



Communication on Progress





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Statement of support

We as one of the members of the United Nations Global Compact retain all the principles set before us and will continue their implementation in the future.

We as a corporate citizen made decision to enter this organization as we dare to dream and commit, and we stand up to the challenges and always remain loyal to our commitments, liabilities, and core values. Thanks to our vision, honesty and devotion to being the best, we plan to continuously improve our services to the Armenian society: all this, because we believe in Armenia.

At VivaCell-MTS Corporate Social Responsibility is the part of our core business and help us accomplish sustainable business success. Through CSR we help our stakeholders to understand their expectations and make them come true. By listening to stakeholders and responding to their concerns, we have made significant progress in our CSR programs.

At the same time we are planning to enlarge the scope of our targets, views and issues we are forming now and set debates with our stakeholders whether it is our employees, subscribers or suppliers on social, environmental and corporate relevance.

Our CSR Management plans to bring together specialists with extensive knowledge to advance our skills and mastery. By all this of course we will be able to raise the standards in the respective industry. We are planning to invite experts in this sphere to comment on our challenges and activities. Each is asked to provide their views on the status of the issue, VivaCell-MTS’ current approach and expectations for the future.

CSR is the reflection of our business management. We implement CSR at all levels of our company by communicating with our employees and creating organizational culture where all the activities are based on our Core Values.

All our CSR activities could be found on our web site: www.mts.am.

With Best Regards,

Ralph Yirikian
General Manager

Brief description of nature of business

Mission

To achieve business success through a new culture of communication.

Objectives

The technical fulfillment is one of the integral parts of our company strategy.

As a Customer Oriented telecom company, we aim to provide quality services to all of Armenia

VivaCell-MTS spearheads the development of the telecommunication sector in Armenia, and offers innovative mobile voice and data products and services, and tailors solutions for different market segments. Furthermore, excellent network coverage has always been the competitive advantage of VivaCell-MTS which has managed to roll-out and build a radio network in the entire country within a short period of time. Simultaneously, our company managed to build an extensive network of service centres across Armenia with the objective to come as close as possible to its subscribers. Our network provides a capacity to serve over 2.5 million subscribers.

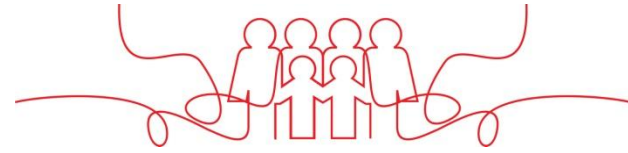
We deliver services that meet all the expectation of our subscribers.



“Our scope is to bring the world to Armenia and Armenia to the world”

Ralph Yirikian
General Manager

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Global Compact Principles – HUMAN RIGHTS

- **BUSINESS SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS**
- **BUSINESS SHOULD ENSURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES**

Every man, woman and child is entitled to fundamental human rights, defined by international conventions such as the UN Universal Declaration of Human Rights.

We are committed to upholding the human rights of our employees, customers and the people working with us.

One of the major aspects, VivaCell-MTS gives big role to, is the human rights protection. We employ more than one thousand people and these people have brought us today to our leading position in the market. It is our people we rely on, their enthusiasm, professionalism, loyalty and devotion to the Company that give jumping off to us. We depend on our people to deliver excellent service to our customers. We believe that the better experience our people have at VivaCell-MTS, the better service they will give to our customers.

We engage the most professional specialists in respective spheres by attracting them by our incentives and career opportunities, ensuring stability, future career growth, respect and safety at work. We aim to help our employees to balance work with their family, manage stress and improve their lifestyle.

Our Company implements policies meeting the requirement of our employees. We are committed to keeping our employees informed about changes in the business and consulting them about our strategy to deal with the changes. All the business strategy of VivaCell-MTS aims to ensure growth and the increase of work efficiency. HR role is to recruit, develop, motivate and retain professional and effective human capital, in line with VivaCell-MTS' corporate strategy resulting in customer satisfaction, respect and trust of those who do business with and support us.

VivaCell-MTS greets trainings, internship and education growth.

We encourage the employees on their way to education. The Staff is always enrolled in educational courses for which they receive financial support. The Company also supports the employees' children receiving higher education by supporting them financially.

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As a corporate responsible citizen, we host student interns at our premises by coaching them; introducing the business style and life we are in. Persons undertaking internship at our Company are given an internship salary. In case of vacancy in the Company, a job meeting his/her qualifications may be offered to the intern that has received the qualification assessment. *

From the start of its activity VivaCell-MTS set a compensation plan for its employees which included health, education, children programs, etc. **

Nowadays the Company provides health insurance to the employees. ***

This aim of it is to achieve the following goals:

- Non-material motivation of K-Telecom CJSC employees
- Improvement of the benefit system in the part of voluntary medical insurance

VMI is a benefit for all employees of the Company.

Conditions and procedure of VMI are regulated by the Policy, as well as by other local normative documents of the Company

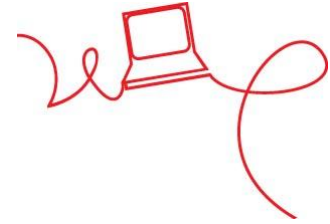
*** Policy « Internship Organization in K-Telecom Process Regulation » PR-ARM-019-1(INT),
Instruction dated 27.07.2010№ 360-i**

**** Policy “Compensation plan of K-Telecom CJSC” PL-ARM-004-1 (INT)**

***** Policy «Provision of voluntary medical insurance employees» PL-ARM-057-1**

Approved by: Instruction No 131-i, dated 19.01.2009

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Global Compact Principles – LABOUR STANDARDS

- **BUSINESS SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING**
- **BUSINESS SHOULD SUPPORT THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR**
- **BUSINESS SHOULD SUPPORT THE EFFECTIVE ABOLITION OF CHILD LABOUR**
- **BUSINESS SHOULD SUPPORT THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION**

VivaCell-MTS is a company valuing the employee and the working environment. These two factors are determining the success of the Company in the local market. We recruit, develop, motivate and retain professional and effective human capital, in line with VivaCell-MTS' corporate strategy resulting in customer satisfaction, respect and trust of those who do business with and support us.

The staff of the Company is provided with convenient and safety working conditions. The Company works according to the Labour Legislation of RA and the Corporate Responsibility concepts set at the Company.

The Company expects the manager to express leadership, support the process of attaining high business results, proactive participation in delegation and implementation of the corporate core values of VivaCell-MTS.

The aim of staff motivation is to ensure the loyalty and readiness of the staff to contribute to the best achievements of the Company. The Company adheres to the principles of competitive capacity in the labor market, fairness and link of the remuneration with the individual contribution of the employees in the Company performance results.

The Company ensures a competitive offer of staff motivation system including material (remuneration and compensation package) and non-material factors of motivation (training, development, career perspectives, stability) applicable to all staff.

Our company has a principle of discrimination prevention on all HR levels. Our company doesn't use any kind of discrimination in terms of age, sex, religion, political preferences, etc.

There exists a Policy regarding the administrative violation and penalties.*

This Policy defines the violations of laws regulating the activities of the Company, internal by-laws and employment agreements by the staff. A major disciplinary violation is one that results in a major violation of the provisions of the Labor Code, other legal acts containing rules of employment law and the internal disciplinary rules of the Company.

Major violations include:

- Actions defying the constitutional rights of citizens;
- Disclosure of state, official, commercial or technological secrecy or the communication thereof to a competing company;
- Generation of unlawful income by the employee for one's self or for someone else or the use of official position for personal interests or insubordination;
- Violation of equal rights of women and men or sexual harassment of employees, subordinates, or customers

An employee may lodge a complaint regarding sexual harassment to his or her immediate supervisor and to General Manager of VivaCell-MTS.

A complaint shall be kept strictly confidential with the exception of the limited disclosure that is necessary for purposes of investigation. K-Telecom CJSC reserves the right to undertake the necessary due action to reinforce its policies against sexual harassment, regardless of the wish of the complainant or the other party.

Any employee that lodges a complaint regarding sexual harassment or participates in the investigation of such a complaint will be protected from revenge.

We are a national employer. VivaCell-MTS provides long-term professional opportunities to many young and promising Armenian specialists who are able to grow their career and knowledge.

We are one of the first employers who employed the handicaps. According to today's data there are 30 handicaps of which 14 are men and 16 are women working in the Front Desk directly dealing with the subscribers.

At VivaCell-MTS we have an association called Social Committee.**

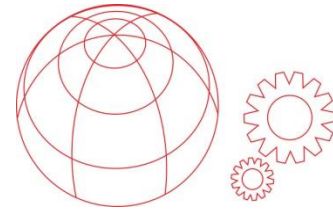
The whole staff, despite of the positions held, has got the possibility to join Social Committee which aims at protecting the employees' rights and create understanding between employers and employees, building trust.

The Social Committee meets to discuss the current issues, set policies, organize activities. All activities carried out by the Social Committee are publicized. VivaCell-MTS also provides entertainment activities for its employees which is also a tool of motivation and employees skills recognition. Each employee has got the right to joint the committee.

* Policy «Disciplinary violations and Applied Sanctions» PL-ARM-003-2 (INT), Approved by Instruction №.389-i dated 04.10.2010

** Process Regulation «Operation of the Our Planet internal portal» PR-ARM-008-1(INT; Instruction № 296-i, dated 31.03.2010

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Global Compact Principles – ENVIRONMENT

“Environmental and Social Responsibility should beat at the heart of every business leader.” -Anita Roddick-

- **BUSINESS SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES**
- **BUSINESS SHOULD UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY**
- **BUSINESS SHOULD ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES**

We as a corporate citizen pay a great attention to the environmental issues taking into account that the climate change is widely recognized as one of the greatest global challenges. So being a communications company, VivaCell-MTS can play an important role in helping to tackle the environmental impacts.

We recognize that a global challenge like climate change requires a coordinated approach from all areas of society and business. VivaCell-MTS collaborates with others to support ways to reduce climate impacts.

By cooperating with the FPWC we participate in different environmental campaigns: tree planting, painting day devoted to the environmental issues, bike tours, garbage gathering activities, flower gathering at Tsitsernakaberd for recycling process, etc.

We are also working on other aspects, especially energy reducing, water conservation, cooling system, waste.

Managing emissions from energy use, particularly in our networks, is a key aspect of our environmental management. In the future we are planning to ensure our strategy on energy and climate change is implemented across our technology operations. There will be teams sharing best practice and help company reduce energy use. Also in 2012 we will carry out regular assessments of energy use within our network to monitor our climate impact and identify opportunities to reduce it. Most operating companies calculate their energy use from annual meter readings. We will also install metering systems which measure energy use, enabling us to have a detailed picture of our energy use and find ways to reduce it.

Our operations generate waste – from our networks, our offices and call centers. Customers' old mobile phones also become waste when they are replaced. We are committed to reducing, reusing and recycling.

Our network creates waste, as we need to upgrade and replace equipment. We are reusing our materials through the specialist companies for recycling. The main types of waste produced by

our offices and call centers are paper, printer toner cartridges, packaging materials and IT equipment.

Water conservation is also one of the aspects of the environmental issues. Our operations don't require large water usage compared with other industries. However, our Company aim to reduce water use by installing low-flow toilets.

One of the major problems is connected with the mobile phones usage. We are all quite well aware how often the customers replace their mobile phone. There should be developed programs encouraging the consumers to use the phones as long as possible, or to return them for restoring, re-usage (could be sold out or donated) or recycling.

We are also concerned about reducing the expenses as well as environmental impacts that's why recently we have started using the videoconferencing system.

We aim to provide good coverage for our customers – whether they are in the countryside, in cities or in buildings. Many factors must be balanced when planning our network exploitation to improve coverage and capacity, including technical considerations, community concerns and visual impact.

Most people welcome improved coverage and services. But recognizing that expanding our network can sometimes cause concern, usually about health issues concerning radio frequency there will be a team of professionals dealing with this matter consulting the local people, helping them understand the issues.

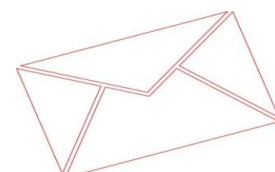
In order to solve tasks set before us and retain the success in the field of environment we rely on our employees. We communicate with our staff to increase awareness and encourage them to reduce environmental impacts by reducing energy emissions, cutting water usage, recycling at work and at home.

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 steps.

For us CSR is to work and build business and social relationships based on respect, ethics, dedication responsibility and trust; to maintain healthy and safe workplace for all our employees; to provide the conditions which are conducive to the development of the professional strengths and sense of individual accountability; to strive for equal approach in employee hiring and promotion; to keep honest relationships with suppliers; to deliver quality service for all our citizens.

Prosperity can not be maximized in isolation; we must build it hand in hand, and it is hand in hand that we should walk towards future Armenia.

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Global Compact Principles – ANTI-CORRUPTION

➤ BUSINESS SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY

Corruption is one of the highest concerns in the society nowadays. VivaCell-MTS pays a great attention to the corruption prevention and bribery in its business, generation of unlawful income by the employee for one's self or for someone else or the use of official position for personal interests or insubordination.* VivaCell-MTS will never allow its employees' law violations, dishonesty or ethic norms destruction, participation at any illegal activity such as corruption, bribing, money laundry, burglary, etc.

For the purpose of mitigate risks on incompliance to the anticorruption legislation of VivaCell-MTS employees there exists an instruction "Anticorruption Legislation Compliance".**

VivaCell-MTS has set a raw of policies in terms of recruitment, warnings system in case of internal violations, fraud prevention policy, etc.

Fraud Prevention policy*** has been elaborated to ensure organization, centralization, and coordination of struggling against fraud.

The Company applies the following means to fight against fraud:

- Monitoring of the fraud level;
- Prevention and detection of fraud;
- Investigation of the fraud cases;
- Elimination of the weaknesses that led to occurrence of fraud

The issue of bringing the employee to responsibility for violations of the requirements of the given Policy is resolved compliant to the norms of the existing legislation.

All actions connected with the investigation of fraud are carried out without taking into consideration the position/rank of the fraudster, employment period in the Company and any other relations with the Company in compliance with the Policy.

There also exists a Process Regulation "Implementation of Official Investigations".****

This process is aimed to achieve the following goals:

- To establish unified investigation procedure for identification of events, conditions, and culpable persons in breach of requirements of acting criminal, civil, administrative and labor legislations of RA (by the part regarding the company and/or its employees operations), as well as Normative Documents of the company.

- To determine the reasons and conditions stimulating the breaches and causing material damage to the company.

The reasons for implementing official investigation are the data leaked out to General Manager of VivaCell-MTS concerning the breaches by employees of the Company and included in;

- business notes of the Heads of the Company
- letters;
- complaints;
- applications
- messages of public authorities or their officials
- reports on internal audit, financial check-up, inventories;
- mass media

VivaCell-MTS as a corporate citizen and maintaining transparency and commitment to the society; closely cooperates with the mass media. Our company publicizes all the plans and activities to the public, is always in touch with the society. We organize press conferences, issue press releases and are always open and transparent to the public.

*** Policy «Disciplinary violations and Applied Sanctions » PL-ARM-003-2 (INT); Approved by Instruction №.389-i dated 04.10.2010**

**** Instruction « Observance of the anticorruption legislation » PL-ARM-020-1**

***** Policy «Fraud Prevention » PL-ARM-091-3; Instruction №290-i, dated 09.03.2010**

****** Process Regulation «Implementation of Official Investigations» PR-ARM-053-1; Instruction No 032-i dated 19.09.2008**

HOW DO YOU INTEND TO MAKE THIS COP AVAILABLE TO YOUR STAKEHOLDERS:



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VivaCell-MTS being a transparent and open company to the public commits itself to publicize all the activities conducted.

Our COP will be found on our website: www.mts.am, UN Global Compact website.

Each year we are publishing CSR book describing all the activities done within the respective year.

Next we are planning to attach to the book also the COP in the form of booklet.