



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.

As a Socially Responsible Company we made the decision to enter this organization as we dare to dream and commit, and we stand up to challenges and always remain loyal to our commitments, liabilities, and core values. Thanks to our vision, honesty and determination to being the best, we plan to continuously improve our services to the Armenian society: all this - because we believe in a better future of Armenia.

At VivaCell-MTS, Corporate Social Responsibility is in the core of our business strategy, which helps to accomplish sustainable business success. Through CSR we better understand the needs of our stakeholders and make their expectations come true. By listening to the stakeholders and responding to their concerns, we have made significant progress in our CSR activities.

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

Our CSR management plans to bring together specialists with extensive knowledge to further advance our skills and mastery. All this, of course, will enable us to raise the standards in the respective industry. We are inviting experts in this sphere to comment on our challenges and activities in order to improve our current approach and performance for the future.

CSR is the reflection of our corporate governance. We conduct responsible business 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.

Social Investment programs are an integral part of our CSR strategy, and all those activities are available 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

Technical fulfillment is one of the integral parts of our company's 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, 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 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 protection of human rights. 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 balance work with their family, manage stress and improve their lifestyle.

Our Company implements policies meeting the requirements 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. The business strategy of VivaCell-MTS aims to ensure growth and increase of work efficiency. HR role is to recruit, nurture, 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 creates opportunities for training, internship and professional growth.

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

As part of our Stakeholder engagement management, we host student interns at our premises by coaching them; introducing the business style and life we are in. Persons undertaking internship

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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 operation VivaCell-MTS has set compensation plan for its employees that includes health, education, children programs, etc.**

Nowadays the Company provides health insurance to the employees.***
VMI (voluntary medical insurance) 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.

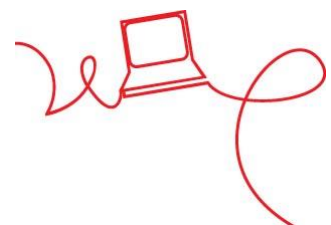
All these aim to achieve material and non-material motivation of “K-Telecom” CJSC employees.

** Policy “Internship rganization in “K-Telecom”. Process Regulation” PR-ARM-505-2, — Instruction 02.06.2014, № 123 ND*

*** Policy “Compensation plan of “K-Telecom” CJSC” PL-ARM-504-1 - Instruction No 081-ND dated 12.03.2014*

**** Policy “Provision of voluntary medical insurance to employees” PL-ARM-057-2 Instruction No 286-ND dated 25.05.2015*

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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, nurture, 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 safe working conditions. The Company works according to the Labour Legislation of RA and the Corporate Social Responsibility Strategy adopted at the Company.

The Company expects the managers 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 adequacy 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 recognize any kind of discrimination in terms of age, sex, religion, political preferences, etc.

There exists a Policy regarding administrative violations 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, of other legal acts containing rules of employment law and of 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 oneself or for someone else, 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 the General Manager of VivaCell-MTS.

A complaint shall be kept strictly confidential with the exception of the limited disclosure necessary for purposes of investigation. “K-Telecom CJSC” reserves the right to undertake 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.

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

We are one of the first employers who employed people with special needs. According to the actual data, there are 30 employees with special needs, 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. **

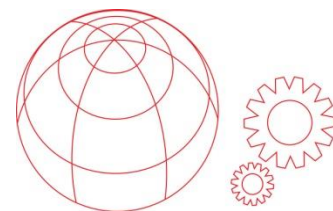
The whole staff, despite of the positions held, has got the opportunity to join the Social Committee which aims at protecting the employees’ rights, build trust and create understanding between employers and employees,.

The Social Committee meets to discuss and organize activities related to the staff. All activities carried out by the Social Committee are publicized. VivaCell-MTS also organizes entertainment activities for its employees which is also a tool for motivation and recognition of employees’ skills. Each employee has the right to join the Committee.

** Policy “Disciplinary violations and Applied Sanctions” PL-ARM-003-2 (INT), Approved by Instruction №.389-i dated 04.10.2010-- Instruction 03.12.2013, № 062 ND*

*** Order N 009 as of 14. 03. 2013. Order about establishing members of “K-Telecom” CJSC Social Committee*

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Global Compact Principles – ENVIRONMENT

- **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**

As a Socially Responsible Company we pay a great attention to the environmental issues by taking into account the fact that it's the main challenge of CSR in general. So being a telecommunications company, VivaCell-MTS can play an important role in addressing tackling issues related to environmental protection.

We recognize that a global challenge like climate change, preservation of wildlife, etc. require a coordinated approach with the participation of businesses and different layers of the society. This kind of approach begins with a sense of collective vision for the future and continues with difficult decisions about the appropriate balance between industrial production, consumption and environmental protection. Hence, VivaCell-MTS collaborates and engages with other stakeholders, such as the Foundation for the Preservation of Wildlife and Cultural Assets in Armenia (FPWC).

By cooperating with FPWC we participate in different environmental projects such as:

Establishment of Eco-Club Network throughout the country

“SunChild” annual International Environmental Festival

“Earth Day” annual International Campaign

The “Pan-Armenian Nature Painting Contest and Painting Day”

The “Green School” Project

The annual “Animal Carnival Parade”

“The Explorers” Youth Reality TV Project

“SOS” cultural project

We also work on other aspects of environmental protection, in particular, on energy-efficiency, water conservation, cooling system, waste disposal.

Managing our Company's environmental footprint is a key aspect of our CSR strategy. In the future we plan to enhance it and to ensure its implementation across all our technological operations. There will be teams sharing best practices and helping the company minimize harmful environmental impact. Also, in 2015 we will carry out regular assessment of waste disposal and energy consumption within our network to monitor the impact and identify opportunities for resource optimization. We're planning to install metering systems which

measure the environmental impact of our Company enabling us to have a detailed picture and offering effective tools of proper environmental management.

As air-conditioning systems prove to be a major element of our energy consumption, we regard the selection of an effective conditioning system for administrative, office buildings and base stations as a priority. The perspectives of development of air conditioning systems are directly related to replacing the old system with advanced equipment. In this regard we are guided by the principles of technical policy (one of the recommended actions towards Climate Change, mentioned in the Stern Review), which is about the usage of electric equipment of A-C category (high quality). The usage of Free-cooling Systems (category A), which is "green" technology, is being utilized in areas of our base stations where it is technically possible. Free-cooling System is a system which uses the temperature difference between inside and outside of a technical area for cooling. This is a very simple, cost-effective and environmentally friendly system. Due to this innovation, the indoor unit does not take up much space, and frequency of filter replacement will be 2 years. It helps us to spend 5-6 times less electricity in cold areas, as well as in the winter period. By using Free - cooling technology our company will have a greater potential for energy saving: up to 5% in "shelter" type base stations.

We also use innovative methods, like VRF - Variable Refrigerant Flow - to ensure indoor climate. It has significant advantages over traditional systems such as: economical operation by more than 2 times due to high efficiency; high ecological compatibility; high durability - more than 2 times; savings of outer space of the building due to a small number of outdoor units. As a result we save up to 3% of current consumption on the air- conditioning systems of office areas.

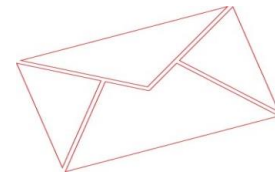
We have also managed to reduce energy consumption through lighting systems in the offices by replacing all light bulbs (type T8 18Watt) with new ones (type T5 14 Watt, or LED lamps), and we save up to 20% of electricity consumption on the lighting system for administrative buildings.

VivaCell-MTS believes in its capacity to contribute to promoting an understanding of multidimensional and evolving nature of CSR, hoping to set an example for other local institutions.

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

Prosperity cannot 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**

Nowadays, corruption is one of the highest concerns in the society. In its operations VivaCell-MTS pays great attention to prevention of corruption, bribery, generation of unlawful income by the employee for oneself or for someone else, of the use of the official position for personal interests, or insubordination.* For the purpose of mitigating risks on incompliance to the anti-corruption legislation by VivaCell-MTS employees, there exists an instruction: “Anticorruption Legislation Compliance”.**

Introduced in 2012, a system of measures and processes has been developed by our Company with an aim to provide requirements of anti-corruption regulation applied to the company. The anti-corruption regulation 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. The given Anti-Corruption regulation compliance goes beyond the already existing Armenian Anti-Corruption Legislation. This also obliges the company to comply with the main requirements of the American and English anti-corruption legislation, applicable to the company, as for example the UK Bribery Act (UKBA) 2010 or the USA Foreign Corrupt Practices Act (USA FCPA). The document of Anti-Corruption regulation applies to all other normative documents and processes acting within the company. Company

management has implemented a program effective April 2013 aiming to provide corresponding anti-corruption training and preparation for the company staff. Fraud Prevention policy*** has been elaborated to ensure organization, centralization, and coordination of the struggle 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

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 at achieving 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.

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

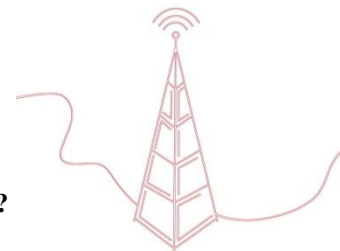
*** Instruction “Observance of the anticorruption legislation” PL-ARM-020-5 Instruction No 164-ND dated 18.07.2014*

**** Policy “Fraud Prevention” PL-ARM-091-4; Instruction №176-ND, dated 27.08.2014*

***** Process Regulation “Implementation of Official Investigations” PR-ARM-053-4; Instruction No 178-ND dated 02.09.2014*

HOW DO WE INTEND TO MAKE THIS COP AVAILABLE TO YOUR STAKEHOLDERS?

Our company is therefore accountable for publicizing and communicating all its activities to the public. More information about VivaCell-MTS sustainability report will be available in 2016.



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Our COP will be found on our website: www.mts.am, as well as on [UN Global Compact website](#).

Each year we publish a book describing all our Social Investment programs implemented within the frames of CSR during the fiscal year.