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5. ABOUT THIS REPORT

VivaCell- MTS has been Armenia’s pioneer in the sphere of Corporate Social Responsibility by adoption and comprehensive implementation of the principles of responsible corporate behaviour through addressing both internal and external environments and making high-volume targeted social investment since the first day of the Company’s inception. The Company went even further by driving the institutionalization of CSR in a wider Armenian context in a systematic way, leading by example, sharing and promoting the concept among business entities across the country.

CSR is in the core of fundamental values driving MTS Armenia Family in its activities. Responsible corporate behaviour is reflected in all processes and cycles of product development and customer service. As a business tool it helps to align the Company’s performance with the values, needs and expectations of its diverse stakeholders. CSR is a way of thinking, and a commitment to support the creation of a sustainable future for Armenia.

At VivaCell-MTS we share a strong belief that our business achievements depend much on the impact we have on the economic and social environment, and the trust and support of our stakeholders, including customers and shareholders. VivaCell-MTS’ CSR policy encompasses five major areas, where we have been making a big difference to the society: Children’s Health, Culture, Science, Education, and Environment. You can read more about them in this Report.

Accountability and responsiveness are key and important prerequisites of corporate responsibility. Thus, VivaCell-MTS strives to always have in place a proper reporting scheme highlighting major findings, ongoing processes and deficits equally and openly. This CSR Report is an outcome of this approach, and it prides itself with being the first in Armenia written in line with the Global Reporting Initiative (GRI) Standards. By joining the GRI, VivaCell-MTS intends not only to showcase progress in this area, but also to put in place an effective permanent feedback loop from diverse stakeholders and to foster their engagement.

We hereby encourage the civil society, scientists, publicists, critics, investors, customers, and policy-makers to review the Report and to provide feedback, for further institutionalization of the concept in the wider Armenian context.

Let’s build a sustainable future for Armenia together!

Respectfully,
Ralph Yirikian
VivaCell-MTS General Manager
VivaCell-MTS operates in the Republic of Armenia providing the following:

1. Technical Infrastructure that allows to ensure broadband communication in the Country
2. 24/7 Customer Service, including around 80 Service Centres in Yerevan and in regions of Armenia
3. Marketing and Communications to plan the strategy, maintaining respectful relationships within the Community
4. Human Resource Management to serve best to the staff in achieving their goals

**MTS Armenia CJSC ORGANIZATIONAL STRUCTURE**

**BRIEF HISTORY**

VivaCell received a license for the commencement of its operations in 2004. Starting off with a small team of professionals headed by General Manager Ralph Yirikian, the Company had the purpose to quickly roll out operation, expand a strong network throughout the country, and make the first call. The first on-net call was made on July 1, 2005 and marked the beginning of a new era in the telecommunications sphere in Armenia. In a short period, VivaCell dramatically changed the picture in the country by offering competitive GSM services to every Armenian citizen. Cost efficiency, high performance, reliability and service made VivaCell-MTS the choice of the country soon made the Company the choice of customers.

By January 2006, the Company succeeded in reaching 50% of the market share with over 350,000 subscribers. In September 2006, network coverage was available in 90% of the populated areas of the country.

In September 2007, Mobile TeleSystems ("MTS") - the largest mobile operator in CIS - acquired 80% of the Company's shares. The organizational structure of VivaCell evolved parallel to developing new functional strategies and objectives and defining the overall corporate mission and strategy. The Company registered tangible development and growth of its subscriber base extending beyond 1 million in 2007. The number of staff members grew in parallel.

In 2008, VivaCell was co-branded and changed its name to VivaCell-MTS, revising its design. The year was marked by obtaining a significant market share that reached more than 78% with over a million subscribers.

In April 2009, VivaCell-MTS announced the commercial launch of its 3G (3rd generation) network whereas in 2011, for the first time in Armenia, VivaCell-MTS commercially launched its 4G/LTE network. The network gives subscribers an opportunity to work at significantly faster speeds and increased work efficiency. Existing 2G stations were upgraded at significantly faster speeds and increased work efficiency. Existing 2G stations were upgraded to 3G and 4G networks.

In 2017, the Company covers around 98% of the populated areas of the country with a subscriber base of 2,122,387 which makes the 59% of market share. When making decisions on installing base stations, as a responsible operator, VivaCell-MTS is not guided by the Return on Investment (ROI) consideration only. Providing voice and Internet services to the most remote and thinly populated areas with low potential for service consumption is a priority for VivaCell-MTS, as the availability of communication infrastructure in these areas is equally a social and security issue.

We have 80 Service Centers all over the country to make the telecommunications services available for all our customers, there are also three mobile Service Centers travelling around the remote areas to ensure the equal accessibility to our services. More than 1000 employees are working in the Company, the absolute majority of which are Armenian citizens and graduates of local educational institutions. VivaCell-MTS is an equal opportunity employer. There are 30 people with special needs working in the Company.
UN GLOBAL COMPACT

Our corporate actions respond with the principles of the Global Compact of the United Nations. Being a member since September 2009 we view this membership as being strategic and support the initiative started by Kofi Annan, pledged to abide by and actively promote the principles of the Global Compact.

The UN Global Compact is the world’s largest initiative in the field of corporate responsibility. Its members undertake to align their business activities and strategies with ten universal principles in the areas of human rights, labour standards, environmental protection and anti-corruption.

As part of the UN Global Compact, VivaCell-MTS is also continuously committed to matters of integrity and business ethics. The internal guidelines are based on the principles of the Global Compact and are in conformance with VivaCell-MTS corporate values.

UNION OF EMPLOYERS OF INFORMATION AND COMMUNICATION TECHNOLOGIES (UEICT)

The UEICT gives an opportunity to maintain relationships between employers based on mutual respect, reflect the emerging demands of the field in the applicable legislation, foster small and medium businesses, create favorable conditions for their development, and encourage entrepreneurship in ICT sphere. VivaCell-MTS joined the Union in 2016.

Among the objectives of the Union is training of specialists in ICT and ICT-related spheres, modernization of ICT educational programs in schools, vocational and higher education institutions in accordance with the best international standards. It is planned to contribute to the growth of local and foreign investments, as well as to provide business and legal consultation, etc.

Our Vision is to act in a socially responsible way. We conduct our business in attending to our stakeholders’ interests, aligning with business ethics and directing all efforts towards a sustainable development. It is our ambition to be accepted as a leading socially responsible company in Armenia by addressing the expectations of our Stakeholders. We strive to connect Armenia with the future. We are dedicated to create, lead and open the window towards the future.

Our MISSION

We commit to offer innovative and quality telecommunication services. Our CSR mission is to ensure two key developments in Armenia through the responsible and sustainable management of our resources: a high-quality communication service for the diverse communities of Armenia and significantly positive socio-economic development and change in the country.

Throughout all of our operations and in every sphere, we adhere to the following core values:

- Innovation: We develop state-of-the-art solutions and put them into practice successfully.
- Loyalty: We care and are accountable for what we do.
- Respect: We put ethics and human values at the core of everything we do.
- Responsibility: We rely on our Core Values and Code of Ethics, principles of the United Nations Global Compact and have successfully implemented the Guidelines on Social responsibility by ISO 26000 in 2012.

We are an integral and together make a difference.
The Company has managed to retain its leading position and reached new achievements in many spheres, including mobile voice and data services, IP TV and ICT solutions.

In 2017, VivaCell-MTS revenues totaled to AMD 56.8 billion, a decrease of 2.6% compared to AMD 58.3 billion in 2016. Market share by Revenues was kept relatively stable at the level of 58.8% in 2017 (decrease of 0.16pp. compared to 2016 level of 58.95%). OIBDA for 2017 totaled to AMD 26.0 billion, an increase of 10.9% to 2016 level of 23.5 billion. Accordingly, compared to 2016, in 2017 OIBDA margin grew by 5.6pp., representing a solid OIBDA margin of 45.82%.

### 3. MARKET OUTLOOK

In 2017, VivaCell-MTS made investments of AMD 7.4 billion. The Company will continue to develop its network and infrastructure and will invest AMD 15.4 billion in 2018.

Starting from 2017, the Company has undertaken introduction of mobile electronic signature system in Armenia, in partnership with GSMA. The introduction of electronic signature system in Armenia will be made possible, by using the most innovative and secure solutions in the world in line with the GSA-decided and international technical requirements and security standards.

In the core of implementing the electronic signature system in mobile telecommunications industry is the Mobile Connect international standard, certified by the GSMA.

With an aim to differentiate, already in 2012 VivaCell-MTS brought to life another strategic decision. The Company has entered an entirely new business area – the market of electronic financial, payment and transfer services. Via VivaCell-MTS subsidiary MobiDram one can turn his mobile phone into a mobile wallet and make use of the full range of financial services like transfers, payments, microloans. Since 2016 smartphone users can perform all financial operations via MobiDram mobile app which is constantly updated with new services and features, enabling delivery of financial services on-the-go.

VivaCell-MTS is committed to a fair and transparent corporate behavior, and respects the laws of the country, by fulfilling its tax obligations in an efficient and timely manner. Overall, starting from 2005 when VivaCell-MTS entered the market, the Company has paid AMD 226,499,185,210 to the state budget.
While living and expressing our share as a member of the Armenian society, it is of great importance to us to cover all material issues of our stakeholders and our Company. We have thus decided to use the ISO 26000 Guidelines for social responsibility of organizations in order to develop a very individual and specific approach to our Corporate Social Responsibility (CSR) Strategy. The international Standard ISO 26000 encourages organizations to consider their behaviour with regard to stakeholders and select from recommendations, which are applicable to the companies in their respective spheres of influence with the society. In 2012, VivaCell-MTS was among the first in the world to receive confirmation of the implementation of the recommendations of the ISO 26000 Guidelines. Since then our CSR Strategy replicates the Company’s current corporate values and expectations of the community, our staff, our partners, our shareholders and other significant stakeholders. It links to our existing business strategies and policies, in an agenda that allows us to better perform, manage and account on our environmental, social and economic impacts. It is aimed at ensuring a more inclusive, safer and ‘greener’ stakeholder society, as well as doing a responsible business in a fair and accountable way.

Our six CSR strategic commitments are aimed at ensuring:

- **CUSTOMER CARE**
- **RESPONSIBLE PRODUCT USE**
- **CORPORATE GOVERNANCE**
- **POSITIVE WORKING CULTURE**
- **COMMUNITY SUPPORT**
- **REDUCTION OF ENVIRONMENTAL IMPACT**

The company regularly evaluates the CSR Strategy as well as the whole ISO 26000 management system internally and externally once a year. The value creation process is integrated and monitored. The implementation of a continuous improvement process is done by the implementation of respective actions which are decided in regular management meetings. All measures, dates and results are documented. The timely implementation of the measures is monitored internally. The following criteria are followed:

- Audit results
- Feedback from customers and employees
- Opinions from stakeholders including complaints
- Process driven and product conformity
- Implementation of goals
- Indicators for work related accidents, close misses etc.
- Evaluation of the environmental performance
- Evaluation of the legal requirements and changes occurring regarding the services and the technical operations
- Compliance with CSR – relevant goals
- Results of inspections
- Risk analysis
- Results of danger identifications and evaluations
- Status of preventive and corrective measures
- Follow up measures from earlier management reviews
- Changes, which can have an effect on the current management system
- Recommendations for improvements

MTS Armenia CJSC’s well acquainted with ISO 26000 in content, and how it may be used to promote and to work with social responsibility.

MTS Armenia CJSC recognizes ISO 26000 as a reference document that provides guidance on social responsibility and its cost ISO 26000 as a guide to integrate social responsibility into their values and practices.

This Confirmation is valid from October 25th 2017 to October 25th 2022 with audits on an annual basis.
STAKEHOLDER ENGAGEMENT

In order to set up our CSR Strategy and get a better understanding of our stakeholder’s interests and needs, VivaCell-MTS did an analysis of its perception in society and identified its stakeholders in the spheres of company, economy and society. A large group of stakeholders came out of this analysis and nine key actors were prioritised. The criteria for identification and evaluation was the question of whether, and to what extent, a specific group is affected by the Company activities, or can influence such activities itself.

Our most important stakeholders are:

- **Communities**
- **Vendors**
- **Competitors**
- **Media**
- **Employees**
- **Customers**
- **Government**
- **Academic & Educational Institutions**
- **Shareholders**

Engagement

- High engagement but low influence
- Low engagement and low influence
- High engagement and high influence
- Low engagement but high influence

As this is our first report, we strongly seek stakeholder feedback on its content. We would like to learn from them what issues they see covered sufficiently and which ones they would be interested in learning more about, regarding VivaCell-MTS role in the Armenian society and our approach towards responsibility. In doing so, we have incorporated various types of dialogue in our CSR management approach in order to ensure the continuous and regular exchange of ideas with our stakeholders. The measures we use include:

- sharing ideas with customers, investors, employees, and trade unions by means of workshops, questionnaires, surveys, and other methods;
- engaging in event- and project-related talks with political decision-makers and non-government organizations;
- working in associations, organizations, and sustainability initiatives (e.g. UN Global Compact, ISO 26000);
- maintaining direct and regular contact with external experts, for example in topic-specific working groups.

We also use various tools to get in contact with our stakeholders and learn about their interests and concerns. Customer Care for example handles stakeholder issues on a daily basis. We employ more than 800 people who are mainly concerned with responding to topics and concerns raised by stakeholders.

Gathered information is collected in a logbook/journal and responses and necessary actions discussed in weekly meetings, which can also involve General Management. We also keep personal contact with different authorities concerning our CSR issues and social activities, mainly through our Community Engagement Management.

In addition, we do surveys among customers and employees and also on brand reputation on a regular basis. All concerns and issues raised, as well as the information we gather by our complaints management, are subject to weekly management reviews involving the CSR department.

On our website you can find a CSR Port with an additional information regarding our Corporate Responsibility as well as our approach on funding the Social Investment projects. All stakeholders are also welcome to contact us via our website by using the email form, call us at 111 or 093 297111, or ask us online.
Our ultimate aim is to engage as many people as possible to enjoy the benefits of “online” society by improving our customer service, expanding our product types and facilitating access to our services (including for people with special needs). We have three priorities:

- Customer satisfaction and service
- Facilitating access to network communications
- Quality and complaint handling system

CUSTOMER SATISFACTION AND SERVICE

To improve service standards, overall service quality in Contact Center and Service Centers, also to keep high level customer loyalty and satisfaction, we conduct strategic and operational benchmarking surveys. Based on regular results corrective and strategic plans are developed.

The surveys on customer satisfaction have been showing positive dynamics with a clear improvement of brand and customer loyalty. In 2017, the Customer Satisfaction Index in Contact Center has visibly increased. During the last quarter of 2017, it saw a growth of 1.4%, keeping positive gap with our competitors.

1. “Connection time” was increased by 5% in the share of positive answers and “Consultation duration” saw increase of 3.71%, q-o-q.
2. “Information search time” and Operator courtesy were also improved during the quarter.

Net Promoter Score – VivaCell-MTS was always ahead of its competitors. The percentage of promoters was the highest – in average 70% during the year, while percentage of detractors was the lowest in the market; it was in average 8.5%. Therefore VivaCell-MTS was always keeping leading position in terms of customer loyalty, reporting the highest subscriber base market share - 59%.

To maintain our customer loyalty we measure NSAT (net satisfaction level) per touch points and their attributes - voice connection quality, mobile internet, cost of services, transparency of charges, stores, call centers, web and personal count on the websites, customer care and mobile apps. Following to the dynamics of TPs corrective actions are developed to increase satisfaction and loyalty of our customers.
The pricing and tariffication policy of VivaCell-MTS is designed in such a way that the services are accessible for the disadvantaged groups of the country as well. During 12 years of our operation (2005-2017) we ensured the population coverage of 99.8% in Armenia so that the remote areas could also benefit from the modern technologies and the progress.

VivaCell-MTS is the first mobile operator who introduced the large-scale 4G/LTE network in Armenia. This gave the customers a serious competitive advantage with faster speed network capacities and with a new level of convenience and unsurpassed experience of mobile broadband access. The Company is committed to continuing the expansion of the LTE coverage in Yerevan as well as deployment of its LTE network further on in all the regions, making available the benefits of 4G-based services to all subscribers. The nationwide roll-out of 4G/LTE positions Armenia as one of the selected global leaders in 4G deployment, as well as presents Armenia to the world as a country with more attractive communication infrastructure.

We are always focusing on designing products and services that are accessible for the disadvantaged groups of the country and for all segments of our customers including low tariffs for rural, educational and military areas etc. VivaCell-MTS believes in its capacity to contribute in promoting the understanding of multidimensional and evolving nature of CSR, hoping to set an example for other local institutions to follow the same path.

Since 2009, the Company has been regularly tested and certified in accordance to ISO 10002 International Standard (Managing Customers Complaints) in line with the ISO 9001 Quality Management System International Standard. The ISO 10002 provides us with guidelines for putting in place our own complaints management system – helping us to identify complaints, their cause and how to eliminate them.

Through the customer complaint management we:
- achieve operational efficiency to identify trends and causes of complaints
- resolve more complaints by adopting a more customer-focused approach
- engage staff with new customer service training opportunities
- integrate ISO 10002 with ISO 9001 to improve overall efficiency
- monitor and continually improve our complaints handling process.

Customer complaints and improvement ideas coming from the interested public, which possibly are based on a systematic mistake and require correction- and prevention measures, are discussed in top management and decisions taken accordingly. Monitoring of implementation of decided measures is secured and their effectiveness is also monitored. We are proud that there have been no legal cases or statements out of which a non-conformity or neglect in the implementation of the requirements for verification reasons could be shown in the reporting period.

All our products are being tested prior to the launch and advertisement and the development of product is based on key principles of accessibility and transparency of communications, whereas the social advertisements are directed to enroot respect towards nature, elderly, children, family and the country.
In order to mitigate potential financial and reputational risks and to build trust with our stakeholders, VivaCell-MTS promotes a responsible use of its products, and focuses in particular on providing transparent information on electromagnetic fields to customers and employees and ensures health and protection of children online. Our two priorities are:

- Information security & data privacy
- Consumers health and safety

VivaCell-MTS preserves the availability, confidentiality and integrity of all the physical and electronic information assets of the company in order to protect its customers’ personal data; render high-quality services to its customers; preserve the Company’s competitive edge, cash-flow, profitability, legal, regulatory and contractual compliance, and commercial Image. The company’s Information Security Management System complies with all requirements of ISO/IEC 27001:2013 international standard.

VivaCell-MTS provides security mechanisms on campaign products such as parental control, anti-spam, anti-virus and in 2017 VivaCell-MTS introduced the updated version of “My VivaCell–MTS” mobile application, which is one of the most safe and transparent ways for customers to manage and control the mobile account directly from their smartphones.

The Company has never recorded any breaches on customer privacy, which is a key indicator of the effective ISMS system implemented in the Company.

Our Stakeholders also have free access to our HotLine services and we ensure that every single message is being assessed and the feedbacks are provided. Information on Hotline services are available on the Company’s website (www.mts.am) and Facebook page.

We provide detailed information to our customers about the potential effects on health of electromagnetic fields. We are assessing the electromagnetic fields both in the office for our employees and in the communities neighboring our Base Stations.

When setting up base stations and antennas, our Acquisitions Team informs and consults all involved stakeholders in residential areas by contacting them personally to discuss concerns raised. VivaCell-MTS carefully examines static and constructional condition of roofs and does thorough repair work on them, whenever necessary, to secure residents and base stations.

Information regarding electromagnetic fields and the potential risks related to them will soon be found on our website as well as in booklets at our points of sales. According to Armenian Ministry of Health, there are radio frequency spectrum of electromagnetic radiation (RFS ER) rules and norms. This order defines the maximum allowed impact of electromagnetic radiation value.

One of our CSR directions will be to train the school children on how to use mobile phones to ensure reduction of electromagnetic fields (positioning of the phone from the body while calling, not talking while driving, texting or accessing the internet).
Our Company operates in strict accordance with the Law of the Republic of Armenia on protection of economic competition. This law prohibits any activities that can lead to the violation of competition principles and monopolization of the market. Top Management is following up on the compliance of legal requirements on the products and services.

Employees of VivaCell-MTS are aware of and obliged to act in compliance with the existing laws, rules and regulations as well as policies and procedures of VivaCell-MTS. VivaCell-MTS employees are not allowed to take part in any action or encourage any other third party to violate the laws, rules and regulations, as well as policies and procedures of the Company.

Alongside with compliance to the national Laws and Legislation, the Company has added internal principles to comply with, which are also our priorities under Corporate Governance:
- Anticorruption norms and regulations
- Fraud prevention
- Fair business practices
- Risk Management
- Responsible Supply chain

We have our Anti-Corruption program with an aim to provide requirements of anti-corruption legislation applied to the Company. It is ensuring the observance by the Company of legality, transparency and social responsibility principles, upholding its reputation in front of the state, its customers, partners, competitors and the entire society. It defines principles of preventing corrupt acts by or towards the Company and/or its employees, as well as principles of observance of anti-corruption legislation and prevention of any expression of corruption by the Company during its economic activities in any country.

Our Anti-Corruption legislation compliance goes beyond the already stringent Armenian anti-corruption legislation as we also use it to comply with the main requirements of FCPA and UKBA legislations. The Anti-Corruption Legislation applies to the Board of Directors as well as all employees, representatives, affiliate and subsidiary companies, their management bodies and employees.

Furthermore, it also applies to all normative documents and processes regulating sponsorships and philanthropic activities of the Company. All financial transactions regarding the above-mentioned activities are explicitly reflected in accounting reports, and the implemented programs are additionally coordinated. Monitoring of philanthropic investments gives the opportunity to make sure that the invested sums do not appear to be a concealed bribe or commercial bribery. Company management takes necessary safety measures to ensure that all political contributions and charitable donations be legal in accordance with applicable anti-corruption legislations.

All of the Company’s business activities are subject to monitoring and review. The Company has no record on corruption cases where the Company or its employees have been involved in; the control over proper implementation of the anti-corruption program is done on a daily basis by the internal audit and compliance team.
At VivaCell-MTS we have set activities, as we regard this as important company interest. Individuals of a Conflict of Interest can damage an entity, and when relevant decisions may negatively affect the Company’s interests. It collects or analyzes information on methods of organization and marketing of production and services.

The interests of the Company and its brand must be the first priority in all decisions and actions taken by VivaCell-MTS employees. Even the appearance of a Conflict of Interest can damage an important company interest, individual working in VivaCell-MTS shall at all times act in a manner consistent with non-conflicting responsibilities to the Company and shall exercise particular care to avoid detriment to the Company results from conflicts between their interests and those of the Company.

Our conflict of Interest Policy has been developed to secure that no employee will personally benefit from or at the expense of the Company’s Interest. It has been implemented to assure the highest level of ethical conduct of employees at all levels. It applies to any situation in which employees happen to be in a position to exploit a professional or official capacity in some way for personal benefit as well as all programs and standards should be used in carrying on a trade or business, including the organization of such entities or any other arrangement (including a subsidiary) by which an entity operates through a firm that does not have a significant value for the business. All appropriate actions will be taken to investigate any violations reported.

At the same time the VivaCell-MTS Hot-Line is created to enhance the effectiveness of preventive and predictive approaches, as well as detection of the potential facts of fraud, violation and infringements in the fields of finance and accounting, internal control and audit, sales, procurement and customer service, as well as contract relations and in many other processes that have a significant value for the business.

At VivaCell-MTS, we always strive to observe legality, act honestly and meet our professional responsibility for the good of our operation and the society in which we work. Commitment to ethical professional conduct is an absolute and mandatory for each member of VivaCell-MTS.

Our conflict of Interest Policy refers to money, non-pecuniary and excessive gifts and benefits, oleh gifts and favors, self-dealing and non-commercial transactions, gifts in kind, money, non-pecuniary and excessive gifts or services, gifts and favors, self-dealing and non-commercial transactions, gifts in kind, and financial interests. Each employee of “MTS Armenia” signs a statement, which is particularly important that the employees respectful and open working environment. It is created to enhance the effectiveness of preventive and predictive approaches, as well as detection of the potential facts of fraud, violation and infringements in the fields of finance and accounting, internal control and audit, sales, procurement and customer service, as well as contract relations and in many other processes that have a significant value for the business.

We use an Integrated Risk Management process, aimed at evaluation of structural subdivisions of VivaCell-MTS with regard to the management of the most significant risks, including the identification of the Company with adequate information on risks and risk management, it is created to enhance the effectiveness of preventive and predictive approaches, as well as detection of the potential facts of fraud, violation and infringements in the fields of finance and accounting, internal control and audit, sales, procurement and customer service, as well as contract relations and in many other processes that have a significant value for the business. All appropriate actions will be taken to investigate any violations reported.

VivaCell-MTS-MTS commits to a proft oriented organization. Nevertheless, the way we make these profits socially useful is committed to prevent fraud and conduct our business in a highly ethical manner. This is why we have developed a Code of Ethics based on our core values, which can also be found on our web site.

The Code of Ethics sets forth the principles and ethical standards for the professional conduct and responsibilities of VivaCell-MTS staff members. The Code sets forth a set of guidelines during our daily professional activities. They are adopted in order to ensure that all MTS employees, including IT related products. Each employee of “MTS Armenia” signs a statement, which is particularly important that the employees respectful and open working environment. It is created to enhance the effectiveness of preventive and predictive approaches, as well as detection of the potential facts of fraud, violation and infringements in the fields of finance and accounting, internal control and audit, sales, procurement and customer service, as well as contract relations and in many other processes that have a significant value for the business. All appropriate actions will be taken to investigate any violations reported.

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The Code of Ethics is available to all VivaCell-MTS employees via internal portal and is being presented to each new employee during the Orientation Sessions. HR Department employees can be contacted at any time for guidance on it and in case of uncertainties. Confidentiality of information and fulfillment of obligations of the law are guaranteed.

VivaCell-MTS has also created a Hot-Line to ensure respectful and effective working environment. It is particularly important that the employees respectful and open working environment. It is created to enhance the effectiveness of preventive and predictive approaches, as well as detection of the potential facts of fraud, violation and infringements in the fields of finance and accounting, internal control and audit, sales, procurement and customer service, as well as contract relations and in many other processes that have a significant value for the business. All appropriate actions will be taken to investigate any violations reported.

The VivaCell-MTS Committee on risks takes risks management into account in case of conflicts between interest is a “Fraud database”. This automated system is intended for systematization, storage and analysis and is determined for group use of knowledge and sharing experience to analysis and is determined for group use.
RESPONSIBLE SUPPLY CHAIN

All suppliers of VivaCell-MTS are treated via fair competition or bidding. There is an inclusive, independent, objective and fair consideration of the supplier qualification, product/service quality, reputation through tender or other fair/reasonable means based on VivaCell-MTS Purchasing Policy. Around 52% of our whole purchase is done with local suppliers.

We abide by the laws and regulations against unfair competition or monopoly, corruption and bribery. We protect legal interests of the Company, and reject offers, discounts through unauthorized repayments, or material benefits that could be offered by a supplier. We comply with VivaCell-MTS corporate culture and respect the corporate culture of the supplier, treat suppliers and their representatives in an accepted etiquette, and keep information of supplier strictly confidential as mutually agreed and legally regulated.

We aim to build up social and environmental standards throughout our supply chain with our direct suppliers. This is done by improving their standards in the fields of labor, ethics, safety and the environment (based on our CSR Clause). Compliance with these standards will be checked and the environment (based on our CSR Clause).

We aim towards:

- Establishment of stable, civilised market relations with the suppliers;
- Cutting the Company expenditures related to the suppliers data vetting upon holding purchasing/tendering;
- Identification of the suppliers having an unstable reputation.

We regard a supplier to be “problematic” if the:

- revoked its offers after being awarded as winner of the competitive bidding or ungroundedly delayed the conclusion of the contracts/agreements/supplementary agreements/order;
- failed to fulfill the significant provisions of contract, which resulted in dissolution of the contract;
- jeopardized terms of fulfilment of the contractual obligations;
- provided inferior works/services;
- does not eliminate the deficiencies after two or more claims of VivaCell-MTS.

A list of “Problematic Suppliers of VivaCell-MTS” is maintained at the Purchasing Unit. This list is preserved as commercial secret and is only reachable for Members of the Purchasing Committee and the Purchasing Unit personnel, and our Legal Unit.

4d. POSITIVE WORKING CULTURE

VivaCell-MTS promotes fair, diverse and safe work environment to its employees. Our success is based on our committed, integrated and staff and our flexibility and adaptability to the changes and challenges we face during our operations. We strongly believe and encourage professional development of our staff, equal opportunities and work-life balance. In our company four key priorities are Employee engagement, Employee career management and training, Diversity and equality, and Health and safety.

EMPLOYEE ENGAGEMENT

For all employee hires VivaCell-MTS is proceeding with set rules and procedures. We have adopted the strategy of fairness and equal approach for all candidates. The Company strictly prohibits discrimination in all terms, conditions, or privileges of employment, including recruiting, hiring, assignment, compensation, equal pay for work of equal value, benefits, promotions, transfers, discipline and termination, and any form of bullying or harassment, based on race, religious, national extraction, citizenship, gender (including pregnancy, childbirth and related medical conditions), age, disability, sexual orientation, family status, or any other characteristics as it is stipulated by the relevant policies.

Verevan

<table>
<thead>
<tr>
<th>Region</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>136</td>
</tr>
<tr>
<td>Yerevan</td>
<td>47</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of resigned employees</th>
<th>Under 30</th>
<th>30–50</th>
<th>Over 50</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>10</td>
<td>80</td>
<td>20</td>
<td>110</td>
</tr>
<tr>
<td>Female</td>
<td>23</td>
<td>43</td>
<td>7</td>
<td>73</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>123</td>
<td>27</td>
<td>183</td>
</tr>
</tbody>
</table>
Our Company has clear policy on remuneration, with fixed part based on grading and variable component which includes bonuses and commission system. We are focusing on increasing objectivity of the motivation system and the performance assessment process and enhancing the link between employees’ rewarding with their individual work contribution and end results of the Company. Throughout the years, we are viewed as competitive employer in the market with attractive compensation package and positive work environment.

**BENEFITS**

Besides salaries and allowances stipulated the Law of RA, such as annual leaves, maternity, family, baby care leave, etc., our company pays attention to employee family, baby care leaves, etc., and other surveys on as needed basis.

We have several types of leaves related to family, marriage, birth, academic, compassionate leaves, etc. We also organize Cafeteria in the area of the HQ which gives employees a chance to eat in-house during lunch hours.

**NON-MATERIAL**

- Allowance for marriage,
- Allowance for employees’ children education,
- Provision of loans with 0% interest rate.

**MATERIAL**

- Allowance for employees’ children education,
- Provision of loans with 0% interest rate.

- Favorable conditions for the employees
- Provision of loans with 0% interest rate.

- Family, baby care leaves, etc.
- Opportunity to express their opinions,
- Summing up the results and further actions; health insurance satisfaction; cafeteria service satisfaction, compliance related surveys, surveys related to staff awareness and other surveys on as needed basis.

Our company pays attention to employee development (both via internal and external sources) and we have available Library area and free online training courses for self-development.

Non-managerial staff

- 67 (22 successors replacers) have the necessary skills and knowledge through different development activities, such external and internal trainings, on-line courses and awareness sessions. Our main efforts are aimed at developing analytical and statistics skills among the company, technical and knowledge related to the replacement of key staff in the Company.

The satisfaction index was on average 94%. Also we have mentorship program directed at transferring the key knowledge to junior staff that helps us to ensure the replacement of key staff in the Company.

The minimum notice period is 14 days and 60 – 60 days depending on number of years worked in the company with that particular employee up to and more than 15 years. There is no notice period for employees working without any change or when there is salary increase.

**POSITIVE WORKING CULTURE AND SURVEYS**

Number of surveys are conducted in the company, such as employee engagement survey, called Happy Job, which includes 2 cycles during the year and then we also have the Hot Line and ICenter. Complaints are mainly focused on employees, namely: employees, managers, experience exchange from our company, such as employee engagement survey, called Happy Job, which includes 2 cycles during the year and then we also have the Hot Line and ICenter. Complaints are mainly focused on employees, namely: employees, managers, experience exchange from our company, such as employee engagement survey, called Happy Job, which includes 2 cycles during the year and then we also have the Hot Line and ICenter. Complaints are mainly focused on employees, namely: employees, managers, experience exchange from our company, such as employee engagement survey, called Happy Job, which includes 2 cycles during the year and then we also have the Hot Line and ICenter. 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Complaints are mainly focused on employees, namely: employees, managers, experience exchange from our company, such as employee engagement survey, called Happy Job, which includes 2 cycles during the year and then we also have the Hot Line and ICenter. Complain
Our company pays special attention to health and work safety of our employees. We are one of the rare companies in the market that has a Corporate Doctor as part of team, who is always here to help and provide advice, assistance and first aid whenever needed. Several articles on medical advise are sent to all staff on frequent basis, several awareness sessions on disease prevention are organized, very popular are maternity and baby care sessions for all interested employees organized on regular basis.

We have mandatory medical check-ups, which we conduct twice a year for all staff who are eligible based on the position and job peculiarity. Relevant report is generated and then Corporate Doctor implements relevant follow-ups and ensures that employees who had problems will receive the necessary treatment. Our Company provides Medical insurance to all employees and their family members and we have regular weekly visits of Medical Insurance Company doctor to our office and all employees have a chance to approach the doctor and ask the relevant questions and receive necessary information.

As part of our strategy and approach, we also have Work Safety function in the company with relevant employee covering the area. The Senior Specialist is organizing awareness sessions for all eligible staff and making corresponding records in the registry books. The specialist also makes sure that all emergency and evacuation plans are on place, all fire extinguishers are available and operate properly as well as ensures implementation of several other work safety directed initiatives.

We did not have any case of injuries and work related fatalities in 2017. Absenteeism rate is within admissible level and we are putting the necessary efforts to make sure that all our employees take their annual leaves and rest accordingly.

We don’t have any difference in the basic salary for female and male employees, our difference is within grading and position and does not depend on gender.

<table>
<thead>
<tr>
<th>Employees group</th>
<th>Average of Total Income 2017</th>
<th>Ratio of basic salary and remuneration of women to men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Junior Managers</td>
<td>6,381,250</td>
<td>77%</td>
</tr>
<tr>
<td>Male</td>
<td>8,273,333</td>
<td></td>
</tr>
<tr>
<td>Middle Managers</td>
<td>19,226,719</td>
<td>89%</td>
</tr>
<tr>
<td>Female</td>
<td>21,667,752</td>
<td></td>
</tr>
<tr>
<td>Non-managerial</td>
<td>3,277,062</td>
<td>66%</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>30,707,029</td>
<td>69%</td>
</tr>
<tr>
<td>Male</td>
<td>40,070,029</td>
<td></td>
</tr>
</tbody>
</table>

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The Armenian community has always been a center of VivaCell-MTS projects and social activities. We concentrate on aspects directly related to our responsibilities, i.e. expanding access to telecom to all layers of the community, increasing knowledge of students from different higher institutions in various fields, creating and improving links between communities and individuals; and also promoting the engagement of our employees in the communities on volunteer basis. Here we focus on three main directions:

- Education and awareness
- Volunteer programs
- Social investment

4e. COMMUNITY SUPPORT

VivaCell-MTS has been a significant contributor to Armenia’s economy through its tax payments. In 2017, the company ranked 13th among the largest tax payers in the country, with total tax revenues of 1,201,600,000,000 Drams ($2,487,784,679), a 11.6% increase from the previous year. The top 1,000 taxpayers accounted for 67% of the total tax revenue, with an annual growth of 11%. The top 100 taxpayers contributed 41% of the total tax revenue, showing a 12% annual increase. The top 20 taxpayers contributed 23% of the tax revenue, with an estimated annual growth of 8%. VivaCell-MTS is ranked 13th among the top 1,000 taxpayers.

The VivaStart project aims to integrate students into the workforce through internships in Service Centers, enhancing their communication, sales, and customer service skills. In 2017, 80 students were enrolled in the project, and 14 were selected for the Service Centers.

The ICT project focuses on educational institutions to promote Information Technologies. The “Basics of Telecommunication” course was taught in 5 schools, with a 3-day training cycle organized for 11 teachers from 5 schools.

The internship program is well-developed and applied in the company. In 2017, there were 123 interns, who passed their internship in all departments of the company. Upon completion, interns prepare a report, and their performance and feedback from the Functional Unit are considered before inclusion in the students reserve pool for future recruitment.

The organization of Open Doors and Lectures provides practical knowledge and in-depth understanding for career orientation and development. VivaCell-MTS always shares its experience with students interested in the telecommunication sphere and the company’s management culture. In 2017, 5 Open Doors and 3 Master Classes were organized.

VIVASTART

We have VivaStart project in the framework of which the students are enrolled in our Service Centers to support the staff in sales and customer service, which helps them to develop communication, as well as sales and customer service skills. 80 Students were enrolled in the project; 14 students were required for the Service Centers.

ICT PROJECT

The ICT project is being implemented in 5 educational institutions to create better opportunities for young people with professional preferences in the fields of Information Technologies. The “Basics of Telecommunication” is taught in 5 schools; 2 distance learning courses and a 3-day training cycle on “Basics of Telecommunication” was organized for 11 teachers from 5 Schools by our staff.

INTERNERSHIP

We are very actively collaborating with all main state and private Universities and colleges, both in Yerevan and in the regions. The Institute of internship is very well developed and applied in the company. Total with all projects we had 233 interns in 2017, who passed their internship in almost all departments of our Company. Later on all interns prepare a report and, upon submission and taking into account their performance and feedback from Functional Unit, they are included in our students reserve pool with further recruitment whenever applicable and eligible.

ORGANIZATION OF OPEN DOORS AND LECTURES

Practical knowledge and in-depth understanding are highly important for career orientation and development. VivaCell-MTS always shares its experience with young people interested in telecommunication sphere and Company’s management culture, who want to develop understanding of various professions related to the sphere of telecommunications. 5 Open Doors and 3 Master Classes were organized for students from different Universities and Schools in 2017.
VivaCell-MTS is conscious of the value of volunteering and for this reason, encourages its employees to take part in these activities. The Company not only is actively involved in corporate responsibility activities, but also welcomes employees and their family members to also partake in giving back to the community, in their own ways. Staff members collectively raise funds to support, a cause that is of value and importance to them. Some support orphanages, some school for children with special needs, while others provide heating or schooling supplies, among many examples.

Participation of VivaCell-MTS employees in the housebuilding project for rural communities in partnership with the “Fuller Center for Housing” Armenia

The long-term partnership between VivaCell-MTS and “Fuller Center for Housing” Armenia continues. The housing project implemented in various regions of Armenia is not limited to financial assistance or organizational works. The partnering organizations also consider voluntary participation in construction works as an important manifestation of responsible approach. The traditional participation of employees of the companies in the construction works translates a message to the society to deny indifference.

Participation of VivaCell-MTS employees at the tree planting in Urtsadzor

The Foundation for the Preservation of Wildlife and Cultural Assets (FPWC) and VivaCell-MTS have initiated a tree planting in Urtsadzor on the International Day of Forests. Within the frames of the event partner organizations’ employees helped to plant several hundred apricot and plum trees in the Caucasian Wildlife Refuge (CMRF). In collaboration with VivaCell-MTS, the FPWC is planning to replant regular tree planting activities using modern and ecological technologies in order to preserve the ecosystem of Armenia and to contribute to community development.

Participation of VivaCell-MTS employees in the blood donation initiative organized by the Hematology Center after professor R.H. Yeolyan

VivaCell-MTS employees have volunteered for blood donation organized by the Hematology Center after R.H. Yeolyan. The donated blood will be stored in the Blood Bank of the Hematology Center and used for the treatment of children with blood diseases.

Our Social Investment projects are directed to raise cultural, educational, health, sports, environmental awareness as well as the social life level of remote areas of the Country.

CULTURE:

Golden Apricot International Film Festival

The Golden Apricot International Festival is a unique film Festival in Armenia. VivaCell-MTS has been the General Partner of the Festival for 12 years. By the support of our Company, the festival brings renowned filmmakers and films in a variety of genres to the capital of our country.

The Golden Apricot International Film Festival carries the theme Crossroads of Cultures and Civilizations. The title may well serve as our impassioned mantra for building cultural bridges and fostering dialogue. It also reflects the history of Armenia itself, which for millennia has existed as a flash point for competing geopolitical forces. Armenia’s desirable geographic position has made it into a hot spot of contention for various empires, yet on the other hand, it has resulted in a civilization replete with world influences and a dynamic arts heritage. The festival welcomes films representing diverse ethnic groups, religions, and nations that depict the human experience, the daily lives of people extraordinary and extraordinary, their troubles and their joys, as they try to find meaning in a changing world and struggle to redefine themselves in a world that recognizes fewer and fewer boundaries.

The Golden Apricot International Festival is an outstanding cultural event that has won the acceptance and appreciation of not only the local, but also of the international audience in its short time performance.

Unison NGO

VivaCell-MTS addresses all walk of lives in the community at equal level.

Owing to VivaCell-MTS support, the “Paros” inclusive Chamber Choir has participated in a number of festivals and concerts in Armenia and beyond its borders. These talented musicians with special needs performed at the 9th World Choir Games held in Sochi, “Paros” was selected to participate in the Champions Competition and won two silver medals in the categories “Musica Sacra a Capella” and “Mixed Chamber Choirs”. The “Paros” Choir performs a large repertoire of works of Armenian, Russian and other composers.

Other projects, like:

“Hover” State Chamber Choir

Armenian Philharmonic Orchestra

“Ars Lunga” Duo

“Traces of Armenians around the World” book for the 100th anniversary of the Armenian Genocide

State Youth Orchestra
ENVIRONMENTAL: Environmental protection in Armenia with FPWC

FPWC is working at the crossroads of wildlife protection, environmental education, and sustainable development, engaging rural populations in the sustainable development of their communities. In all their projects, they advocate for mutual respect between human beings, natural wealth, and cultural heritage, believing these are indispensable conditions for positive progress in Armenia.

Environmental protection in Armenia with FPWC project aims at creating various ways of preventive measures against pollution, to create sustainable resources use, climate change mitigation and adaptation, protection of environment, biodiversity and restoration of natural habitats, incorporation of environmental considerations into the manufacturing and distribution of products, and into their use and disposal.

VivaCell-MTS has been cooperating with FPWC since 2006. In the frames of "SunChild" 7th International Environmental Festival, the opening of the e-bike station of the "Green Mobility" project took place in Garni village. The "Green Mobility" e-bike station is equipped with solar panels and batteries. The bicycles are charged only by solar energy not emitting any harmful substances into the atmosphere. "Green Mobility" project is implemented by the support of the UNDP/GEF Small Grants Programme, VivaCell-MTS and the FPWC. The aim of the project is the promotion of electric bikes as an alternative transportation means, which do not contribute to greenhouse gas emissions.

"Bike to Work" International initiative

A group of VivaCell-MTS employees joined the "Bike to Work" International Day and started their morning routine with cycling. The participants of the campaign arrived to their workplace, VivaCell-MTS headquarters, on their own bikes. The Company highly values this kind of approach towards the environmental protection.

Other projects, like:
- Ranger Campus establishment
- "SunChild" Eco clubs
- "SunChild" Environmental Festival
- Bear Rescue and Rehabilitation Center establishment
- "Fuller Center for Housing Armenia: making Armenia a better place to live"

COMMUNITY DEVELOPMENT

Fuller Center for Housing Armenia: making Armenia a better place to live

The aim of the Fuller House project is to support families in dire economic conditions in building and renovating homes. Tens of families across the regions of Armenia benefit from this project. The homes are safe and comfortable for low-income families of Armenia. The families are chosen by the Fuller Center for Housing Armenia. Through this project, VivaCell-MTS makes a secure investment into the Armenian communities, helping to eliminate poverty.

VivaCell-MTS supports by providing financial means to renovate and build houses for socially vulnerable people. In addition, VivaCell-MTS employees participate at the Fuller Center for Housing Armenia.

Fuller Center for Housing Armenia aims to reduce pollution and protect the environment by using alternative energy resources, particularly solar thermal systems and LED street lights.

In 2007 the project was implemented in a number of communities in Ararat, Armavir, Lori, Tavush, Gogharkunik, Vayots Dzor, and Syunik regions. As Armenia has a good potential for solar energy, investments in alternative and energy-efficient technologies can significantly benefit to the solution of environmental and social issues. It is a long-term cooperation between the Foundation for the Preservation of Wildlife and Cultural Assets (FPWC) and VivaCell-MTS in the field of environmental protection and sustainable development. The aim of the "Alternative Energy" project implemented by the Foundation for the Preservation of Wildlife and Cultural Assets (FPWC) and VivaCell-MTS is to provide eco-friendly and environmentally friendly lighting infrastructure has been provided in a number of communities in Tavush, Vayots Dzor, Armavir, Gogharkunik, Kotayk and Lori regions. The environmentally friendly and energy-efficient LED lights reduce outdoor lighting costs up to 80%, thus relieving the financial burden of the communities.

VivaCell-MTS and the Foundation for the Preservation of Wildlife and Cultural Assets (FPWC) attach high importance to the use of latest technologies in environmental protection initiatives that promote nature conservation, energy efficiency and community development. Installation of solar heating systems and solar water heaters reduces heating costs by up to 50-60%.

HEALTH

Source Foundation: special assistance care for the children with development disorders

The Source Foundation*, established three years ago, has also included their families to its target group. For the first time in Armenia SI classes, aimed at preparing individual tutors, have started working as permanent and 5 of them – temporary tutors in 32 families. They provide 8-hour care to children, organize their entertainment and treatment. VivaCell-MTS has joined the Foundation in the implementation of its goals.

The aim of the project is to organize special trainings and courses and to prepare tutors and specialists (FPWC and VivaCell-MTS) later, will support the families with children with different physical and mental disorders.

The future trainers receive courses from the leading specialists of Armenian organizations and hospitals.
According to the professional staff of the Center and the parents of the children, progress and positive change was observed not only in terms of obtaining academic knowledge but in the behavior and mental abilities of the children as well. Moreover, children from the Center started attending secondary schools. These results are the proof of the efficiency of the activities realized by the “International Child Development Center” NGO.

EDUCATION

Lucy Foundation

“Lucy” Foundation aims at helping outstanding Armenian students with high academic scores to attend the world’s leading universities.

Taking into consideration the value of educational development in Armenia, VivaCell-MTS extends support to this very important project.

Together with “Lucy” foundation, VivaCell-MTS for several years now has been supporting Armenian students to get their scholarships from the world’s best 10 universities. These students are the country’s best investment for its future economic and social development.

Tuition Fund

Tuition Fund project aims at providing with tuition fees for students who live in socially vulnerable conditions.

Since 2009 the company has been supporting advanced students from the higher institutions of Yerevan and regions of Armenia.

It helps boosting the students’ educational attainment and improve the quality of life among youth. Students are selected on their advanced knowledge and achievements in the field of study.

VivaCell-MTS is strongly positioned amongst youth as an operator who cares for their future and will return back as loyalty and more subscribers from this segment.

In the frames of cooperation with twenty-two higher education institutions, the leading telecommunication’s operator in Armenia has greatly assisted in covering the tuition fee of 750 students.

Global IT Award

Global IT Award project is an annual award of the President of the RA for outstanding contribution to Global IT. The President of the RA honors individuals with remarkable contribution to the IT and Science Spheres.

The award is an unprecedented opportunity to encourage the development of information technologies in Armenia and is very important in terms of positioning the country on the world map with potential for higher achievements in the sphere of high-tech.

VivaCell-MTS supports this award from the very beginning, taking into account the potential that the initiative has in introducing our achievements in high-tech to the world and raising the country’s rating.

As a leader in the ICT sphere in Armenia the company spares no effort to share its expertise and benefit to its development.

Other projects like:

“Seedstars” competition

“Citizen” technological center

Cooperation with “Junior Achievements of Armenia”

“Teach for Armenia” project

SPORT

Chess Federation of RA

Armenia is known for being a Chess country for years now. The Chess Federation of RA aims at promoting the chess sport among the young generation, organizing the participation of the Armenian chess team at different competitions.

VivaCell-MTS extends its full support to events fusing national pride and strong gains, as Armenians, are a small nation and a chess giant at the same time. This once again proves that intellectual capital is Armenia’s competitive advantage.

The country now boasts not less than 26 grandmasters, 22 international masters, and 8 FIDE masters. Currently, 285 chess players have international ratings, while 2300 chess players have national ratings.

The country now boasts more than 3000 chess players have national ratings, while 2300 chess players have national ratings. Armenia has also been the host country for a number of international tournaments of the highest level, including several World and European Junior Championships. In 1996, Armenia hosted the 31st Chess Olympiad, and in 2001, the 5th World Team Championship.

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Internal Mini Football championship among all departments’ teams. The best players are selected as a VivaCell-MTS mini football team and participate in external championships.

External Mini football championship under the management of the Armenia’s Chess Federation.

Biking master classes are organized with the participation of VivaCell-MTS employees for VivaCell-MTS employees.

Yoga special classes are organized for the participation of VivaCell-MTS employees.

Skiing days are organized for the employees of VivaCell-MTS HQ twice a week.

SOCIAL COMMITTEE ACTIVITIES FOR THE VIVACELL-MTS STAFF

Intellectual Games:

Chess championship was organized between VivaCell-MTS employees. Special guests were invited for awarding the winners.

“What? Where? When?” Intellectual game was organized among employees. The winner team participated in the intellectual game with other companies of the city.
We want to play a key role in environmental protection and in the evolution towards a green society. Our key priorities are to reduce our environmental impact by reducing the consumption of petrol, energy and water. Meanwhile we are helping and promoting the awareness of all concepts of CSR including climate change. As a socially responsible company, VivaCell-MTS has shown preference for environmentally-friendly solutions related to its business.

Our activities are directed to:
• Measuring the Company’s carbon footprint
• Increasing energy efficiency at base stations

**Transportation**
VivaCell-MTS operates 86 vehicles, among them pick-ups, car, trucks, buses or jeeps for remote areas. 22 out of them are on petrol 180,488l and diesel - 73,371l. All vehicles have been equipped with GPS. Not usable tires are donated to special firms who recycle or repair them.

We have contracts with a limited number of car wash services that can ensure setting environmentally responsible measures to their service.

**Waste**
We have a contract with a waste outflow company regarding household waste. Waste paper currently is sold to a recycling company / commercial organization. Waste cartridges go to a waste outflow company we have a contract with. Waste from the non-functional equipment needed for utilization is passed to vendor for further usage or utilization. All accumulators are being sold to international organizations.

In general, we take care of repairing rather than immediate replacement. Accumulators/batteries are in service for 3-5 years and are tested on a yearly basis. Cables need replacement very rarely and will be partly re-used for further utilization. By selling material for recycling, we do not benefit financially but have social value at least by not polluting our country with waste.

**Prepaid cards / Top-Up**
VivaCell-MTS’ ability to offer innovative, fast and convenient value-added services such as Top-Up prepaid recharge option helps to appeal to new market segments, such as cost-sensitive and low-income subscribers.

Top-up is an innovative, fast, simple and convenient method for recharging prepaid account. Through this system, VivaCell-MTS prepaid subscribers, who have run out of airtime, are able to recharge their account directly from an authorized point of sale with the amount they wish, starting from 200 AMD to 90 000 AMD, paying cash to the seller. The deployment of Top-up service enabled VivaCell-MTS to provide its resellers with the ability to recharge the account of the subscriber with airtime mobile handsets, eliminating the need for physical top-up cards. The reseller/dealer receives the airtime from the operator and is able to transfer this airtime to the subscriber through a mobile-to-mobile transaction.

The Top-Up prepaid recharge system was launched on the 21st of May 2008, and based on our forecast by the end of Q1 of 2018; the system will reach significant share (over 20%) of total market sales for the prepaid recharge. VivaCell-MTS has over 6,000 points of sales for recharge airtime via Top-Up across Armenia. In Armenia’s high-growth markets, voucherless airtime top-up enables VivaCell-MTS to provide flexibility to its subscribers and reduce physical top-up card production and distribution costs.
Energy efficiency program / Environmental Management Systems

As part of the project to introduce the latest energy-saving technologies, according to the international convention for the protection of the environment, protection of the ozone layer and the greenhouse gases, our company held the following events.

Since 2011, we started the free cooling system installations. The strategy at the moment is aimed especially and in particular to remote telecommunication stations, where there is a great opportunity to use almost year-round favorable climate conditions for the proper operation of the equipment. This is a cost-effective, environmentally friendly and completely safe for the environment system, which allows to create quite normal operating environment for equipment.

In particular, the efficiency increases with the use of secondary energy resources, which is implemented in the framework of the same project (transportation of excess heat to the section, which needs heating in winter). Moreover, the system of free cooling allows to save technical resources and to increase the lifetime of the equipment several times.

There is data from manufacturers of free cooling system, based on the calculations of international experts. For example, one unit with a cooling capacity of 3-5 kW (used by us) leads to a decrease in emissions of CO₂ into the atmosphere from 1600 to 1800 kg a year. We haven’t the exact calculation of the economic impact yet, as there is a constant renewal of equipment, which creates technical difficulties to obtain accurate results. Preliminary data on energy saving are similar to the calculated values.

In the sphere of action to comply with the directives of international organizations for the protection of the environment, protection of the ozone layer, since 2007, our company has a policy of gradual and phased replacement of cooling equipment with hydrochlorofluorocarbons (HCFC) on the equipment working only on ozone-friendly refrigerants (hydrofluorocarbon HFC).

We stopped buying air conditioners running on HCFC. Some of the equipment with HCFC-purchased initially are still in service, but we perform replacement or purchase equipment only with ozone-friendly HFC refrigerants as they get worn-out or damaged. Buying refrigerant HCFCs still continues, to maintain the operation of the old units. This will continue until the decommissioning of all old cooling equipment.

INCREASING ENERGY EFFICIENCY AT BASE STATIONS

In order to decrease the Company power expenses, as an alternative power supply solution Solar Systems were installed in 4 Sites. The current monitoring results for these sites are provided below:

Totally, on annual basis the saved power will be about 2x6,570kW*h + 2x8,630kW*h = 30,400kW*h. This is equal to 0.09% of total Company power expenses.

Starting from Y2012 we have been implementing the installation of Free cooling system in Sites (in areas with low temperature) for increasing the energy saving and the reliability of air-conditioning system simultaneously.

Annually we install from 10 to 20 Free cooling systems in sites (Free cooling systems are already installed in 33 Shelter sites and in 70 Sites still remain).

Free Cooling unit type | Cooling Capacity (kW) | Qty. | Rated electrical power |
---|---|---|---|
Delta Master 2 48 EC | 2 kW (ΔT=2 K) | 18 | 112 W |
DeltaMaster 4 48 EC | 4 kW (ΔT=2 K) | 71 | 250 W |
Delta Master 6L 220 EC | 6 kW (ΔT=2 K) | 10 | 390 W |
Delta Master 6L 48 EC | 6 kW (ΔT=2 K) | 8 | 375 W |
ODU-6L-48EC | 6 kW (ΔT=2 K) | 6 | 330 W |
Total | | 113 |
The calculation for energy saving is provided below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Old Lamp Power (W)</th>
<th>LED Lamp Power (W)</th>
<th>Q-ty</th>
<th>Annually Saved Power Consumption (kW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>70</td>
<td>15</td>
<td>562</td>
<td>77,151</td>
</tr>
<tr>
<td></td>
<td>72</td>
<td>40</td>
<td>117</td>
<td>16,062</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>93,213</strong></td>
</tr>
<tr>
<td>2016</td>
<td>70</td>
<td>15</td>
<td>994</td>
<td>159,636</td>
</tr>
<tr>
<td></td>
<td>150</td>
<td>30</td>
<td>41</td>
<td>14,366</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>174,003</strong></td>
</tr>
</tbody>
</table>

Totally, on an annual basis the saved power consumption for replaced LED lamps in 2017 is equal to 0.27%, for 2016 0.52% (from the whole Company power expenses).

Power consumption decrease initiatives:

- Starting from 'Y2015, we are implementing the replacement of HQ’s and Service Centers’ lights with energy efficient LED lamps. The replacement was done in 14 + 24 Service Centres and in HQ.

- **SITES COOLING**
  - Free cooling system installation in 15 shelter type of sites on yearly basis

- **SITES POWER**
  - Power Saving features activation in sites

- **OFFICES**
  - Power saving by using LED lamps in 2 administrative buildings.
  - Contact center air conditioning system replacement with modern VRF system.
This CSR Report is MTS Armenia’s first report, in which the Company presents its corporate sustainability activities with regard to the economic, environmental and social impacts it has on the Armenian society.

The CSR strategy is based on the International ISO 26000 Corporate Social Responsibility Guidelines. MTS Armenia has successfully implemented the recommendations of the ISO 26000 Guidelines for activities in the field of Provision of Mobile Communication services and Customer Service in 2012. We were subject to a verification audit in December 2012 and its recertification in November 2017, conducted by the CSR Company International, which we successfully passed.

The MTS Armenia CSR Report is in accordance with the internationally recognized guidelines on sustainability reporting GRI Standards: Core option. Information disclosed applies to the MTS Armenia headquarters and all relevant operations in Armenia. The period under review corresponds to our business year, which runs from January 1st to December 31st, 2017.

What is the Global Reporting Initiative (GRI)?

GRI is an organization that has pioneered the standardization of sustainability reporting through creation of the GRI framework. It works towards a sustainable global economy by providing sustainability reporting guidance to make CSR performance measurable and comparable. Key principles in its approach include: Accuracy, Balance, Clarity, Comparability, Reliability and Timeliness. For more information, visit GRI’s website or study the GRI index of topics at the end of this document.

www.globalreporting.org

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#joinus

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