with the MTS Procurement Rules (<https://tenders.mts.ru/>), developed in accordance with the requirements of the legislation and aimed at the efficient use of funds, increasing competition and transparency. The Company also has a Code of Business Conduct for MTS PJSC' suppliers ([https://tenders.mts.ru/upload/SUPPLIER\\_CODE.rar](https://tenders.mts.ru/upload/SUPPLIER_CODE.rar)) to contain a list of standards, compliance of which is expected from suppliers. In addition to good faith and honesty, the Code notes the importance of compliance by vendors with environmental laws and human rights.

In 2019, some changes were introduced into the regulatory documents of the Company for procurement activities:

- > control operations have been worked out as part of the creation of a system for managing intellectual property risks;
- > the questionnaire for the participant has been expanded in terms of providing information on subcontractors / co-contractors, as well as in the field of CSR;
- > within the framework of the MTS Accelerator project, a procurement procedure has been introduced for innovative projects, taking into account the participation of startups.

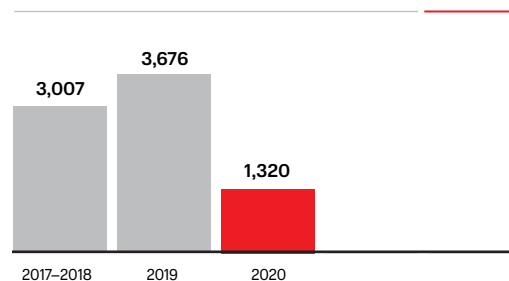
In 2019, the Supplier Questionnaire was adjusted to reflect changes in the requirements of CSR and Compliance. The Company implemented an automated survey on corporate social responsibility (CSR) when registering new suppliers in the electronic procurement system of MTS PJSC and annually notifying already registered suppliers of the need to update the data in the questionnaire. The analysis of the information received is carried out automatically.

In 2019

# 3,676 profiles

were registered, since the beginning of 2020 (at the time of preparation of this report) – 1,320.

### Statistics by year



The annually updated Questionnaire for the Participant helps not only in obtaining relevant information about a supplier, but also in developing training events for the supplier in terms of CSR, Compliance, Policies and Codes of the company in accordance with the Strategy of MTS PJSC. A special distance course “Sustainable business development” has already been developed for suppliers. Since the implementation of the functionality for automated filling out of the Supplier Questionnaire, there was an increase not only in the number of completed questionnaires, but also in the number of suppliers who have already implemented it, or are at the stage of implementing the principles and standards of CSR.

## RESULTS OF THE ANNUAL SURVEY OF SUPPLIERS IN 2019, INCLUDING IN TERMS OF CSR

In 2019, an open conference was held by MTS – “Responsible Business. Be better every day,”

dedicated to the sustainable development and social responsibility of business to society.

The event brought together about 200 representatives of large supplier companies of equipment and services to MTS, NPOs, international experts, managers on CSR and sustainable development, and top managers on one site.

At the conference, the key directions and strategy of the company in the field of Corporate Social Responsibility were announced, issues related to world trends and Russian CSR practices and sustainable development were discussed, including in supply chains, the impact of ESG on company value and tools that allow the achievement of better results for business and stakeholders: employees and customers, suppliers and partners, shareholders and top management.

As a result of the conference, a survey of suppliers was conducted in order to obtain feedback on the event itself, understanding the topics discussed, and areas in which suppliers are ready for further cooperation with MTS PJSC. The survey involved 56 representatives of the Company's suppliers.

**\\ Areas in which suppliers are ready to cooperate with MTS**



**PROJECT FOR THE ASSESSMENT OF SUPPLIERS IN THE FIELD OF SOCIAL AS PART OF THE ACTIVITIES OF JAC ASSOCIATION**

Since 2017, MTS has been a member of the international association of telecom operators JAC (Joint Audit Cooperation, <http://jac-initiative.com/>). The Association was established in 2010, and to date, its members include 17 world telecom operators, including Deutsche Telecom, Orange, Telecom Italia, Swisscom, Verizon, Vodafone, and others.

As a part of its membership in the JAC association, MTS, along with other participants, annually organizes audits of suppliers in the field of CSR in the interests of all members of the Association, attracting leading audit companies that have experience in conducting such audits.

Based on the results of each supplier audit, an audit report is generated and a corrective action plan is approved, the implementation of which is carefully monitored. Audit reports, corrective action plans, and information on their implementation progress are stored in a single database and are available to all JAC members. As a result of joining efforts, each JAC participant gets opportunities for more effective interaction with suppliers, which allows us to promptly identify weak links in production, eliminate shortcomings and, ultimately, achieve increased sustainability of their supply chains.

In 2019, MTS became a member of the Climate Change Workstream working group, created as part of the JAC association. The objectives of the working group are to develop and implement the standards of JAC aimed at reducing the negative impact on the climate change.

Participation in the working group allowed MTS to gain access to the best practices in the field of greenhouse gas emissions management. This made it possible to more efficiently continue the implementation of the initiatives already launched and to formulate new tasks in the field of greenhouse gas emissions management, including:

- > identification of the most significant sources of greenhouse gas emissions and their volume in the MTS supply chain;
- > setting goals to reduce greenhouse gas emissions in the MTS supply chain, measuring and monitoring the achievement of goals; and
- > setting requirements for suppliers to achieve emission reduction goals.