

# 2021



PUBLIC JOINT  
STOCK FINANCIAL  
CORPORATION  
SISTEMA

Sustainability  
Report

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#### DISCLAIMER

- Certain statements in this Sustainability report may contain assumptions or projections regarding forthcoming or expected events related to Sistema PJSFC or its portfolio companies. Statements of this nature may be expressed by using the words "expect," "estimate," "intend," "will," "could," negations of such words, as well as similar expressions. These statements are only predictions, and actual events or results may differ materially.
- Sistema PJSFC does not commit to reviewing these statements in order to correlate them with actual events and circumstances that may occur after the above-mentioned date or to highlight the events that were not expected to occur when this Sustainability report was prepared. Many factors could cause the actual results of Sistema PJSFC or its portfolio companies to differ materially from those set forth in our projections or forward-looking statements, including, among others, macroeconomic conditions, our competitive environment, country-specific risks of operating in Russia, rapid technological and market changes in the industries where Sistema PJSFC and its portfolio companies operate, the impact of the COVID-19 pandemic on the macroeconomic situation in the markets where Sistema PJSFC and its portfolio companies operate and on their financial performance, as well as many other risks specifically related to Sistema and its operations.



# STATEMENT FROM THE CHAIR OF THE BOARD OF DIRECTORS

GRI 102-14

## Dear colleagues and partners,

In 2021, Sistema PJSC faced a lot of challenges related to the extended period of the COVID-19 pandemic and the growing pressures of global inflation.

Despite economic turbulence, Sistema continued to fully implement its ESG obligations. In 2021, the Corporation kept up its investment activities and continued working on its ESG transformation plans. In the reporting period, Sistema invested over RUB 200 billion in the Russian economy. The funds went towards enhancing the efficiency of Sistema's businesses in several industries, implementing investment projects aimed at upgrading and increasing the capabilities of production assets. In 2019-2021, the Group's direct social investments exceeded **RUB 5 bn**, with **RUB 2.7 bn** contributed to environmental protection efforts.

The past year was marked by a number of momentous events for the Corporation. At the beginning of 2021, Segezha Group raised RUB 30 bn in an IPO on the Moscow Exchange, the first "green" IPO in the timber industry. Sistema continued creating a united pharmaceutical holding company by consolidating its pharma assets on the basis of Binnopharm Group, which has become one of the largest Russian pharmaceutical producers.

In 2021, Binnopharm continued industrial production of the coronavirus vaccine, Sputnik V. Due to the enormous demand for anti-coronavirus drugs, Binnopharm Group increased its production of drugs for prevention and treatment of Covid and post-Covid rehabilitation for the domestic and international markets. At the beginning of 2021, Binnopharm Group and the Indian pharma company Glenmark agreed to localise the production of the antiviral drug Favipiravir (which is used for the treatment of COVID-19, among other diseases).

The events of 2021 confirmed our belief that a strategic approach to sustainability is one of the key prerequisites for increasing the value of the business and resolving crisis situations with minimum losses. Therefore, we are particularly focused on continuous improvement of the governance system in all ESG aspects. The main change in corporate governance was related to putting one of the Board's committees in charge of determining the Corporation's ESG agenda. As a Chair of the Board of Directors and Chair of this committee I am focused on integrating the sustainable development principles into the governance processes and culture of the Corporation and the Group companies.

In May 2021, Sistema's Board of Directors approved the Environmental Policy and the Human Rights Policy of Sistema. These documents complement the ESG management system and elaborate the provisions of Sistema's Sustainability Policy. They set the benchmark for portfolio companies in terms of the efficiency of governance processes in the area of environmental protection and human rights, thus reducing the environmental and social risks of the investment portfolio. The Corporation also embarked on developing a medium-term ESG strategy aiming to increase the sustainability of Sistema's investment portfolio.

Sistema is not just contributing to the development of corporate ESG culture in the Group, but is also actively promoting sustainability principles in Russia. In December 2021, the Corporation became one of the founders of the National ESG Alliance, which aims to unite the leading Russian and international companies to develop standard responsible business practices in Russia.

In 2021, the key portfolio assets also continued improving their sustainability governance systems in accordance with Sistema's standards and international ESG trends. MTS established the Committee for Corporate Governance, Environmental and Social Responsibility and engaged

independent experts as its members, and also set up a specialised ESG Centre. Segezha Group's Board of Directors established a Strategy and Sustainability Committee and set up a cross-functional working group to oversee the company's sustainability governance system. Segezha Group updated its Sustainability strategy and developed a new road map for its implementation until 2025. Medsi launched an ESG working group with Management Board members actively involved in its work. Etalon Group's Board of Directors approved the ESG Policy aimed at improving the quality of sustainability governance, enhancing business transparency, developing approaches to interaction with stakeholders. Steppe AgroHolding adopted a Sustainability Policy and set up a special commission for assessing the risks related to global climate change. In 2022, Steppe AgroHolding conducted an internal ESG audit and approved a Sustainability strategy of the company until 2030. The strategy sets out the following priority objectives: promotion of innovative and climate-friendly development of the agricultural complex, ensuring the welfare of employees and improving living standards across Russia's regions, as well as building a responsible supply chain.

The effectiveness of Sistema's sustainability governance system was confirmed by independent Russian and international assessments in terms of openness, responsibility and sustainability. Sistema was ranked among the top 10 out of 33 Russian companies that voluntarily disclosed their climate data via CDP, the leading international carbon reporting platform, getting a B score, and made it to the top 11 of 66 Russian companies that received a request from investors to disclose information about climate change risks. Sistema's score from MSCI ESG Research was confirmed at BB, and its status of a participant of the FTSE4Good index was validated. In June 2022, Sustainalytics rated the Group's risk level as Low (11.5 points). This ranking means that the value of the company has low exposure to the risk of significant financial impact caused by ESG factors. Sistema's public sustainability report was named one of the five best among the world's investment companies at ESG Reporting Awards 2021.

Due to its effective sustainability governance system Sistema remains a sustainable business that is resilient to risks in a difficult economic environment.

Anna Belova  
Chair of the Board of Directors  
of Sistema PJSC





# ABOUT THE CORPORATION

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# BUSINESS OVERVIEW

GRI 102-1 > GRI 102-5

**Sistema PJSC** (hereinafter, "Sistema" or "the Corporation"), founded in 1993, is one of the largest private investors in Russia's economy. The company's assets are represented across more than 20 real-economy and financial sectors and service about 150 m customers. The Corporation is among the country's top 20 companies by revenue (RBC) and the top 25 public Russian companies in Forbes Global 2000 Rating.

20+  
SECTORS

150+<sub>M</sub>  
NUMBER OF CONSUMERS  
SERVED BY THE SISTEMA GROUP

TOP 20  
LARGEST RUSSIAN COMPANIES  
BY REVENUE (RBC)

TOP 25  
PUBLIC RUSSIAN COMPANIES  
IN FORBES GLOBAL 2000  
RATING

The Corporation's shares are traded on the Moscow Exchange and on the London Stock Exchange in the form of global depositary receipts.

The Corporation's investment portfolio includes Russian companies in such industries as telecommunications, forestry, agriculture, healthcare, real estate, e-commerce and other industries.



MOSCOW STOCK EXCHANGE  
▶ Ticker: AFKS  
▶ Level 1 Quotation list



LONDON STOCK EXCHANGE  
▶ Ticker: SSA  
▶ 1 GDR = 20 ordinary shares of Sistema

1.8<sup>TN</sup>  
RUB

TOTAL ASSETS

802.4<sup>BN</sup>  
RUB

REVENUE

0.6%

CONTRIBUTION TO RUSSIAN GDP

GRI 102-7 > UNCTAD A.1.1

Key Indicators for 2021

	2021	2020	CHANGE VS. 2020, %
<b>Economy</b>			
Revenue, RUB bn	802.4	691.6	+16.0
OIBDA, RUB bn	278.1	229.8	+21
Adjusted OIBDA margin, %	31.4	34.2	-8.19
Operating income, RUB bn	143.9	109.4	+31.54
Net income / loss, RUB bn	17,344	10,216	+69.8
Total investment in fixed assets, RUB bn	167.2	127.8	+30.83
Taxes and payments to social insurance funds, RUB bn	131.5	118.9	+10.6
<b>Environment</b>			
Environmental protection expenditures, RUB m	1,403	731.8	+92
Energy consumption, m GJ	44.1	43.3	+1.8
Water withdrawal, m cu m	66.4	84.7	-21.6
<b>Personnel</b>			
Total headcount, persons	139,524	134,143	+4.01
Average labour productivity, RUB m per person	6.4	5.2	+23.08
<b>Society</b>			
Social investment, RUB bn	1.85	1.76	+5.1
Participants of charity programmes, persons	85+ thsd	85+ thsd	-
Sistema representatives listed among the Top 1000 Russian Managers, persons	80+	100+	-20



GRI 201-1

Generated and Distributed Direct Economic Value, RUB bn

	2021	2020	2019
<b>CREATED VALUE, INCLUDING:</b>			
Consolidated revenue	802.40	691.63	656.86
Financial and other revenues	42.18	26.81	3.11
<b>DISTRIBUTED VALUE, INCLUDING:</b>			
Operating and other expenses	674.77	577.68	561.06
Including wages, social and other payments to employees	162.37	143.83	133.41
Taxes	43.78	12.47	31.96
Investment in communities	1.85	1.76	1.42
Financial expenses	71.50	71.47	87.34
Other expenses	1.18	15.22	-78.00
Accrued dividends to shareholders	2.95	1.22	1.05
<b>RETAINED VALUE</b>			
	48.55	38.31	55.14



# INVESTMENT PORTFOLIO

## Venture capital funds

Sistema Venture Capital — 80%  
Sistema Asia Fund — 66%

62.2%

FORESTRY INDUSTRY

## Segezha Group

Largest vertically integrated  
forestry holding in Russia

29.8%

REAL ESTATE DEVELOPMENT

## Etalon Group

One of the Russia's largest  
public development and  
construction companies

100%

COMMERCIAL PROPERTIES

## Business Nedvizhimost

One of the largest real estate  
owners in Moscow

100%

HOSPITALITY

## Cosmos Hotel Group

One of the largest hotel  
management companies  
in the Russian market

91%

UTILITIES

## BPGC

One of Russia's  
largest power grid  
companies

100%

INFORMATION TECHNOLOGY

## Sitronics Group

Leading vertically integrated  
ICT holding in Russia

95.5%

HEALTHCARE

## Medsi

Russia's  
largest national  
healthcare chain

31.8%

E-COMMERCE

## Ozon<sup>2</sup>

Leading multi-category  
online sales platform  
in Russia

49.9%

TELECOMMUNICATIONS

## MTS<sup>1</sup>

Leading public  
telecommunications  
operator in Russia

PUBLIC ASSETS

KEY NON-PUBLIC ASSETS


OTHER CONSOLIDATED ASSETS


<sup>1</sup> In March 2022, as part of the long-term incentive programme, Vyacheslav Nikolaev acquired 19,983,816 ordinary shares of MTS owned by Bastion LLC, a wholly owned subsidiary of MTS. With the transfer of shares to Mr Nikolaev, his stake in MTS increased to above 1%. Sistema's effective ownership stake in MTS decreased to 49.9%.

<sup>2</sup> 12.2 m shares were issued to be used in the Ozon's management incentive programme, considering exercise of all options under the programme, the effective share of Sistema, including Sistema VC, would amount to 31.8%.



# Geographical Footprint

Since 2008, Russia maintains a list of systemically important enterprises that may receive support during a crisis to ensure their uninterrupted operations. A systemically important enterprise is an enterprise which goods or services are crucial for the functioning of the related territory or industry or the region's social and economic systems.

 — companies that in 2020 were included in the list of systemically important enterprises<sup>1</sup>.

ASSETS	COMPANY	SCALE OF ACTIVITY	EQUITY STAKE, %	GEOGRAPHICAL FOOTPRINT
Telecommunications	MTS	<ul style="list-style-type: none"><li>▶ 88+ m mobile subscribers in Russia, Republic of Belarus and Armenia</li><li>▶ 26.4+ 4G base stations launched in 2021</li><li>▶ 5.6 thsd retail outlets</li></ul>	49.9%	Federal chain
E-commerce	Ozon	<ul style="list-style-type: none"><li>▶ RUB 445+ bn in 2021 GMV, services included</li><li>▶ 25 m active customers</li><li>▶ RUB 178.2 bn in revenue</li><li>▶ 90+ thsd vendors</li></ul>	31.8%	Federal chain
Forestry industry	Segezha Group 	<ul style="list-style-type: none"><li>▶ Operations in 9 regions across Russia</li><li>▶ Present in 12 countries</li><li>▶ 15 thsd employees</li><li>▶ 26 production sites</li><li>▶ Selling to 110+ countries</li><li>▶ 74% of revenue is in foreign currencies</li></ul>	62.2%	Republic of Karelia, Arkhangelsk, Vologda, Kirov, Krasnoyarsk, Rostov, Kostroma, Irkutsk regions and Moscow
Real Estate	Etalon Group 	<ul style="list-style-type: none"><li>▶ 6 m sq m in NSA<sup>2</sup></li><li>▶ 27 projects at design and construction stage</li><li>▶ 446 thsd sq m sold in 2021</li><li>▶ RUB 84.4 bn made in 2021 revenue</li></ul>	29.8%	Moscow region, Saint Petersburg, Omsk, Yekaterinburg
	Business Nedvizhimost	<ul style="list-style-type: none"><li>▶ ~400 thsd sq m in total floorspace</li><li>▶ 79 commercial properties in Moscow and St Petersburg</li></ul>	100%	Moscow, St Petersburg
Healthcare	Medsi Group 	<ul style="list-style-type: none"><li>▶ Operations in 12 regions</li><li>▶ 90+ facilities</li><li>▶ Among Russia's top 20 private clinics in 2021 according to Forbes</li></ul>	95.5%	Moscow & Moscow region, Barnaul, Bryansk, Nizhnevartovsk, Perm, Saint Petersburg, Volgograd, Nyagan, Izhevsk, Rostov-on-Don, Ufa
Agriculture	Steppe AgroHolding	<ul style="list-style-type: none"><li>▶ 1.8 m t of crops harvested in 2021<sup>3</sup></li><li>▶ No.1 in Russia by niche crop exports</li><li>▶ No.6 in Russia by farmland area<sup>4</sup></li><li>▶ 87 thsd t in milk yield</li><li>▶ 23.2 thsd cows</li></ul>	91.3%	Krasnodar, Stavropol, and Rostov regions



ASSETS	COMPANY	SCALE OF ACTIVITY	EQUITY STAKE, %	GEOGRAPHICAL FOOTPRINT
Pharmaceuticals	Binnopharm Group 	<ul style="list-style-type: none"><li>▶ 370 m medication packs produced in 2021</li><li>▶ Selling to 13 countries</li><li>▶ 5 production sites</li><li>▶ 57 new marketing authorisations obtained in 2021</li></ul>	75.3%	Moscow & Moscow region, Kurgan, Stavropol
Power industry	Bashkir Power Grid Company	<ul style="list-style-type: none"><li>▶ 89.4 thsd km of power grids</li><li>▶ 14,706 thsd new connections</li><li>▶ Servicing 78% of Bashkortostan's power transmission market<sup>5</sup></li></ul>	91%	Bashkortostan
Hospitality	Cosmos Hotel Group	<ul style="list-style-type: none"><li>▶ Managing 20 hotels in Russia</li><li>▶ 1.2+ m guests in Cosmos hotels in 2021</li><li>▶ RUB 4 bn in 2021 revenue</li></ul>	100%	Moscow & Moscow region, Republic of Karelia, Izhevsk, Kazan, Sochi, Novosibirsk, Yaroslavl, Astrakhan, Volgograd, Voronezh, Republic of Altay, Forte dei Marmi (Italy), Karlovy Vary (Czech Republic)
High technology	Sitronics Group	<ul style="list-style-type: none"><li>▶ 400+ partners</li><li>▶ 1,500+ employees</li><li>▶ RUB 29.3 bn in 2021 revenue</li></ul>	100%	Federal chain
Retail	Concept Group 	<ul style="list-style-type: none"><li>▶ 239 stores</li><li>▶ 9+ m items sold in 2021</li></ul>	42.9%	Federal chain
Banking	East-West United Bank S.A.	<ul style="list-style-type: none"><li>▶ EUR 155+ m in equity</li><li>▶ EUR 697 m in total assets</li><li>▶ EUR 11.8 m in interest income</li><li>▶ EUR 5.1 m in fee &amp; commission income</li></ul>	100%	Europe
Funds	Sistema_VC	<ul style="list-style-type: none"><li>▶ RUB 10 bn target fund size</li></ul>	80%	Europe
	Sistema Asia Fund	<ul style="list-style-type: none"><li>▶ USD 120 m target fund size</li><li>▶ USD 42 m raised from private and institutional investors in 2021</li></ul>	66%	India, Southeast Asia

1 The symbol "+" indicates Group companies that in 2020 were included in the list of systemically important enterprises due to the economic crisis following the COVID-19 pandemic.

2 NSA means net saleable area.

3 Steppe AgroHolding plus RZ Agro.

4 BEFL.

5 In terms of revenue.



## 2021 Sustainability Milestones

January 2021

- ▶ **Sistema, Etalon Group**, DOM.RF and Bank DOM.RF signed an agreement on strategic cooperation to develop housing construction in Russia

February 2021

- ▶ **Segezha Group** commissioned Sokol CLT, Russia's first plant producing CLT panels with an annual capacity of 50 thsd cu m, in the Vologda region
- ▶ **MTS** started an academic programme to teach students of six leading Russian tech schools to develop NB-IoT devices
- ▶ **MTS** and the Cardiology Research Institute of Tomsk National Research Medical Centre of the Russian Academy of Sciences struck a strategic partnership in digital healthcare

March 2021

- ▶ **Sistema** closed a partnership agreement with the Tyumen region administration to carry out collective initiatives and investment projects
- ▶ **Sistema** signed a cooperation agreement with the Russian Academy of Sciences Institute for Chemical Physics to set up a nationwide hydrogen energy R&D centre
- ▶ The Board of Directors of **MTS** approved the transformation of the company's Corporate Governance Committee into an ESG Committee (the Committee for Corporate Governance and Environmental and Social Responsibility)
- ▶ **MTS** set up a 5G Centre (an international site to develop and pilot tech products on 5G networks) in Saint Petersburg
- ▶ **MTS** floated a RUB 4.5 bn worth of registration-exempt social impact bonds on the Moscow Exchange, with proceeds to finance internet connectivity for some 5 thsd social facilities in eight regions of Russia
- ▶ **Segezha Group** joined the UN Global Compact
- ▶ **Segezha Group** and WWF Russia signed an agreement to conserve old-growth forests in the Arkhangelsk region

April 2021

- ▶ **Segezha Group** conducted a RUB 30 bn IPO on the Moscow Exchange to finance investment and deleveraging efforts
- ▶ **Segezha Group's** Board of Directors approved the company's Sustainability Strategy & Policy through 2025
- ▶ **Cosmos Hotel Group** signed a cooperation agreement with TOURISM.RF to build large hotels
- ▶ **Ozon** opened its first fulfilment centre in the Novosibirsk region with capacity to store up to 4 m items and process more than 85 thsd parcels per day





May 2021

- ▶ **Sistema's** Board of Directors adopted an Environment Policy and a Human Rights Policy as enhancement to the company's ESG management system and elaboration on its Sustainability Policy
- ▶ **Sistema's** Board of Directors adopted a new dividend policy
- ▶ **Ozon** added logistical capacities in Republic of Belarus as a business-boosting move

June 2021

- ▶ **Sistema** entered into an agreement with Saint Petersburg State University to support the establishment of PSU Nevskaya Delta Innovative Science & Technology Centre
- ▶ **Sistema** signed an agreement with the Vologda region to develop multiple business spheres, including hospitality, forest industry, and light industries
- ▶ **Sistema** closed a cooperation agreement with JSC State Transport Leasing Company to pursue projects in energy, microelectronics and forest industry
- ▶ **Steppe AgroHolding** signed a cooperation agreement with Sberbank to develop AI technologies in agriculture
- ▶ **Binnopharm Group** reached an agreement with RDIF and Bahrain's sovereign wealth fund Mumtalakat to establish the production of the Sputnik V coronavirus vaccine in Bahrain
- ▶ **Segezha Group** entered into an agreement with VEB.RF to build a new pulp and paper mill in the Republic of Karelia
- ▶ Lift to the Future (a flagship education platform of **Sistema Charitable Foundation**) and Generation M (**MTS's** charitable project promoting creativity) became the newest additions to the UN's official SDG Good Practices)

July 2021

- ▶ **Segezha Group** had its production facilities certified under ISO 9001, ISO 14001 and ISO 45001

August 2021

- ▶ **Ozon** entered into an agreement with the Kazakhstan Post to deliver parcels across the country, a move that propelled the number of local pick-up points by a factor of nearly 20

September 2021

- ▶ **Sistema** closed a cooperation agreement with the Irkutsk region administration to pursue a wide range of investment and development projects in telecoms, the travel industry, housing and infrastructure construction, timber processing, healthcare services and information technology.
- ▶ **Sistema** closed a strategic partnership agreement with LLC Strelka Consulting to enhance urban standards of living and develop urban economies across the nation
- ▶ **MTS's** AI Centre (AIC) struck a partnership with the US accelerator Plug and Play, enabling AIC residents to receive training in Silicon Valley and get access to funding from its partners worldwide
- ▶ **MTS** was among Russia's ten largest digital companies to support the initiative of setting up an Alliance for the Protection of Children in the Digital Environment





September 2021

- ▶ **Sistema** signed an agreement with the national SME support institute MSP Corporation to set up an industrial park on the premises of the corporation's textiles arm Votex
- ▶ **Medsi's** CDC Krasnaya Presnya in Moscow received certification from the National Institute for Quality of the Federal Service for the Supervision of Healthcare in the Healthcare Quality and Safety category

October 2021

- ▶ **Sistema** struck a partnership with Rosseti to build and reconstruct high-voltage substations and pursue projects designed to reduce critical load on electrical grids, build charging stations for electrical vehicles and create energy & Smart Grid infrastructure in Moscow and other urban centres
- ▶ **Segezha Packaging's** production facility in Ploiești, Romania, received its first FSC certificate

November 2021

- ▶ **Segezha Group** launched a highly automated pellet production line at its Sokol Woodworking Plant in the Vologda region. More than a mere addition to the product portfolio, the move made the factory an eco-friendly facility and an important element in the closed-loop production cycle.
- ▶ **Sistema** signed a cooperation agreement with the government of Nizhny Novgorod region cutting through a variety of industries such as healthcare, IT, telecoms, travelling and housing and infrastructure construction
- ▶ **MTS** joined 5G Future Forum, a global alliance of telecom operators

December 2021

- ▶ **Sistema** joined the initiative to set up a National ESG Alliance, whose mission is to facilitate a transition to a sustainable development model of economy
- ▶ **Sistema** signed an agreement with KT Corporation, the largest digital services provider in South Korea, to cooperate in the areas of healthcare and high technologies
- ▶ **Steppe AgroHolding** received its first I-REC certificate, which confirms the consumption of 100 MWh of electricity from renewable energy sources
- ▶ **Segezha Group** set up an R&D centre in the Republic of Karelia specialising in highly efficient hi-tech paper packaging

## Events after Reporting Date

January 2022

- ▶ **Medsi's** SmartLab obtained an ISO 15189:2012 certificate evidencing compliance with high laboratory quality management standards

February 2022

- ▶ **Sistema Charitable Foundation** has signed an agreement with the think tank Worldskills Russia to cooperate in preparing, organising and conducting learning activities for corporate employees

March 2022

- ▶ **MTS** established an ESG Centre to implement the corporate ESG strategy, replicate best ESG practices and manage a portfolio of commercial projects addressing social and economic problems
- ▶ **Sistema Charitable Foundation** closed a partnership agreement with the NGO ECA to work towards UN Sustainable Development Goals and spread awareness about environmentally friendly behaviours and lifestyles

April 2022

- ▶ **Sitronics Group** unveiled a Digital Transport Management Platform enabling 'smart' traffic management in urban environments
- ▶ **Etalon Group** launched its very own geoinformation system for the automated spatial analysis of prospective residential construction sites in light of investment potential
- ▶ **Binnopharm Group's** production facility Alium received a GMP (good manufacturing practices) certificate from the Eurasian Economic Union

May 2022

- ▶ **Binnopharm Group** joined the Social Charter of Russian Business penned by the Russian Union of Industrialists and Entrepreneurs

June 2022

- ▶ **Sistema** signed cooperation agreements with the governments of the Astrakhan region and the republics of Altay and Bashkortostan
- ▶ **Etalon Group** signed an agreement with DOM.RF to pilot a project where housing will be evaluated for compliance with the national environmental safety standard GOST R



# Business Model

CAPITAL CREATION	TYPE OF RESOURCES (CAPITAL)	2021	2020	ACTIVITIES	RESULTS	2021	2020	UN SUSTAINABLE DEVELOPMENT GOALS
<b>Financial capital</b> <ul style="list-style-type: none"><li>▶ Raising</li><li>▶ Allocating</li><li>▶ Growing asset value</li><li>▶ Monetisation</li><li>▶ Reinvesting in new attractive projects/ developing current portfolio companies</li><li>▶ Delivering shareholder returns in the form of dividends / interest sale profits, IPO / SPO of assets</li></ul>	Shareholder's equity, RUB bn	126.3	87.3	 <b>Strategic focus</b> <ul style="list-style-type: none"><li>▶ Growing USD 1+ bn businesses (Steppe AgroHolding, Segezha Group, Medsi, Ozon)</li><li>▶ Generation of value in existing assets, including through the adoption of advanced technologies and digital solutions</li><li>▶ Stronger focus on investments in technology</li><li>▶ Realisation of unique investment opportunities in traditional industries in Russia</li><li>▶ Continuous improvement of the corporate governance system</li></ul>	Total dividends, RUB bn (GRI 201-1)	2.9	1+	
	Total assets, RUB tn	1.8	1.4		Adjusted net income/loss, RUB bn	-8.9	16.0	
					Revenue, RUB bn	802.4	691.6	
<b>Human capital</b> <ul style="list-style-type: none"><li>▶ Building management teams in portfolio companies</li><li>▶ Engagement, training and professional development of employees</li><li>▶ Health and well-being of employees</li><li>▶ Investments in education and human resource development for various industries</li></ul>	Average headcount, person (GRI 102-8)	139,524	134,143	 <b>Reinvestment</b> <ul style="list-style-type: none"><li>▶ Allocation of capital</li><li>▶ Search for investment opportunities</li><li>▶ Growth of equity value</li><li>▶ Monetisation</li></ul> <p><i>Taking ESG factors into account at every investing stage</i></p>	Average labour productivity, RUB m / per person	6.4	5.2	
	Share of female workers across Sistema Group, % (GRI 405-1)	45.0	45.0		Average hours of training per year per employee (GRI 404-1)	15.3	10.7	
	Average ratio of entry-level wage the Russian minimum wage (GRI 202-1)	2.1	2.1		Work-related injuries (GRI 403-9)	118	80	
<b>Social and reputation capital</b> <ul style="list-style-type: none"><li>▶ Development in important social fields</li><li>▶ Relations with stakeholders</li><li>▶ Investments in communities, charity and volunteering</li></ul>	Number of consumers, m	150+	150+	 <b>Key ESG aspects</b> <ul style="list-style-type: none"><li>▶ Accessibility and quality</li><li>▶ Smart environment</li><li>▶ Well-being</li></ul>	Taxes paid to budgets of all levels (social insurance funds included), RUB bn (GRI 201-1)	131.5	118.9	
	Number of agreements signed with local administrations	17	17		Social investments in communities, RUB bn (GRI 203-1)	1.8	1.76	
	Participants of charity programmes, persons	85+ thsd	85+ thsd		Proportion of positive media stories reflecting the Corporation's strategic goals, %	53.3	54.8	
<b>Production capital</b> <ul style="list-style-type: none"><li>▶ Modernisation of production facilities</li><li>▶ Investment programmes of portfolio companies</li></ul>	Number of industries	20+	15+		Total investments in fixed assets, RUB bn (GRI 203-1)	167.2	127.8	
<b>Intellectual capital</b> <ul style="list-style-type: none"><li>▶ Innovations, new technologies and R&amp;D</li><li>▶ VC investments in tech startups</li></ul>	Number of new agreements signed with research institutes	4	8		Number of registered intellectual property assets	253	203	
	Spending on IT, RUB m	11,658.9 <sup>1</sup>	178.5 <sup>2</sup>		Number of patent & trademark applications	129	72	
	Number of VC transactions	5	4					
<b>Natural capital</b> <ul style="list-style-type: none"><li>▶ Environmental compliance and protection</li><li>▶ Green tech and resource efficiency</li><li>▶ Climate change risk management</li></ul>	Environmental protection expenditures, RUB m	1,403	732		Greenhouse gas emissions, m t CO2 eq (GRI 305-1)	0.89	0.74	
	Energy consumed, m GJ (GRI 302-1)	44.1	43.33		Water discharge, m cu m (GRI 303-4)	55.7	61.4	
	Water withdrawal, m cu m (GRI 303-3)	66.4	84.7		Energy consumed per RUB m of consolidated revenue, GJ/RUB m	54.96	62.65	

1 Data for 2021 is provided for Ozon, Etalon Group, BPGC, Aeromax Group. Significant increase is related to the change in the calculation perimeter.  
2 Data for 2020 is provided for Etalon Group, BPGC.



# RESPONSIBLE INVESTMENT STRATEGY AND APPROACHES

GRI 103-3

## Sistema's Awards in 2021



**SISTEMA WON CBONDS AWARDS 2021**  
as Issuer of the Year



**SISTEMA WAS NAMED SECOND**  
in the "Economics. Business" of the "Change Management. Visionaries" award for its project "ESG transformation of approaches to investment and asset management"

## Group Companies' Awards in 2021



**SEGEZHA GROUP WON THE LAUNCH OF THE YEAR CATEGORY**  
of the international award Eventiada IPRA GWA. It was awarded for the PR project of the Group's IPO



**SEGEZHA GROUP WON THE DOMESTIC PLACEMENT**  
of Russia IPO Awards organised by the information and analytical agency PREQVECA and Cbonds-Congress



## Sistema's mission

Sistema's mission is to build Russia's leading investment company with diverse expertise and a strong track record, which will become an investment platform for managing both its own and third-party capital, while also providing access to unique investment opportunities in the most attractive sectors and high-potential technologies and fuelling long-term growth in shareholder value.

## Strategic goals and strategic focus of Sistema

### STRATEGIC GOALS

01

Steady growth of the Corporation's shareholder value

02

Maximising net asset value

03

Building profitable and growing companies that are leaders in their industries

04

Paying dividends to the Corporation's shareholders

### STRATEGIC FOCUS

01

Building and continuously developing businesses worth over USD 1 bn

02

Embracing unique investment opportunities in traditional and new sectors

03

Continuous enhancement of corporate governance

04

Creating value in assets through team strengthening, strategic development, business transformation, operational improvements, equity structure optimisation, digitalisation, etc

## Portfolio Strategy

GRI 103-1

GRI 103-2

GRI 103-3

SASB FN-AC-410a.2

Investments in existing assets: investments in own portfolio companies with potential to become businesses worth over USD 1 bn:

Investment strategy:

investments in portfolio companies to increase their competitiveness and market share, entering adjacent segments and launching new products with a synergistic effect

Investment geography:

in accordance with the approved strategy for portfolio companies

Industries and business segments:

within companies' industries and adjacent sectors/segments with a synergistic effect

Discounted payback period (DPBP):

from 3 to 10 years

The portfolio strategy is based on classification of assets depending on market appeal, the competitiveness of the team and the company as a whole.

### NEW INVESTMENTS: UNIQUE OPPORTUNITIES IN TRADITIONAL INDUSTRIES

MATURE  
UNDERVALUED  
ASSETS

Investment strategy:

acquisition of substantial or controlling stakes in large assets in attractive markets with a possibility of increasing equity value, getting a premium in valuation and selling within 2-3 years

GROWING  
ASSETS

Investment strategy:

acquiring and consolidating players in certain industries or market segments, enhancing the asset's competitive advantages, leveraging economies of scale and entering new market segments; exit in 4-5 years through a sale to a strategic investor or IPO

Investment geography:

mostly in Russia

Industries and business segments:

sectors with large markets, high growth or transformation rates, and significant potential for growing efficiency, digitalisation, import substitution or exports

### NEW INVESTMENTS IN THE TECH SECTOR AND TECHNOLOGIES OF THE FUTURE

TECHNOLOGY  
ASSETS

Investment strategy:

direct investments in large stakes in technology companies that do not meet the requirements of investment theses of Sistema's own funds, with an opportunity to create new fast-growing businesses, make a breakthrough in the development of key technologies of the future and monetise them in 5-7 years

VC FUNDS

Investment strategy:

investments by Sistema's existing and new VC funds; investment monetisation. Mandatory engagement of external investors as financial partners (the share of outside partners in new funds is at least 50%)

Investment geography:

no restrictions

Industries and business segments:

e-commerce, internet of things, artificial intelligence, cloud and edge computing, machine learning and neural networks, autonomous vehicles, robotics, augmented and virtual reality (AR/VR), blockchain, etc

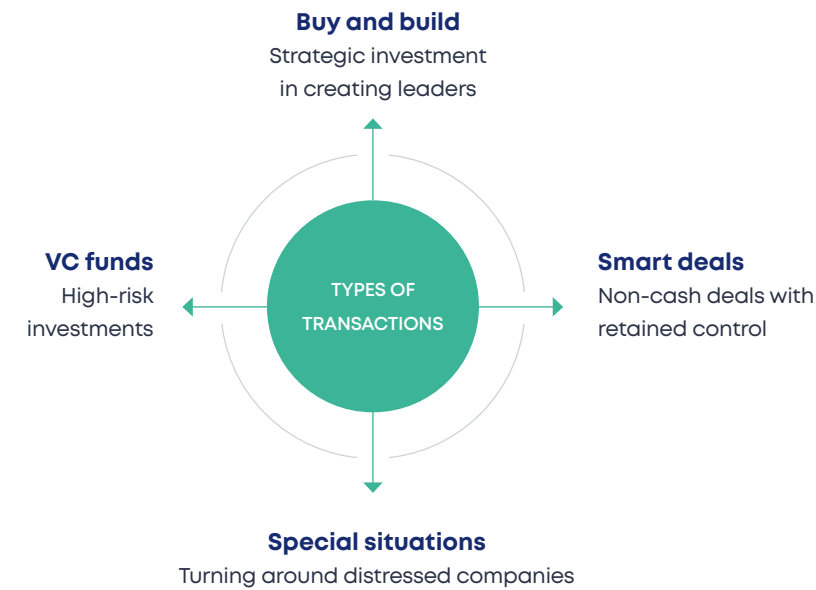


For more information on management of portfolio assets, see Sistema's Annual Report for 2021, Strategy and governance model section.



## Investment Process

Sistema relies on its practical experience and focuses on the following types of transactions when entering new assets:



Our investment thesis: key criteria for selecting new investment projects and assets.

TRANSACTION AMOUNT	STAKE	ESG CRITERIA:	Sistema invests in knowledge- and technology-intensive projects.
>1BN RUB	>25%	<ul style="list-style-type: none"><li>▶ Rubbing out toxic investments (tobacco, casinos, etc)</li></ul>	3.63BN RUB
TARGET RETURNS		<ul style="list-style-type: none"><li>▶ Priority investments for companies with ESG rating</li></ul>	Sistema's investments in R&D <sup>1</sup> in the sectors of high tech, power generation and construction in 2021
IRR>30%	>2×CASH-ON-CASH over 4-5 years		

## Governance Model

GRI 102-16

For more information on management of portfolio assets, see Sistema's Annual Report for 2021, section Strategy and Governance model.

Sistema's indirect ESG impact through activities of its portfolio assets is significantly larger than the direct one. Therefore, the Corporation makes effort to promote principles of responsible business conduct at Sistema Group companies via established corporate procedures and governance bodies.

The Corporation uses a partnership model allowing its key executives to share with shareholders the risks of and returns on investment activities. This model is based on Managing Partners' co-investment in portfolio assets they are responsible for. The incentive systems of partners are pegged on growing and monetising asset values.

<sup>1</sup> Data is provided for Etalon Group, BPGC, Sitronics Group.

## Responsible Investment and ESG Principles

>212.3BN RUB

AMOUNT OF SISTEMA GROUP'S TOTAL INVESTMENT IN 2021

For more information on implementation of responsible investment principles, see Sistema's official website.

For Sistema, responsible investment is an integral element of its investment strategy and long-term success. The Corporation takes into account not only financial and operating aspects, but also significant environmental, social and governance (ESG) factors at all stages of its investment activities and asset ownership to create long-term value for shareholders and other stakeholders. At the end of 2020, Sistema's strategic approach to responsible investment was incorporated into a new set of investment criteria approved by the Board of Directors (that included ESG factors for the first time) and into the updated corporate governance regulations. Sustainability became an integral element of Sistema's strategy, carrying weight in all investment decisions and asset management strategies.

### IMPLEMENTATION OF PRINCIPLES FOR RESPONSIBLE INVESTMENT

WHEN COMPILING AN ASSET PORTFOLIO	DURING HOLDING PERIOD	WHEN DIVESTING ASSETS
<ul style="list-style-type: none"><li>▶ No 'toxic' industries and activities that are forbidden by local law or international standards</li><li>▶ Attention to the ESG-profile of each company when making investment decisions</li></ul>	<ul style="list-style-type: none"><li>▶ Basic sustainability standards in portfolio companies and extra requirements in preparing for IPOs</li><li>▶ Interactions with portfolio companies via their boards (as per established corporate procedures) to enhance sustainability management and drive ESG performance</li></ul>	<ul style="list-style-type: none"><li>▶ Ensuring the independence and reliability of sustainability management systems within the company</li><li>▶ Preparing information and reference materials on sustainability at the company (if necessary)</li></ul>

### Segezha Group's green IPO

For more information on the IPO see Segezha Group's Annual Report for 2021

On 28 April 2021, Segezha Group held one of the biggest IPOs on the Moscow Exchange in recent years. It became the first Russian forestry company to go public. The offering amount was RUB 30 bn, and the placement price was RUB 8 per share. The company's shares are included in Level 1 Quotation list.



# Effect from Investment Programmes

Sistema heavily invests in the upgrades and development of the industrial and management potential of assets across a variety of industries, which results in creating jobs, enhances the quality of products and services, and raises the living standards of local communities.

0.61%

WAS THE SHARE OF THE CORPORATION'S CONSOLIDATED REVENUE IN RUSSIAN GDP

0.13%

THE RATIO OF SISTEMA'S TOTAL INVESTMENT TO RUSSIAN GDP

20.84%

THE RATIO OF SISTEMA'S TOTAL INVESTMENT TO ITS TOTAL CONSOLIDATED REVENUE

## Development of Housing Construction in Russia

In 2021, Sistema, Etalon Group, DOM.RF and Bank DOM.RF signed an agreement on strategic cooperation in order to develop housing construction in Russia.

The parties agreed to jointly carry out projects of housing construction and comprehensive development of territories and to develop a pool of rental housing on the basis of apartment blocks built as part of cooperation. The agreement envisages that DOM.RF and Bank DOM.RF will finance Etalon Group's investment projects.

The first project to receive financing from DOM.RF in 2022 was construction of the Green River residential estate in Omsk. Etalon Group will receive RUB 11.4 bn for the project. Using the project financing mechanism, the company will build a neighbourhood with landscaped territory and all infrastructure needed for a comfortable living. It is one of the biggest construction projects in the city.





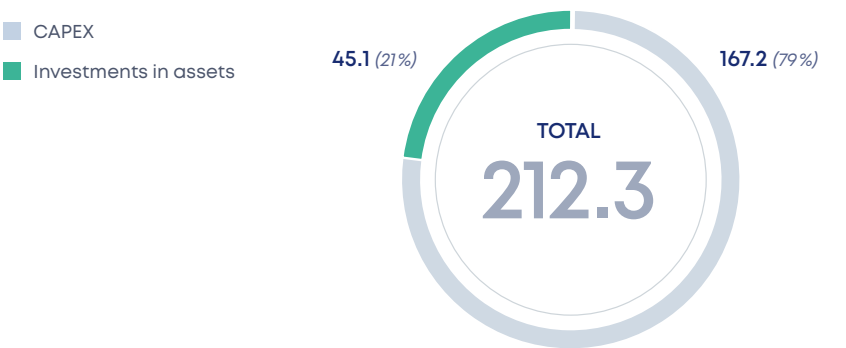
Placement of MTS's Bonds in the Social Bonds Segment of the Sustainability Sector of the Moscow Exchange

MTS placed RUB 4.5 bn worth of three-year social bonds in the Social Bonds segment of the Sustainability Sector of the Moscow Exchange, which were included in Level 1 List. The issue received a ruAAA rating from the Expert RA rating agency.

The placement of the bonds will help to provide internet access for socially important facilities. In August 2019, MTS won auctions of the Russian Ministry of Digital Development and Mass Communications for providing internet access to socially important facilities in eight Russian regions<sup>1</sup> as part of the national project Digital Economy. MTS is expected to connect to internet 4,995 facilities.

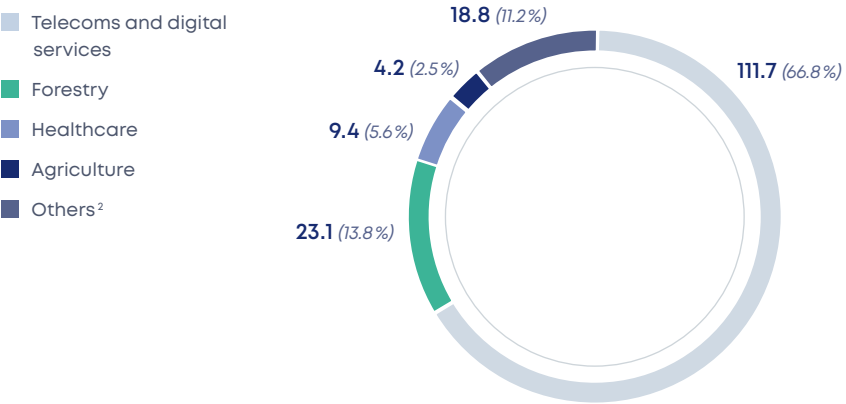
In 2021, Sistema invested RUB 212.3 bn in the Russian economy. Its capital expenditures totalled RUB 167.2 bn. The funds went towards greater efficiency of Sistema businesses in several industries, including investment projects aimed at upgrading and increasing the output and capabilities of production assets.

Sistema Group's Investments, RUB bn



The Corporation's projects are designed to enhance the economic and environmental efficiency of assets while also raising local standards of living. The biggest share of capital expenditures in 2021 went to telecom and digital services.

Investment in Fixed Assets Broken Down by Industry, RUB bn



<sup>1</sup> Schools, hospitals, fire stations, police stations, government authorities and local self-governance bodies, election committees and military recruiting centres in the Amur, Kaliningrad, Kemerovo, Leningrad, Tambov, Tver and Yaroslavl regions and in Moscow.

<sup>2</sup> Others (incl. Ozon, BPGC).

Sistema Group's Share in All Private Investments in Russia

	2021	2020	2019	2018	2017
Capital investments, RUB bn	167.2	127.8	117.6	124	104.4
Private capital investments in Russia, RUB bn	14,524.3	12,450	12,232	10,466	9,318
Share of investments, %	1.2	1.03	0.96	1.18	1.12

Share of Sistema Group's Investments in the Total Volume of Investment in the Russian Economy by Industry

	Investment in fixed capital in Russia by industry, RUB bn	Development programmes (CAPEX) of Sistema Group assets, RUB bn	Share of investments
IT and telecoms	1,456.7	111.7	7.67%
Forest management and logging	257.8	23.1	8.96%
Healthcare	585.4	9.4	1.61%
Crop farming and livestock production	823.1	4.2	0.51%

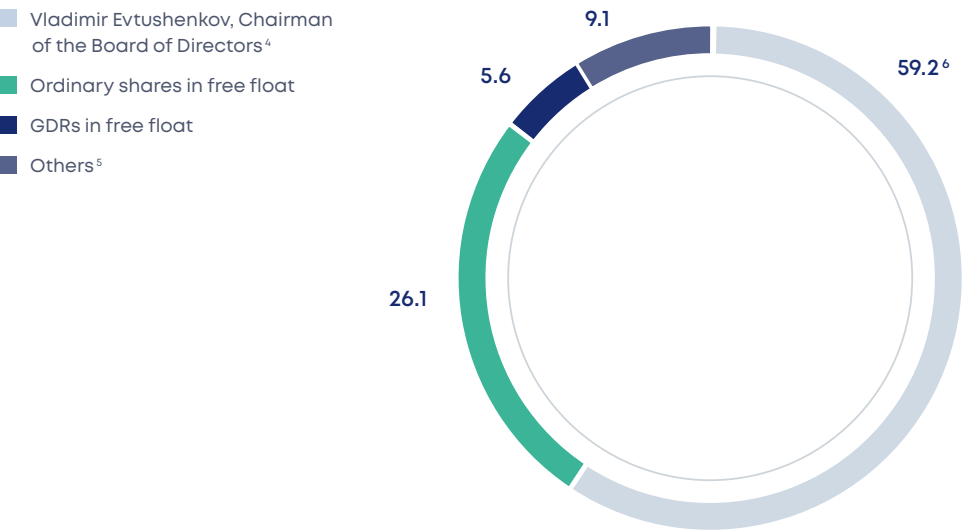
# SUSTAINABLE CORPORATE GOVERNANCE AND RISK MANAGEMENT

## Description of the Corporate Governance System

As an investment company Sistema sees high-quality corporate governance and transparency as crucial elements of its strategy. The Corporation aims to meet the best international standards in these areas and consistently enhances its corporate governance practices.

In its corporate governance practices Sistema abides by applicable laws, the Listing Rules of the Moscow Exchange, the recommendations of the Russian Corporate Governance Code<sup>1</sup> and the guidelines set out in the UK Corporate Governance Code<sup>2</sup>.

Shareholding Structure, % <sup>3</sup>



<sup>1</sup> The text of the Corporate Governance Code recommended by the letter of the Bank of Russia No 06-52/2463 dated 10 April 2014.  
<sup>2</sup> The text of the UK Corporate Governance Code.  
<sup>3</sup> As of 31 December 2021.  
<sup>4</sup> In 2022, Anna Belova was appointed Chairman of the Board of Directors.  
<sup>5</sup> Ordinary shares and GDRs owned by Sistema Group companies, members of the Board of Directors and the management of Sistema.  
<sup>6</sup> In April 2022, Vladimir Evtushenkov transferred 10 % of the Corporation's equity to Sistema's Board member and Senior Managing Partner Felix Evtushenkov. As a result, Felix Evtushenkov's stake in the authorised capital of Sistema amounted to 15.1%, with Vladimir Evtushenkov's shareholding standing at 49.2%.



### CORPORATE GOVERNANCE PRINCIPLES

- #### 01

Clear and effective procedures for taking investment decisions
- #### 02

Reasonable transparency of management processes for investors, counterparties, employees and other stakeholders
- #### 03

A dividend policy that takes due account of both reasonable expectations of investors and Sistema's financial resources
- #### 04

Professionalism of the Board of Directors and its active involvement in strategic planning, management and oversight of business processes
- #### 05

Special focus of the Board of Directors on related-party transactions and other situations with potential conflicts of interest

### Annual General Meeting of Shareholders in the Form of an Absentee Vote

In 2021, due to COVID-19 pandemic, a new law was passed in Russia allowing joint-stock companies to conduct their annual general meetings of shareholders in the form of absentee voting. However, in addition to absentee voting, Sistema's Board of Directors organised a live stream of the meeting on the final date of voting, enabling the management to make a report on the results of 2020 and take questions from the shareholders.



GRI 102-18

GRI 102-23

UNCTAD D.1.1

# Operation of the Corporate Governance Bodies in 2021



## WORK OF ADVISORY BODIES REPORTING TO SISTEMA'S MANAGEMENT BOARD AND PRESIDENT IN 2021

In order to improve the managerial decision-making process, Sistema has a number of advisory bodies under the President and the Management Board.

Finance and Investment Committee	Review of investment projects that have been approved by the Expert Council: approval of the financial model, business plan and KPIs, recommendations, and review of financing terms	53 meetings
Risk Committee	Identification, assessment and analysis of risks of the Corporation and its portfolio companies	4 meetings
Tender Committee	Ensuring procurement of goods, works and services on the most favourable terms, ensuring transparency of procurement procedures and prevention of corruption, fraud and other malpractices in procurement activities	27 meetings
Information Technologies Committee	Ensuring interaction of the Corporation's divisions and officers on IT-related matters, creating conditions to maximise effect from IT projects and initiatives at Sistema, building and maintaining integrated IT architecture at the Corporation based on the latest digital technologies, ensuring uniform corporate standards and tools in the area of IT	In 2021, the IT Committee did not hold meetings.

GRI 405-1

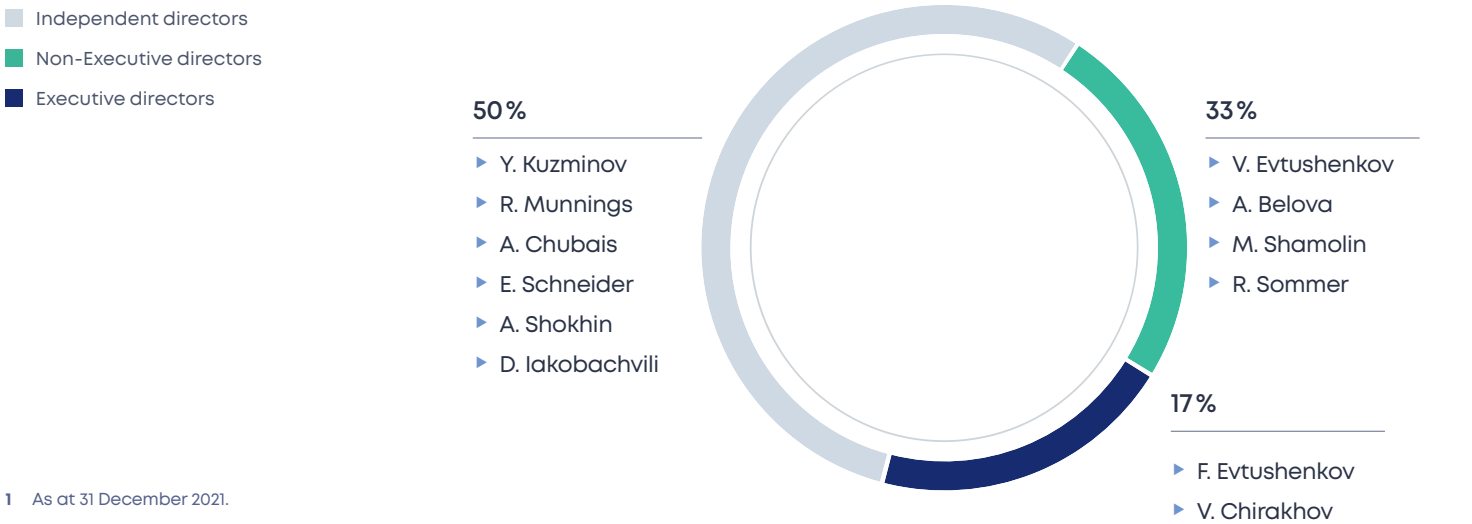
SASB FN-AC-330a.1

UNCTAD D.1.2

## Overview of Sistema's Board of Directors<sup>1</sup>



### Composition of the Board of Directors



<sup>1</sup> As at 31 December 2021.

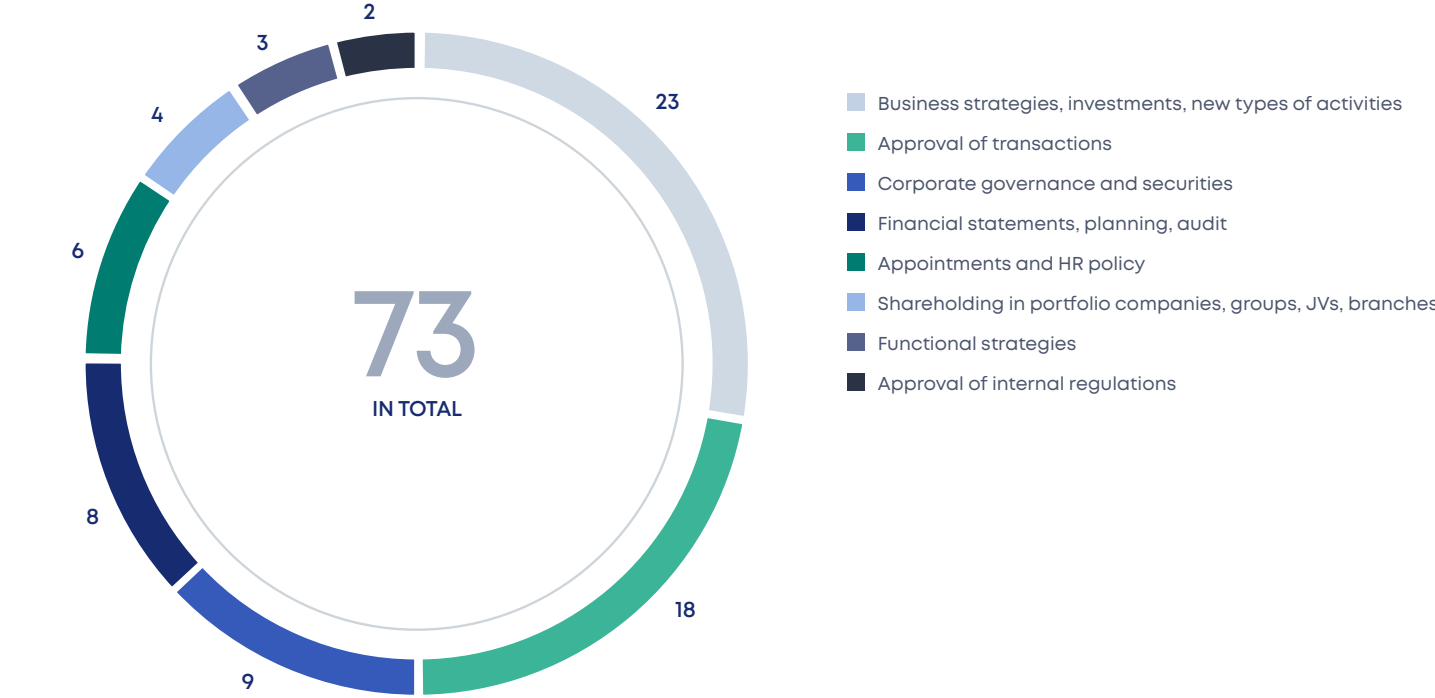
COMPOSITION OF THE COMMITTEES, %



MEETINGS OF THE BOARD OF DIRECTORS



ISSUES REVIEWED BY THE BOARD OF DIRECTORS IN 2021



GRI 102-44

IN 2021, THE BOARD OF DIRECTORS REVIEWED THE FOLLOWING ISSUES:

- |   |  |
|---|--|
| ▶ Sistema's ESG strategy and development action plan for 2021-2023                        | ▶ Approval of Sistema's Sustainability Report and approach to annual and non-financial reporting |
| ▶ Approval of the Terms of Reference of the Investor Relations & Sustainability Committee | ▶ Action plan for improving corporate governance at Sistema                                      |
| ▶ Approval of the Environmental Policy and the Human Rights Policy of Sistema PJSFC       | ▶ Developing the institution of independent directors at Sistema Group companies                 |
| ▶ Development of Sistema's corporate and ESG culture                                      | ▶ Progress report on the strategy of Sistema Charitable Foundation                               |

## Dividend Policy



Regulation on Dividend Policy  
of Sistema PJSC

In May 2021, the Board of Directors approved a new Dividend Policy that established the recommended dividend amount for 2021-2023. In accordance with the Policy, the recommended dividend amount is at least RUB 0.31 per ordinary share in 2021, at least RUB 0.41 per share in 2022 and at least RUB 0.52 per share in 2023. Thus, based on the current number of the Corporation's ordinary shares, the recommended total dividend payout is ~RUB 3 bn in 2021, ~RUB 4 bn in 2022 and ~RUB 5 bn in 2023.

### Revised Dividend Policy

In April, the Board of Directors of Segezha Group adopted a new dividend policy. From 2022 the Company will be paying dividends two times a year. In 2021-2023, the amount of dividend payments is expected to range from RUB 3 bn to RUB 5.5 bn annually. Starting from 2024, dividend distribution will be based on the amount of adjusted free cash flow.



## Corporate Governance across Sistema Group

In order to enhance the quality of strategic planning and increase the investment appeal of its portfolio companies, Sistema pays special attention to improving the quality of corporate governance at its assets. The Corporation carries out the strategic management of its key portfolio companies by ensuring that their boards of directors work efficiently.

The boards of the key portfolio companies include professional independent members with knowledge of relevant industries, as well as expertise in strategy, finance, audit and corporate governance. Independent directors account for about one third of the boards of key portfolio companies (depending on the level of the company's organisational maturity).

The boards of directors of portfolio companies and their committees ensure supervision and coordination and support with a view to further enhancing the management quality.

SASB FN-AC-330a.1

### OVERVIEW OF THE BOARDS OF DIRECTORS OF SISTEMA'S KEY ASSETS IN 2021<sup>1</sup>



<sup>1</sup> Data is provided for MTS, Segezha Group, BPGC, Etalon Group.



## Risk Management



For more information on the Risk Management System, see the Risk Management section of Sistema's Annual Report for 2021, pages 188-197.

Risk management at Sistema is integrated into strategy planning and implementation, investing, budgeting, procurement and operations. Sistema's integrated risk management system is built in accordance with international standards, recommendations and best practices in risk management and is governed by Sistema's Integrated Risk Management Policy.

### INTERACTION OF PARTIES IN SISTEMA'S RISK MANAGEMENT SYSTEM

#### LEVEL OF CORPORATE CENTRE



#### PORTFOLIO COMPANIES



## Sustainability Risks

### GRI 102-15

The Corporation's long-term success depends on its ability to manage risks and opportunities associated with sustainability. Therefore, all risks are assessed on a regular basis.

Risks are assessed in terms of their impact on the implementation of the Corporation's overall strategy and the operations of the Group's companies. Sistema's portfolio assets are significantly more exposed to ESG risks compared to the Corporation due to the scale of their impact on stakeholders and the nature of their activities.

### TCFD risk management| a

### TCFD risk management| b

### LIST OF KEY SUSTAINABILITY RISKS

RISK	DESCRIPTION
Reputation risks and brand risks	Sistema's reputation may suffer from any unethical business practices, professional errors, negligence, failure to comply with human rights, dissemination of inside information and any corruption offence, should any of the above take place anywhere within the Group.
Risks related to human rights	Any instances of violations of human rights may have an adverse effect on reputation and lead to court disputes, loss of confidence of investors, customers and employees, cause resistance from local communities, trade unions and non-profits.
Climate risks	All companies of the Group take into account the risks of climate change and extreme weather conditions that may impact crop yields, people's health and the operation of infrastructure. These risks may have a material impact on the Corporation's agricultural assets, especially those situated in the southern part of Russia. Steppe AgroHolding monitors such risks and takes into consideration the natural and climatic factors associated with soil freezing, heavy rains, drought, storms, hail, fires, floods, plant diseases, pests, etc.
Social and environmental risks	The social and environmental risks faced by the assets differ materially across the Group depending on the industry. To manage social and environmental risks, Sistema Group companies implement advanced technological solutions, improve management systems in the area of environmental protection, energy efficiency, occupational health and safety, and develop measures aimed at prevention and mitigation of accidents and emergencies.
Risks related to coronavirus pandemic	In March 2020, the World Health Organisation (WHO) declared the rapid spread of the novel coronavirus disease (COVID-19) a pandemic. The magnitude of the pandemic's impact on Sistema Group's operations will largely depend on the duration and extent of its effect on the global and national economies.
Risks related to management and key personnel	Failure to hire a sufficiently competent and motivated management team may jeopardise Sistema's business, performance, financial position and development prospects.
Risks related to compliance with laws and regulations	Sistema's activities are regulated by the anti-corruption laws of the jurisdictions where it conducts its business or where its securities are listed. Any investigation into potential violations of anti-corruption laws of the US, the UK or other jurisdictions may adversely affect the reputation, business, financial situation and performance of Sistema and the companies of Sistema Group.

RISK	DESCRIPTION
Risks related to business digitalisation, IT development and personal data protection	With digitalisation of businesses and widespread penetration of the Internet, risks related to cyber security and personal data protection are becoming a major threat to the business of Sistema Group companies. Risks associated with the protection of personal data are most relevant for assets in telecommunications, online services, finance and e-commerce. Sistema's portfolio companies implement their own programmes, projects and measures that make it possible to reduce the likelihood and potential negative consequences of their industry-specific risks.
Competition risks	All business segments where Sistema operates are exposed to competition from other companies. Inability of Sistema Group companies to compete efficiently may have a material negative impact on the business, performance, financial situation and development prospects of the Corporation.

## Industry-Specific ESG Risks

Material ESG risks for Sistema Group companies include environmental and occupational risks, as well as risks related to the state of the infrastructure and the threat of accidents, which are critical for telecommunications and power grid companies.

RISK AREA	SPECIFIC RISKS
Telecommunications	Violation of 'digital rights' of subscribers (spam and fraud in communication networks, dangerous content, personal data leaks, etc)
High technology	Motivation and retention of the key personnel, formation of the succession pool, recruitment of new employees and transfer of knowledge
Healthcare and pharmaceuticals	Quality of professional training, accuracy of diagnoses and risks of medical errors
Consumer sector	Quality of products, comprehensive security of leased store premises and customers
Agriculture	Crop losses as a result of adverse climate and environmental conditions
Hospitality	Safety of infrastructure facilities and hotel guests
Forest industry	Shortage of high-quality raw materials due to the inefficient use of forest resources and negative impact on the environment due to a significant amount of water consumption and air emissions

For each of these areas, portfolio companies implement relevant programmes, projects and measures to reduce the likelihood and possible negative consequences of their industry risks.





# PUBLIC RECOGNITION

GRI 103-3

## ESG Ratings and Rankings in 2021



CONFIRMED ITS STATUS AS PARTICIPANT OF FTSE4GOOD



THE COMPANY'S RISK LEVEL WAS ASSESSED AS LOW (11.5 POINTS), which corresponds to the 29th place among 900+ global diversified financial companies (as of June 2022)



RANKED AMONG TOP 10 OUT OF 33 RUSSIAN COMPANIES that voluntarily disclosed their climate data via CDP, the leading international carbon accounting platform, getting a B score



CONFIRMED ITS MSCI ESG RATING AT BB in 2021



MADE IT TO THE LEADING GROUP A in the indices Responsibility and Transparency and Sustainable Development Vector of the Russian Union and Industrialists and Entrepreneurs (RUIE)



RANKED AMONG TOP 15 Russian companies in the ESG rating RAEX-Europe (as of July 2022)



ASSIGNED LEVEL A+ (leader of corporate ESG practices in Russia) in subrating ESG as Value Factor of the Russian Regional Integrated Reporting Network



NAMED AMONG THE TOP 3 OUT OF 30 LEADING RUSSIAN BANKS, financial organisations and insurance companies included in the ESG ranking

## Other Ratings, Awards and Prizes in 2021



WON THE GRAND PRIX of the Russian national competition Russian Business Leaders 2021: Dynamics, Responsibility, Sustainability organised by the RUIE

CLASS A3 Named among companies with a good level of anticorruption efforts (class A3) in the RUIE's anticorruption ranking of Russian businesses in 2021

INCLUDED IN CATEGORY C of the RUIE's ranking of companies that disclose information on integration of UN Sustainable Development Goals



RATING FOR 2021 AT 8+ The Russian Institute of Directors put Sistema's national corporate governance rating for 2021 at 8+: Advanced corporate governance practice



INCLUDED IN GROUP A out of 12 participants of the Leaders of Corporate Charity ranking in 2021 with best charity practices



1.98 POINTS IN THE ESG TRANSPARENCY RANKING Received the highest transparency score among Russian financial companies and banks prepared by the Expert rating agency



MADE IT TO THE TOP 3 of the first ranking of big Russian companies assessing contribution of businesses and non-profits to the achievement of national goals and implementation of national projects (as of May 2022)



INCLUDED IN THE TOP 20 socially responsible Russian public joint-stock companies in the ranking of the Institute of Strategic Communications and Social Projects



TOP 1000 RUSSIAN MANAGERS Representatives of Sistema made it to the Top 1000 Russian managers according to the Russian Managers' Association and Kommersant

# PARTICIPATION IN INTERNATIONAL AND INDUSTRY INITIATIVES

GRI 102-12

Representatives of Sistema and Group companies participate in the activities of leading international and Russian organisations and business associations.



United Nations  
Global Compact

In 2002, Sistema PJSC became one of the first Russian companies to join the United Nations Global Compact and the Association “National Network of the Global Compact”



Социальная  
хартия  
российского  
бизнеса

In 2017, Sistema joined the Social Charter of Russian Business, a set of key principles of socially responsible business practices in the Russian Federation

GRI 102-13

THE COMPANY SUPPORTS:



Principles for  
Responsible  
Investment

Principles for responsible investment (PRI)



The UN Sustainable Development Goals



The United Nations Guiding Principles on Business and Human Rights



ISO 26000:2010 Guidance on Social Responsibility

RUSSIAN ORGANISATIONS AND ASSOCIATIONS



Russian Union of Industrialists and Entrepreneurs (RUIE)



Russian non-governmental organisation Business Russia



Chamber of Commerce and Industry of the Russian Federation



Issuers' Committee of the Moscow Exchange



АССОЦИАЦИЯ  
ПРОФЕССИОНАЛЬНЫХ  
ДИРЕКТОРОВ

Independent Directors Association (IDA)



Russian Institute of Directors (RID)



Russian Managers Association



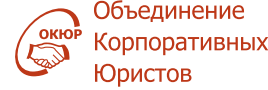
National Association of Corporate Secretaries and Club of Corporate Secretaries



Russian Risk Management Society (RusRisk)



Agency for Strategic Initiatives (ASI)



Corporate Lawyers Association

INTERNATIONAL ORGANISATIONS  
AND ASSOCIATIONS

- ▶ World Economic Forum
- ▶ Business Council for Cooperation with India
- ▶ Russian-Chinese Business Council
- ▶ Russian-Arab Business Council
- ▶ Russo-British Chamber of Commerce
- ▶ Belgian-Luxembourg Chamber of Commerce in Russia
- ▶ EU-Russia Industrialists' Roundtable
- ▶ Eastern Committee of the German Economy (OAOEV)
- ▶ Emerging Markets Private Equity Association (EMPEA)

COMMISSIONS

- ▶ The India-Russia Intergovernmental Commission on Trade, Economic, Scientific, Technical and Cultural Cooperation
- ▶ The Russia-Singapore Intergovernmental Commission



United Nations  
Global Compact

In 2021, [Segezha Group](#) joined the UN Global Compact



**Sistema Joined the Initiative to Create the National ESG Alliance**

In December 2021, Sistema was one of 28 major Russian companies that initiated the establishment of the National ESG Alliance.

The organisation will become a tool for promoting dialogue between all stakeholders, and a platform for exchange of knowledge and experience in the area of sustainability between different business sectors, the government and society. The key topics of the dialogue will include development and promotion of new ESG norms and standards, formation of a single assessment and reporting system for companies, and implementation of projects aimed at achievement of the UN Sustainable Development Goals.

**Sistema is Represented on the RUIE Board for Non-Financial Reporting, ESG Indices and Sustainability Ratings**

In 2022, Sistema's Executive vice president for sustainability (ESG) joined the Board for Non-Financial Reporting, ESG Indices and Sustainability Ratings of the Russian Union of Industrialists and Entrepreneurs. The Board is a permanent advisory body of the organisation. Its main goals are assisting companies in developing non-financial reporting and improving the quality of disclosed information, as well as promoting the development of national ESG assessment systems.

**Binnopharm Group Joined the Union of Professional Pharma Organisations**

In Spring 2021, Binnopharm Group joined the Union of Professional Pharma Organisations (UPPO). It is an independent expert platform for developing a consolidated position of businesses on key issues of the Russian pharma industry, such as guaranteeing the country's independence in providing the population with necessary and affordable medications.

The UPPO unites over 30 pharmaceutical companies representing the entire production chain, from producers of substances and drugs to distributors and pharmacy chains.



**National Association of Private Healthcare Organisations**

At the end of 2020, Medsi together with leaders of the Russian healthcare market established the National Association of Private Healthcare Organisations (NAPHO). The key goals of the association are to ensure an open and constructive dialogue with the government and equal participation of the public healthcare sector in providing quality healthcare services, to present a consolidated position of private healthcare companies at government authorities and participate in improvement of the sector legislation. The NAPHO is a member of the Russian Union of Industrialists and Entrepreneurs. The association has members in more than 70 Russian regions.

**MTS Joined 5G Future Forum, a Global Project of Telecom Operators**

In 2021, MTS became the first Russian member of the 5G Future Forum (5GFF), an international association of telecom operators. 5GFF was established in January 2020 by six leading international telecom companies to develop uniform specifications, exchange latest experience, manage intellectual property and participate in R&D projects aimed at introduction and global scaling of commercial solutions on the basis of 5G and multi-access edge computing (MEC)<sup>1</sup>.

<sup>1</sup> Edge computing in a distributed computing paradigm that brings computation closer to end devices to increase network response and decrease load on network resources.



# APPROACH TO SUSTAINABILITY MANAGEMENT

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GRI 103-3

Sistema's Awards in 2021



**SISTEMA’S PUBLIC SUSTAINABILITY REPORT WAS NAMED ONE OF THE FIVE BEST** among the world’s investment companies at ESG Reporting Awards 2021. The Corporation was the only Russian finalist in its category



**SISTEMA MADE IT TO THE LIST OF NINE COMPANIES** with the best approaches to reporting on their contribution to the National Projects according to a survey carried out by the Commission on Development of Corporate Social Responsibility and Social Entrepreneurship of the Sustainable Business Development, Corporate Social Responsibility and Volunteering Council of the Russian Chamber of Industry and Commerce

Sistema Group Companies' Awards in 2021



**MTS** ranked second in the category “Best Corporate Governance Disclosure in an Annual Report” at the 24th Annual Report Contest of the Moscow Exchange

**Etalon Group** was among nominees in the category “Best Annual Report of a Company with a market cap from RUB 40 bn to RUB 200 bn”



The AK&M rating agency has upgraded the rating of **MTS's** ESG reporting to RESG 1, which corresponds to the highest level of information disclosure about sustainability in public documents



According to the ESG rankings of the independent credit rating agency RAEX Europe, **Sistema** ranks 15th, **MTS** is 7th, **Segezha Group** is 33rd, **Steppe** is 48th (as of July 2022)



**Segezha Group** received an ESG Risk Rating of 21.4 from Sustainalytics and became one of the top 20 companies in the industry group “Paper & Forestry”



European enterprises of **Segezha Group** ranked among the top 5 companies of the EcoVadis rankings and were awarded the Gold Level (overall score of 67)



**Sistema Charitable Foundation** once again received an award at the competition of voluntary public annual reports of non-profits Point of Reference



KEY AREAS OF SUSTAINABILITY

GRI 103-1

Sistema supports the sustainability principles and seeks to integrate transparent and responsible business practices into the strategies of the Group companies and to implement them in relations with its stakeholders: contractors, suppliers, partners and consumers.

Context of the Corporation’s Sustainability Activities

INTERNATIONAL AGENDA

NATIONAL AGENDA

# KEY ESG AREAS

The key ESG areas of Sistema are a continuation of its investment strategy. Sistema identified three key ESG areas in its Sustainability Policy. The Corporation contributes to their development through its investment activities with a view to achieving a significant positive impact.

- ▶ Access to products, services and information
- ▶ Customer experience
- ▶ Product Stewardship

## ACCESSIBILITY AND QUALITY



- ▶ Human capital
- ▶ Health and safety
- ▶ Confidentiality and personal data protection

## WELL-BEING



- ▶ Smart homes, cities and industries
- ▶ Operational efficiency
- ▶ Energy management and climate change

## SMART ENVIRONMENT



These areas are based on best corporate governance practices and streamlined internal processes.



## Investment strategy

### Key ESG Areas

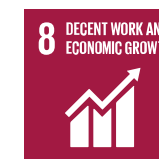
#### Accessibility and quality

- ▶ Access to products, services and information
- ▶ Customer experience
- ▶ Product Stewardship



#### Well-being

- ▶ Human capital
- ▶ Health and safety
- ▶ Confidentiality and personal data protection



#### Smart environment

- ▶ Smart homes, cities and industries
- ▶ Operational efficiency
- ▶ Energy management and climate change



### Corporate governance and synergies

- ▶ Business ethics
- ▶ Human rights and stakeholder engagement
- ▶ Risk management
- ▶ Innovation management
- ▶ Sustainable supply chain





Tools for Collecting ESG Data

In 2021, Sitronics Group continued to develop and implement environmental data collection tools based on remote sensing of the Earth using satellites and unmanned aerial vehicles. Small spacecraft are used to monitor forests and water protection areas, to control subsoil use and land use, and to reveal illegal dumping and logging. High-precision and radar satellites can collect data on greenhouse gases in the atmosphere. Satellites allow us to receive data several times a day for a long time, which helps us track and control changes.

Sitronics Group collects data within urban environment and small territories with unmanned aerial vehicles. They can be used to monitor the environmental situation at crisis areas, carry out supplementary reconnaissance and change control, and make photos/videos.

Sistema and the Group companies contribute to the development of Russia’s national projects both in their investment activities and through the implementation of special projects. The implementation of these projects is a tool for the socioeconomic development of the Russian Federation and the improvement of the life of the population.

Sistema Charitable Foundation as a Partner of National Projects

In March 2021, Sistema Charitable Foundation received the status of a partner of national projects for its contribution to the achievement of the goals and objectives of the national projects “Education” and “Culture.”

The status of a “Partner of National Projects” was assigned to SCF based on the results of an analysis of corporate practices included in the library of the Russian Union of Industrialists and Entrepreneurs (RUIE) for the development of SCF’s educational platform Lift to the Future. The platform offers free access to training programmes, career guidance tests, a library of professions and job openings at Sistema Group. The platform corresponds to the goals and objectives of the national project “Education”.

SCF also invests in the development of the State Russian Museum by creating its virtual branches throughout the country and organises social and cultural festivals under the brand of Sistema Fest. These initiatives meet the objectives of the national project “Culture”.

SISTEMA’S CONTRIBUTION TO THE NATIONAL PROJECTS OF THE RUSSIAN FEDERATION

	DEMOGRAPHY	EDUCATION	CULTURE	SAFE HIGH-QUALITY ROADS	HOUSING AND URBAN ENVIRONMENT	ECOLOGY	SCIENCE AND UNIVERSITIES	DIGITAL ECONOMY	LABOUR PRODUCTIVITY	INTERNATIONAL COOPERATION AND EXPORT
 СИСТЕМА БЛАГОТВОРИТЕЛЬНЫЙ ФОНД	+	+	+			+	+	+		
 MTS		+	+		+	+		+	+	
 segezha group		+				+			+	+
ETALON				+	+				+	
 STEPPE AGROHOLDING									+	+
 Binnopharm group	+									
 sitronics GROUP	+			+	+	+	+	+		



For more information on SCF’s contributions to the achievement of SDGs, ESG agenda and Russia’s national projects, see SCF’s Annual Report for 2021 (Annex 2. SCF’s projects and agendas of SDGs, ESG and national priorities).



SISTEMA’S CONTRIBUTION TO THE ACHIEVEMENT OF THE UN SUSTAINABLE DEVELOPMENT GOALS

UN SDGS	UN SDG TARGETS	THE CORPORATION'S CONTRIBUTION TO ACHIEVING THE SUSTAINABLE DEVELOPMENT GOALS <sup>1</sup>
	<b>1.2</b> Reduce at least by half the proportion of men, women and children living in poverty.	<ul style="list-style-type: none"><li>▶ The average entry-level wage across the Group is 2.1 times higher than the Russian minimum wage. <b>(GRI 202-1)</b></li><li>▶ Social investments exceeded RUB 1.8 bn in 2021. <b>(UNCTAD A.3.2)</b> ▲</li></ul>
	<b>1.3</b> Implement proper systems and measures of social protection.	<ul style="list-style-type: none"><li>▶ RUB 130+ bn in taxes and payments to social insurance funds in 2021. <b>(GRI 207-4; UNCTAD A.2.1)</b> ▲</li></ul>
	<b>2.3</b> Double the agricultural productivity and incomes of small-scale food producers.	<ul style="list-style-type: none"><li>▶ 1.8 m t collected by Steppe AgroHolding in gross harvest across crop types. ▲</li><li>▶ 87 thsd t is the milk output by Steppe AgroHolding. ▲</li><li>▶ Steppe AgroHolding has 10.4 thsd lactating cows<sup>2</sup>. ▲</li></ul>
	<b>2.4</b> Ensure sustainable food production systems and implement agricultural practices that increase productivity and production.	<ul style="list-style-type: none"><li>▶ 578 thsd ha is the size of Steppe AgroHolding's land holdings. ▲</li></ul>
	<b>2.a.</b> Increase investment in rural infrastructure, agricultural research and extension services, and technology development.	<ul style="list-style-type: none"><li>▶ Steppe AgroHolding signed a cooperation agreement with Sberbank to develop AI technologies in agriculture.</li><li>▶ Steppe AgroHolding's capital expenditures totalled RUB 4.2 bn in 2021.</li></ul>
	<b>3.4</b> Reduce by one third premature mortality from non-communicable diseases through prevention, treatment and promotion of mental health and well-being.	<ul style="list-style-type: none"><li>▶ No cases of occupational diseases were identified in the Group companies in 2021. <b>(GRI 403-10)</b></li></ul>
	<b>3.8</b> Achieve universal health coverage and access to essential medicines and vaccines for all.	<ul style="list-style-type: none"><li>▶ 9.7 m patient visits were recorded at Medsi clinics in 2021. ▲</li><li>▶ The number of visits per day increased to 27.8 thsd (+29%), with 58 thsd services provided.</li><li>▶ Occupational safety expenses exceeded RUB 1.25 bn. <b>(UNCTAD A.3.1)</b> ▲</li><li>▶ Sistema Asia Fund and its partners invested USD 75 m in HealthifyMe, a healthy lifestyle app.</li></ul>
	<b>3.b.</b> Support the research and development of vaccines and medicines for all.	<ul style="list-style-type: none"><li>▶ Expenses on voluntary health insurance and social programmes at Sistema Group companies exceeded RUB 1.8 bn in 2021. ▲</li><li>▶ RUB 1.7 bn was spent as part of the #COUNTRYWITHOUTVIRUS project. <b>(UNCTAD A.3.2)</b></li><li>▶ Segezha Group financed acquisition of medical equipment for hospitals in the Republic of Karelia, Krasnoyarsk Krai and Arkhangelsk region to a total amount of RUB 4 m.</li><li>▶ Binnopharm Group reached an agreement with RDIF and Bahrain's sovereign wealth fund Mumtalakat to establish the production of the Sputnik V coronavirus vaccine in Bahrain.</li></ul>
	<b>3.c.</b> Substantially increase health financing and the recruitment, development, training and retention of the health workforce.	<ul style="list-style-type: none"><li>▶ About 14 thsd employees are in the healthcare and pharmaceutical industries.</li></ul>

1 The contribution indicators were selected based on the following documents: Guidance on Core Indicators for Entity Reporting on Contribution Towards Implementation of the Sustainable Development Goals; Linking the SDGs and the GRI Standards, Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development

2 Lactating cows receive additional fodder to increase milk yields.

UN SDGS	UN SDG TARGETS	THE CORPORATION'S CONTRIBUTION TO ACHIEVING THE SUSTAINABLE DEVELOPMENT GOALS <sup>1</sup>
	<b>4.3</b> Ensure equal access to affordable and quality technical, vocational and tertiary education, including university.	<ul style="list-style-type: none"><li>▶ 15.34 hours was the average hours of training per employee at Sistema Group. <b>(GRI 404-1; UNCTAD C.2.1)</b> ▲</li></ul>
	<b>4.5</b> Eliminate gender disparities in education and ensure equal access for the vulnerable, including persons with disabilities and children in vulnerable situations.	<ul style="list-style-type: none"><li>▶ In September 2021, Sistema charitable Foundation created a fundraising project #LiftBezOtkaza aimed at helping orphans prepare for high school finals and university entrance exams.</li></ul>
	<b>4.a.</b> Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all.	<ul style="list-style-type: none"><li>▶ MTS delivered to Russia's leading technical universities 77 starter kits for the development of energy-efficient IoT devices operating within the NB-IoT network.</li><li>▶ Segezha Group's Segezha Pulp and Paper Mill and the Northern College, a vocational school in the Republic of Karelia, launched a programme to upgrade the college's facilities in 2021-2025.</li><li>▶ Sistema Charitable Foundation launched programming courses for schoolchildren.</li><li>▶ Sistema Charitable Foundation signed an agreement with Worldskills Russia to cooperate in preparing, organising and conducting learning activities for corporate employees.</li></ul>
	<b>5.5</b> Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making.	<ul style="list-style-type: none"><li>▶ 45% of the Group's employees in 2021 were women.</li><li>▶ 20% was the average share of women on boards of directors of Sistema's key assets in 2021. <b>(UNCTAD D.1.2)</b> ▼</li><li>▶ Basic salaries of women and men for work of equal value do not differ at Sistema Group's assets. <b>(GRI 405-2)</b></li></ul>
	<b>6.3</b> Improve water quality by reducing pollution, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.	<ul style="list-style-type: none"><li>▶ 55.7 m cu m was the total water discharge by Sistema's assets. <b>(GRI 303-4 2018)</b> ▼</li><li>▶ 5.6 m cu m of water was discharged for treatment. <b>(GRI 303-4 2018)</b> ▼</li></ul>
	<b>6.4</b> Substantially increase water-use efficiency.	<ul style="list-style-type: none"><li>▶ 66.4 m cu m was the total water withdrawal by the Group companies in 2021. <b>(GRI 303-3 2018)</b> ▼</li></ul>
	<b>6.6</b> Protect and restore water-related ecosystems.	<ul style="list-style-type: none"><li>▶ In 2021, Segezha Group released about 300,000 young sturgeons and graylings in the Yenisey river as part of the ecological programme for reproduction of biological water resources and habitats. <b>(GRI 304-2)</b></li></ul>
	<b>7.1</b> Ensure universal access to affordable, reliable and modern energy services.	<ul style="list-style-type: none"><li>▶ In 2021, BPGC connected to grids over 14,700 new consumers of electricity and 12,000 benefit-entitled users. ▲</li></ul>
	<b>7.2.</b> Increase substantially the share of renewable energy in the global energy mix.	<ul style="list-style-type: none"><li>▶ Steppe AgroHolding received its first I-REC certificate, which confirms the consumption of 100 MWh of electricity from renewable energy sources.</li><li>▶ In July 2021, Segezha Group began designing a recovery boiler for JSC Lesosibirsk Woodworking Plant No 1 in Krasnoyarsk Krai.</li><li>▶ At the end of 2021, Segezha Group's Lesosibirsk Woodworking Plant No 1 and AS Hekotek (Estonia) signed a contract for the supply of equipment for a pellet plant with a capacity of 100,000 t per year.</li><li>▶ In November 2021, Segezha Group opened a new pellet production facility with a capacity of 65,000 t at its Sokol Woodworking Plant.</li></ul>



UN SDGS	UN SDG TARGETS	THE CORPORATION'S CONTRIBUTION TO ACHIEVING THE SUSTAINABLE DEVELOPMENT GOALS <sup>1</sup>
	<b>7.3</b> Double the global rate of improvement in energy efficiency.	<ul style="list-style-type: none"><li>▶ Bashkirenergo's total grid losses in 2021 stood at 7.4%. ▼</li><li>▶ Energy intensity at the Group companies was 54.96 GJ/RUB m. (GRI 302-3) ▼</li></ul>
	<b>7.a.</b> Enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.	<ul style="list-style-type: none"><li>▶ BPGC invested more than RUB 5 bn in the development of the energy sector of the Republic of Bashkortostan. (GRI 203-1) ▲</li><li>▶ Sistema signed a cooperation agreement with the Institute of Problems of Chemical Physics of the Russian Academy of Sciences to set up a national hydrogen energy R&amp;D centre.</li><li>▶ Sistema signed an agreement with Rosseti to build and reconstruct high-voltage substations and pursue projects designed to reduce critical load on electrical grids, build charging stations for electric vehicles in Moscow and major urban centres, and create energy and Smart Grid infrastructure in large Russian cities.</li></ul>
	<b>8.3</b> Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation.	<ul style="list-style-type: none"><li>▶ Over 139 thsd people are employed by the Group companies. (GRI 102-8) ▲</li><li>▶ More than 99 thsd new employees were hired in 2021. (GRI 401-1) ▲</li></ul>
	<b>8.5</b> Ensure full and productive employment and decent work, including for young people and persons with disabilities, and equal pay for work of equal value.	<ul style="list-style-type: none"><li>▶ The employee turnover at Sistema was 5% in 2021. (GRI 401-1) ▲</li><li>▶ Sistema Group employed 744 persons with disabilities. ▼</li></ul>
	<b>8.8</b> Protect labour rights and promote safe and secure working environments for all workers.	<ul style="list-style-type: none"><li>▶ 20% employees are covered by collective bargaining agreements. ▼</li><li>▶ In 2021, Segezha Group received a group certificate ("umbrella certificate") in accordance with the international standards ISO 45001, ISO 14001 and ISO 9001.</li></ul>
	<b>9.4</b> Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.	<ul style="list-style-type: none"><li>▶ GHG emissions intensity is 1.1 t/RUB m of consolidated revenue. ▲</li></ul>
	<b>9.5</b> Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, including encouraging innovation and substantially increasing the number of R&D workers and R&D spending.	<ul style="list-style-type: none"><li>▶ RUB 3.63 bn was Sistema's investment in R&amp;D in the high tech, power generation and construction. ▲</li><li>▶ MTS AI signed an agreement with the US accelerator Plug and Play, enabling MTS AI residents to receive training in Silicon Valley and get access to funding from Plug and Play's partners worldwide.</li><li>▶ MTS deployed an NB-IoT network at Russia's Progress research station in Antarctica to transmit data from devices of the Arctic and Antarctic Research Institute</li></ul>
	<b>9.c.</b> Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet.	<ul style="list-style-type: none"><li>▶ 61% was the penetration rate of broadband access to the Internet in the Russian telecom market in 2021.</li></ul>

UN SDGS	UN SDG TARGETS	THE CORPORATION'S CONTRIBUTION TO ACHIEVING THE SUSTAINABLE DEVELOPMENT GOALS <sup>1</sup>
	<b>10.2</b> Empower and promote the social, economic and political inclusion of all.	<ul style="list-style-type: none"><li>▶ More than 85 thsd people became participants of the Group's charitable programmes.</li><li>▶ Over 500 employees of the Group took part in the events of Sistema Charitable Foundation.</li><li>▶ The participants of SCF's Volunteer Centre worked over 3,000 hours.</li><li>▶ About 1,000 employees of the Group took part in the corporate run #ZaLes aiming to promote a healthy lifestyle and protect the environment.</li></ul>
	<b>11.6</b> Reduce the adverse per capita environmental impact of cities, paying special attention to air quality and municipal and other waste management.	<ul style="list-style-type: none"><li>▶ 9,114.66 t (33.35%) of particulate matter emissions. ▲</li></ul>
	<b>11.7</b> Provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities.	<ul style="list-style-type: none"><li>▶ In 2021, Segezha Group invested RUB 7m in the restoration of the central park in the town of Segezha.</li><li>▶ In 2021, Segezha Group helped to restore the architectural and ethnographic museum Semenkovo in the Vologda region, donating 74 cu m of sawn timber and over 30 cu m of hand-sawn pine logs with a total worth of RUB 1.36m. Segezha Group also donated 130 cu m of sawn timber to the Kizhi museum in the Republic of Karelia. It will be used to restore wooden buildings of the museum. (GRI 203-2)</li></ul>
	<b>12.4</b> Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment.	<ul style="list-style-type: none"><li>▶ 0.7% was the share of hazardous waste at Sistema Group. ▲</li></ul>
	<b>12.5</b> Substantially reduce waste generation through prevention, reduction, recycling and reuse.	<ul style="list-style-type: none"><li>▶ Since 2014, Ozon has been implementing its Ozon Recycle programme for organised collection, preparation and recycling of materials.</li><li>▶ In March 2021, Medsi launched a paper recycling project in its clinics.</li></ul>
	<b>12.6</b> Adopt sustainable practices and integrate sustainability information into reporting cycle.	<ul style="list-style-type: none"><li>▶ 5+ of the Group companies publish their sustainability reports.</li></ul>
	<b>13.2</b> Integrate climate change measures into national policies, strategies and planning.	<ul style="list-style-type: none"><li>▶ Greenhouse gas emissions by the Group companies totalled 0.89 m t CO<sub>2</sub> eq in 2021. (GRI 305-1; UNCTAD B.3.1) ▲</li></ul>
	<b>15.1</b> Ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services.	<ul style="list-style-type: none"><li>▶ Segezha Group reforested 34.8 ha of woodland in 2021. ▲</li><li>▶ RUB 147 m was spent by Segezha Group on reforestation efforts. (UNCTAD A.3.1) ▲</li></ul>
	<b>15.2</b> Promote the implementation of sustainable management of all types of forests, halt deforestation and substantially increase afforestation and reforestation.	<ul style="list-style-type: none"><li>▶ 88% of Segezha Group's forest areas are certified according to PEFC and FSC standards in 2021. ▲</li></ul>
	<b>15.b.</b> Mobilise significant resources to finance sustainable forest management, including for conservation and reforestation.	<ul style="list-style-type: none"><li>▶ RUB 1,403 m was spent by the Group on environmental protection. (UNCTAD A.3.1) ▲</li></ul>

<sup>1</sup> The contribution indicators were selected based on the following documents: Guidance on Core Indicators for Entity Reporting on Contribution Towards Implementation of the Sustainable Development Goals; Linking the SDGs and the GRI Standards, Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development

UN SDGS	UN SDG TARGETS	THE CORPORATION'S CONTRIBUTION TO ACHIEVING THE SUSTAINABLE DEVELOPMENT GOALS <sup>1</sup>
<div><div>16</div><div>PEACE, JUSTICE AND STRONG INSTITUTIONS</div><div></div></div>	<b>16.5</b> Substantially reduce corruption and bribery in all their forms.	<ul style="list-style-type: none"><li>▶ 173 incidents of corruption were identified and confirmed at the Group companies. <a href="#">(GRI 205-3)</a> ▼</li><li>▶ Over 88,000 employees of Sistema Group companies completed the anticorruption training. <a href="#">(GRI 205-2)</a> ▲</li><li>▶ The Corporation paid RUB 1.2m in fines and penalties related to corruption in 2021. <a href="#">(UNCTAD D.2.1)</a> ▲</li></ul>
	<b>16.6</b> Develop effective, accountable and transparent institutions at all levels.	<ul style="list-style-type: none"><li>▶ 16 meetings of the Board of Directors of Sistema. <a href="#">(UNCTAD D.1.1)</a> ▲</li><li>▶ 20 meetings of the Audit, Finance and Risk Committee of Sistema. <a href="#">(UNCTAD D.1.4)</a> ▲</li></ul>
<div><div>17</div><div>PARTNERSHIPS FOR THE GOALS</div><div></div></div>	<b>17.1</b> Strengthen domestic resource mobilisation to improve domestic capacity for tax and other revenue collection.	<ul style="list-style-type: none"><li>▶ RUB 94.6 bn in tax payments to the federal and regional budgets. <a href="#">(GRI 207-4; UNCTAD A.2.1)</a> ▲</li><li>▶ RUB 31.01 bn in social security contributions. ▲</li></ul>
	<b>17.16</b> Enhance the global partnership for sustainable development to support the achievement of the sustainable development goals.	<p>In 2021:</p> <ul style="list-style-type: none"><li>▶ Sistema became one of the founders of the National ESG Alliance.</li><li>▶ Segezha Group joined the UN Global Compact.</li><li>▶ Binnopharm Group joined the Union of Professional Pharma Organisations.</li><li>▶ MTS became the first Russian member of the 5G Future Forum (5GFF), an international association of telecom operators.</li><li>▶ MTS became one of the founders of the AI-Russia Alliance.</li></ul>

<sup>1</sup> The contribution indicators were selected based on the following documents: Guidance on Core Indicators for Entity Reporting on Contribution Towards Implementation of the Sustainable Development Goals; Linking the SDGs and the GRI Standards, Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development

# SUSTAINABILITY GOVERNANCE STRUCTURE

Sustainability activities constitute an integral part of Sistema's corporate governance system. The Corporation's basic ESG principles are set out in the following constitutional documents:

- ▶ Code of Ethics
- ▶ Code of Corporate Governance
- ▶ Sustainability Policy

These basic principles serve as a benchmark for ESG development at the Corporation and are described in more detail in the following documents on specific ESG segments:

- ▶ Human Rights Policy (approved in 2021)
- ▶ Environmental Policy (approved in 2021)
- ▶ Corporate Social Responsibility Policy
- ▶ Risk Management Policy
- ▶ Anticorruption Policy
- ▶ Charity Policy

These documents apply to Sistema PJSFC and are recommended for adoption and compliance by Sistema Group companies based on their profile, size and geography.

Besides, the Corporation is developing a strategy in the area of ESG. In 2021, as part of the work aimed at formulating the ESG strategy and its key goals Sistema conducted a comprehensive analysis of applicable requirements and best practices.



# Principles of Responsible Business Conduct

- ▶ RISK MANAGEMENT
- ▶ INTEGRITY AND TRANSPARENCY
- ▶ RESPECT FOR HUMAN RIGHTS
- ▶ ETHICS, LOYALTY AND HONESTY IN RELATIONSHIPS WITH PARTNERS, CONTRACTORS AND EMPLOYEES
- ▶ EMPLOYEE CARE
- ▶ FOCUSED ALLOCATION OF FINANCIAL AND INTELLECTUAL RESOURCES FOR THE DEVELOPMENT OF INNOVATION
- ▶ RESPECT FOR THE ENVIRONMENT
- ▶ INVESTING PART OF PROFITS IN SOCIALLY SIGNIFICANT PROJECTS AND PROGRAMMES

## GRI 103-2

The Corporation strives to ensure that all Sistema Group companies adhere to the same principles of responsible business conduct and makes reasonable efforts to encourage Sistema Group companies to implement these principles in their activities.

Sistema sets high standards in the area of corporate responsibility not only for itself and its assets but also for the Group's suppliers, contractors and other business partners.

**The Corporation also adheres to the following recognised international documents and standards:**

- ▶ Human rights conventions and declarations of the United Nations (UN) and the International Labour Organisation
- ▶ The UN Sustainable Development Goals
- ▶ The UN Global Compact principles
- ▶ The OECD Guidelines for Multinational Enterprises
- ▶ The Principles for Responsible Investment (PRI)
- ▶ The Performance Standards of the International Finance Corporation
- ▶ The GRI and SASB sustainability reporting standards
- ▶ Recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD) and the Carbon Disclosure Project (CDP)



# Governance Structure

- GRI 102-20
- GRI 102-26
- GRI 102-32

As many as 62.5% of members of the Sustainability and Investor Relations Committee of Sistema's Board of Directors are independent directors that have vast professional knowledge in various areas and extensive experience of management and board work at leading international and Russian companies.



For more information on the Sustainability and Investor Relations Committee of Sistema, see the Terms of Reference of the Sustainability and Investor Relations Committee

Sistema's Board of Directors plays a key role in determining the strategic areas of the Corporation's sustainability activities and overseeing their results. The Board of Directors performs two key functions in managing material aspects of sustainability:

- ▶ STRATEGIC MANAGEMENT INVOLVING THE APPROVAL OF STRATEGIC DOCUMENTS AND MATERIAL TRANSACTIONS
- ▶ OVERSIGHT OF EXECUTIVE BODIES

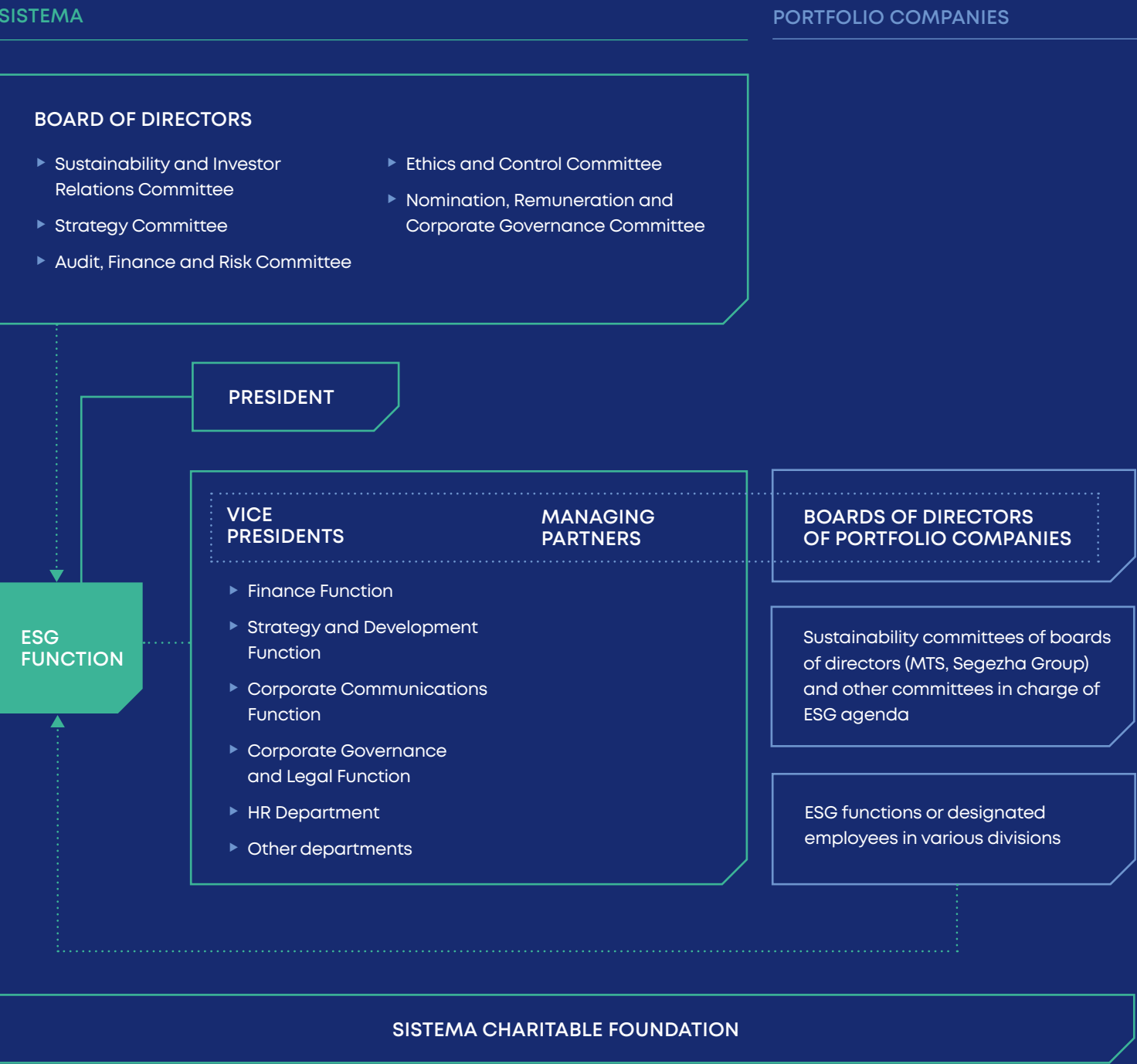
The key principles and approaches are translated to the Group companies through their boards of directors, where Sistema is represented by its key managers (managing partners and vice presidents).

In 2021, the main change in corporate governance was related to the approval by the Board of Directors of the Provisions on the Sustainability and Investor Relations Committee of the Board of Directors of Sistema PJSFC (hereinafter, "the Committee"). The Committee was established to replace the Investor Relations and Dividend Policy Committee. The new Provisions stipulate the Committee's leading role in setting the Corporation's ESG agenda.

**The main responsibilities of the Committee are:**

- ▶ Assisting in forming, developing and implementing the Company's strategy in the area of investor relations, dividend policy and sustainability;
- ▶ Formulating recommendations for upgrading the ESG strategy of the Corporation and the Group companies;
- ▶ Supporting the transformation of the Corporation's business processes in line with the sustainability and responsible investment principles;
- ▶ Reviewing the corporate charity strategy.

# Sustainability Governance Structure<sup>1</sup>



<sup>1</sup> In July, the structure of the Board of Directors was changed.

# Sustainability management at Group Companies

More than 10 Group companies have approved top-level documents on social and environmental responsibility setting out their specific development priorities and goals, as well as certain steps to be taken towards progress in corporate social responsibility.

In March 2021, **MTS** approved the establishment of the Committee for Corporate Governance, Environmental and Social Responsibility. The main function of the Committee is to monitor the introduction and implementation of sustainability principles and assist the company's governance bodies in forming the overall ESG strategy. The Committee includes MTS's Board members, Sistema's Vice President for Strategy and Development and independent experts. In 2021, MTS also established an ESG Centre to implement the corporate ESG strategy, replicate best ESG practices and manage a portfolio of commercial projects addressing social and environmental issues.

In 2021, **Segezha Group** upgraded the system of sustainability management and cooperation with stakeholders. At the beginning of 2021, Segezha Group established the Strategy and Sustainable Development Committee of the Board of Directors, which comprises eight members. A new cross-functional working group was also formed to monitor the full management cycle in the area of sustainability. In 2021, the company introduced a qualitative assessment of ESG effects into its investment decision-making process. In the reporting year Segezha Group started implementing key performance indicators (KPIs) in the area of environment and corporate social responsibility for top management. The company aims to create a comprehensive system of ESG-related KPIs that will apply not only to the top managers but also to the executives of the Group's enterprises by 2025. In 2021, the company revised its sustainability strategy until 2025 and developed a new road map for its implementation. Segezha Group also adopted a Sustainable Development Policy setting out the key segments, structure and management in sustainability.

In 2021, **Medsi** set up an ESG task force with Management Board executives as its key members. The task force analysed the UN Sustainable Development Goals in terms of their relevance for the company and carried out an internal assessment of the existing practices, regulations, projects and risks pertaining to ESG. In 2021, the Board of Directors of Medsi approved a road map for ESG development in 2022.

In 2021, ESG policies were also adopted by the boards of **Etalon Group, Steppe AgroHolding, BPGC** and **Business Nedvizhimost**. The documents set out the key sustainability segments and the responsibilities of governance bodies in relation to the fulfilment of ESG activities. In the middle of 2022, the Strategy Committee of BPGC adopted a sustainability (ESG) strategy.

 For more information on MTS's sustainability activities, see MTS's Sustainability Report for 2021.

 For more information on Segezha Group's sustainability obligations, see Segezha Group's Annual Report for 2021.



Workshops on Sustainability for the Employees of Sistema Group Companies

From May to July 2021, the Corporation and the Group companies conducted educational activities to promote the sustainability and ESG agenda among executives at all levels.

The CEOs of Sistema and its key portfolio companies were invited to an expert webinar "Risks and opportunities in the area of sustainable thinking and ESG" organised by the Moscow Skolkovo School of Management. The top managers at CEO-1 level attended a training course "Sustainability and ESG factors" at the European University. Following the event, a training course titled "ESG. Why It's a Must for Companies" was posted on the Lift to the Future platform. Sistema's corporate secretaries and managing partners attended a seminar "Board of Directors as an effective management tool in the era of sustainability. Borders between operational and strategic management" organised by corporate governance experts from the Lomonosov Moscow State University.

Experience exchange sessions devoted to sustainability and responsible financing were also held for personnel from various subdivisions of the Group companies.

AS PART OF THE EXPERIENCE EXCHANGE INITIATIVE TRAINING WAS PROVIDED TO:

16

CEOs FROM SISTEMA AND KEY COMPANIES

28

CEO-1 EXECUTIVES OF THE GROUP COMPANIES RESPONSIBLE FOR IMPLEMENTING THE ESG AGENDA

30+

CORPORATE SECRETARIES OF THE GROUP COMPANIES AND MANAGING PARTNERS OF THE CORPORATION

Managing Social Investments and Charitable Activities



For more information on SCF's work, see *Support to Regions and Social and Charity Projects* section.

Sistema's social investments aim to address the most acute social issues and bring lasting benefits to stakeholders, such as corporate staff, consumers and local communities. Social investments are expected to form a stable favourable social environment and provide a comfortable standard of living to people in the regions where Sistema operates in the long term.

Sistema's Board of Directors reviews the company's strategy in the area of charitable activities and its priorities in social investments. The Corporate Communications Function of Sistema PJSC helps to forward the corporate philanthropy and community initiatives and makes sure that the corporate Charity Policy is complied with. A specialised CSR Expert Council meets as and when necessary and issues recommendations as to enhancing charitable and social projects and making them more effective.

Sistema's charity and community activities are primarily organised through Sistema Charitable Foundation (hereinafter, SCF, the Foundation). In 2021, SCF carried out its activities in accordance with its Development Strategy until 2023 that was adopted in 2020. In 2021, Sistema Charitable Foundation was one of the first seven organisations to be awarded a partner status by the non-profit National Priorities of Russia and became a finalist in the national ranking "Our Contribution" for implementation of social programmes and national projects in Russia.

The Board of Trustees supervises SCF's activities, its use of funds and implementation of charity programmes. The Board of Trustees meets at least once a year and is authorised to issue recommendations to the Council and the President of SCF with regard to any matters related to its activities. In 2021, the Board of Trustees held one meeting. In 2021, an expert outside the Sistema Group of companies was appointed member of the Board of Trustees for the first time in SCF's history.

76%

THE ENGAGEMENT LEVEL

of the Group companies in corporate-wide CSR projects in 2021

5.29%

THE ACTIVITY-TO-MEDIA CONVERSION RATIO

(i.e., the percentage of CSR & community projects that received coverage in public and social media) in 2021

# HUMAN RIGHTS AND STAKEHOLDERS' ENGAGEMENT

## Human Rights Management

GRI 103-1 > GRI 103-2

Sistema acknowledges the significant impact and responsibility of business in the area of human rights. In the course of its operations, the Corporation may directly and indirectly influence the rights of employees, local communities, customers and consumers. Therefore, the Corporation adopts a responsible approach to human rights observance and strives to translate its values in all aspects of its operations.

In May 2021, Sistema's Board of Directors approved the Human Rights Policy of Sistema. It elaborates on the provisions of the Sustainability Policy of the Corporation, creates guidelines for portfolio companies in terms of enhancing the efficiency of human rights management thus lowering the investment portfolio's exposure to social risks and complements the ESG management system set out in other corporate documents, including the following:

- ▶ Code of Ethics;
- ▶ Environmental Policy;
- ▶ Anticorruption Policy;
- ▶ Corporate regulatory documents on HR management;
- ▶ Policy on Processing and Protection of Personal Data.

In addition to internal corporate documents setting high ethical standards of business operations and corporate culture, protection of human rights and prevention of discrimination of employees and counterparties are ensured in accordance with Russian and international best practices:

- ▶ Universal Declaration of Human Rights;
- ▶ International Covenant on Economic, Social and Cultural Rights;
- ▶ International Covenant on Civil and Political Rights;
- ▶ Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work;
- ▶ Constitution and the Labour Code of the Russian Federation;
- ▶ UN Guiding Principles on Business and Human Rights;
- ▶ OECD Guidelines for Multinational Enterprises;
- ▶ UN Global Compact;
- ▶ Social Charter of Russian Business.

## Procedures for Ensuring Human Rights Observance

Sistema realises that human rights violations are unacceptable. They would adversely affect the Corporation's reputation and lead to court disputes, loss of investor, customer or employee trust, or backlash from local communities, trade unions and non-profits.

Therefore, Sistema monitors human rights observance at the Group companies by regularly collecting information on sustainability. The Corporation also provides expert support to its portfolio companies.

All risks associated with human rights are taken into account in the management systems of the Group companies, and related material matters are regularly reviewed by their boards of directors. In addition, governance systems are constantly being improved to ensure respect for human rights, including policies and procedures, compliance programmes, training and internal audits.

Human rights aspects are taken into account when conducting due diligence as part of investment projects.

If the Corporation becomes the reason for or contributes to a human rights violation, it is willing to deploy legal procedures, cooperate with stakeholders and engage in a dialogue to resolve the situation.



Human Rights Policy

### REPORT HANDLING MECHANISMS

GRI 103-3 > GRI 412-1

The Group's companies have formalised and accessible channels in place for submitting and reviewing reports, which ensure confidentiality, unbiased consideration, absence of negative consequences for the one who reports the incompliance, and feedback.

Each report is thoroughly investigated.

In 2021, 43% of reports received on the Single Hotline of the Corporation or Group companies were related to personnel management and observance of employees' rights in the workplace. All the reported problems were resolved in due course.

Sistema educates employees in the area of human rights as part of training in ethics and sustainability.

Reports can be submitted through Sistema's Hotline on the corporate website or through the hotlines of individual Group Companies

E-mail: [report@sistema.ru](mailto:report@sistema.ru)  
Tel.: +7 (495) 228-15-02



For more information on the functioning of hotlines, see Ethics and Anticorruption Efforts section.



MTS Invests in an EdTech Platform for Women

In 2021, MTS invested RUB 73 m in an EdTech<sup>1</sup> platform for women, Academy of Change. The platform is designed to help women to learn more about health, beauty, style and psychology in order to boost their self-confidence. It contains 50 online courses for women. The Academy of Change used the money raised to develop its product range and to start international expansion in Latin America and Southeast Asia.

Segezha Group Organised a Public Discussion of its Sustainability Report

The public discussion of Segezha Group's Sustainability Report for 2020 took place in October 2021 with the participation of the company's president. He spoke about the importance of ESG practices for the company, while the vice president for government programmes, sustainability and forest industry policy presented Segezha's updated sustainability strategy till 2025. The event was organised as an open dialogue between the top management and stakeholders: government agencies, environmental organisations and non-profits, research and production associations and mass media. More than 3,000 people watched the online broadcast of the event.

PERSONAL DATA PROTECTION



For more information on activities in the area of information security and personal data protection, see Confidentiality and Personal Data Protection and Ethics and Anticorruption Efforts sections.

The Corporation ensures protection of privacy and personal data of its employees, shareholders, partners and consumers. This aspect is also regulated by the Policy on Processing and Protection of Personal Data. It is mandatory for all employees of Sistema.

There were no personal data leaks identified in 2021.

Stakeholder Engagement

GRI 102-42 GRI 102-44

Sistema considers enhancement of transparency and openness of information about its activities a foundation for developing a mutually beneficial dialogue with a broad range of stakeholders.

Relations with stakeholders are regulated by the following documents:

- ▶ Code of Ethics
- ▶ Corporate Social Responsibility Policy
- ▶ Sustainability Policy
- ▶ Charity Policy
- ▶ HR Management Code

<sup>1</sup> EdTech — educational technology.

Map of Stakeholders<sup>2</sup>

The Corporation's impact on stakeholders



<sup>2</sup> The map of stakeholders was prepared in accordance with the meaning of the term "stakeholder" given in the updated GRI Standards 2021.



GRI 102-40 → GRI 102-43

Communication with Key Groups of Stakeholders in 2021

INTERESTS	COMMUNICATION MECHANISM	EXAMPLES OF COMMUNICATION AND RESULTS
Shareholders and investors		
<ul style="list-style-type: none"><li>▶ Growth of equity value and stable dividend income</li><li>▶ Enhancing transparency of non-public assets</li><li>▶ Dividend policy</li></ul>	<ul style="list-style-type: none"><li>▶ Annual meetings of shareholders and meetings of the Board of Directors</li><li>▶ Participation in investment conferences</li><li>▶ Disclosing of financial results and material non-financial information</li><li>▶ Organisation of conference calls</li><li>▶ Individual and group meetings of investors and shareholders with the top management</li></ul>	<ul style="list-style-type: none"><li>▶ The Annual General Meeting of shareholders was held on 26 June 2021.</li><li>▶ An updated Dividend policy was approved.</li><li>▶ 16 meetings of the Board of Directors were held.</li></ul> <p><i>For more information, see Sistema's Annual Report for 2021 and the Investors and Shareholders section of the corporate website.</i></p>
Customers, consumers, clients		
<ul style="list-style-type: none"><li>▶ High quality of products and services</li><li>▶ Responsible business conduct</li></ul>	<ul style="list-style-type: none"><li>▶ Direct interaction at the premises of Group companies</li><li>▶ Improving customer service</li><li>▶ Response to requests</li></ul>	<ul style="list-style-type: none"><li>▶ Medsi carried out a project titled Omni Committee during which it studied customer experience through in-depth interviews, questionnaires and analysis of mystery patients' visits.</li></ul> <p><i>For more information, see Affordability and quality section.</i></p>
The Corporation's management, employees of Sistema Group companies and trade unions		
<ul style="list-style-type: none"><li>▶ High quality of corporate governance</li><li>▶ Economic efficiency of operations</li><li>▶ Adequate working conditions and wages</li><li>▶ Occupational safety</li><li>▶ Social support</li><li>▶ Development of the human resources potential</li><li>▶ Corporate volunteering</li><li>▶ Achievement of strategic goals</li></ul>	<ul style="list-style-type: none"><li>▶ Management decision-making</li><li>▶ Holding annual strategy sessions</li><li>▶ Shaping a corporate culture</li><li>▶ Implementation of an HR and social policy</li><li>▶ Volunteering opportunities for employees of the Corporation and Group companies in existing projects</li><li>▶ Posting information on Sistema's corporate resources</li><li>▶ Interaction with trade unions</li><li>▶ Organising professional competitions and corporate contests</li></ul>	<ul style="list-style-type: none"><li>▶ 20+ strategy sessions of portfolio companies.</li><li>▶ The volunteer centre of Sistema Charitable Foundation organised over 50 corporate volunteering events covering 23 regions and involving over 500 employees.</li></ul> <p><i>For more information, see Sistema's Annual Report for 2021 and the Human Capital section of this report.</i></p>
Non-profit social and environmental organisations and charities		
<ul style="list-style-type: none"><li>▶ Reducing negative impact on the environment</li><li>▶ Participation in the global environmental agenda</li><li>▶ Restoring the environment and natural habitats</li><li>▶ Implementation of social and charity projects</li></ul>	<ul style="list-style-type: none"><li>▶ Transparency in terms of environmental impact</li><li>▶ Introduction of sustainable technologies and a responsible production model</li><li>▶ Membership in trustee boards of organisations</li><li>▶ Donations to charities</li></ul>	<ul style="list-style-type: none"><li>▶ Segezha Group and WWF Russia signed an agreement on preservation of old-growth forest in the Arkhangelsk region.</li><li>▶ Sistema Charitable Foundation signed a partnership agreement with the NGO ECA to work towards UN Sustainable Development Goals and spread awareness about environmentally friendly behaviours and lifestyles.</li><li>▶ Sistema Charitable Foundation launched the #LiftWithoutFailure project to help orphaned children with admissions to schools and universities.</li></ul> <p><i>For more information, see Operational Environmental efficiency and Support to Regions and Social and Charity Projects sections.</i></p>

INTERESTS	COMMUNICATION MECHANISM	EXAMPLES OF COMMUNICATION AND RESULTS
Federal and regional bodies of executive power and state supervisory bodies		
<ul style="list-style-type: none"><li>▶ Contribution to implementation of national projects</li><li>▶ Reducing negative impact on the environment</li><li>▶ Import substitution</li><li>▶ Implementation of social and investment projects</li><li>▶ Environment protection</li><li>▶ Creating jobs and a comfortable social environment</li><li>▶ Taxes</li><li>▶ Compliance</li></ul>	<ul style="list-style-type: none"><li>▶ Participation in discussions of legislative initiatives</li><li>▶ Participation of the Corporation's representatives in meetings of committees, commissions and hearings of the Russian parliament</li><li>▶ Support to government policies</li><li>▶ Signing agreements with regional governments</li><li>▶ Corporate programmes for support and development of social infrastructure</li><li>▶ Submitting reports to controlling and supervisory bodies and information on mergers and acquisitions to the Federal Antimonopoly Service</li></ul>	<ul style="list-style-type: none"><li>▶ Five agreements with governments of Russian regions were signed in 2021. As of the end of 2021, the Group had a total of 17 agreements with regions.</li></ul>
Research and educational facilities		
<ul style="list-style-type: none"><li>▶ Innovative activities</li><li>▶ Digitalisation</li><li>▶ Participation in the development of secondary and higher education</li><li>▶ Joint educational programmes</li></ul>	<ul style="list-style-type: none"><li>▶ Participation in the development of smart city infrastructure</li><li>▶ Joint projects with research and development organisations</li><li>▶ Development of the human resources and scientific potential</li><li>▶ Membership in trustee boards of colleges and universities</li><li>▶ Offering internships to students</li></ul>	<ul style="list-style-type: none"><li>▶ Two agreements were signed with research and development organisations and educational establishments.</li><li>▶ MTS started an academic programme to teach students of six leading Russian tech schools to develop NB-IoT devices.</li></ul> <p><i>For more information, see Innovation Management, Digitalisation, Human Capital and Smart cities, homes and industries sections.</i></p>
Professional industry associations, expert community		
<ul style="list-style-type: none"><li>▶ Creating a transparent and competitive business environment</li><li>▶ Compliance with high standards of business ethics</li><li>▶ Joint work on industry-specific and public initiatives</li></ul>	<ul style="list-style-type: none"><li>▶ Participation in the work of business unions</li><li>▶ Factoring in interests of the business community in government policies</li><li>▶ Participation in forming national risk management standards</li></ul>	<ul style="list-style-type: none"><li>▶ Sistema was one of 28 major Russian companies that initiated the establishment of the National ESG Alliance.</li><li>▶ Segezha Group joined the UN Global Compact.</li><li>▶ Binnopharm Group joined the Union of Professional Pharma Organisations.</li><li>▶ In 2021, MTS became the first Russian member of the 5G Future Forum (5GFF), an international association of telecom operators.</li><li>▶ Sistema Charitable Foundation signed an agreement with Worldskills Russia to cooperate in preparing, organising and conducting joint work to develop new competences and train employees.</li></ul> <p><i>For more information, see Participation in International and Industry Initiatives section.</i></p>



INTERESTS	COMMUNICATION MECHANISM	EXAMPLES OF COMMUNICATION AND RESULTS
Local communities and population in regions of operations		
<ul style="list-style-type: none"><li>▶ Security</li><li>▶ Jobs</li><li>▶ Implementation of social and charity projects</li></ul>	<ul style="list-style-type: none"><li>▶ Expansion of local labour markets (creating jobs)</li><li>▶ Participation in regional social, environmental and charity projects</li></ul>	<ul style="list-style-type: none"><li>▶ Over 85,000 people took part in the charity programmes of Sistema Charitable Foundation.</li></ul> <p><i>For more information, see Well-being and Support to Regions and Social and Charity Projects section or visit the website of Sistema Charitable Foundation.</i></p>
Business partners, suppliers and contractors		
<ul style="list-style-type: none"><li>▶ Accessibility, transparency and competitiveness of procurement procedures</li></ul>	<ul style="list-style-type: none"><li>▶ Development of strategic partnerships</li><li>▶ Implementation of advanced procurement management practices at portfolio companies</li><li>▶ Holding business meetings</li></ul>	<ul style="list-style-type: none"><li>▶ Ozon signed an agreement with the Kazakhstan Post on delivery of orders from the marketplace.</li><li>▶ In 2021, Ozon started developing robots for warehouses and automation of logistics.</li></ul> <p><i>For more information, see Sustainable supply chain. Localisation and Import Substitution section.</i></p>
Mass media		
<ul style="list-style-type: none"><li>▶ Comprehensive coverage of the Corporation's activities</li><li>▶ Informing the public about social projects</li></ul>	<ul style="list-style-type: none"><li>▶ Posts in social networks and on the websites of Sistema Group companies</li></ul>	<p><i>For more information on media relations, see the Press Centre section of the corporate website.</i></p>

# ETHICS AND ANTICORRUPTION EFFORTS

## Sistema Group Companies' Awards in 2021

GRI 103-3



COMPLIANCE  
2020 AWARD

In 2021, Sitronics Group's head of compliance won the Compliance 2020 award in the category Popularisation and promotion of the principles of compliance and business ethics

## Business Ethics

GRI 103-1

GRI 103-2

Ensuring high ethical standards of business operations, transparency of activities, prevention of unlawful disclosure or use of insider information and zero tolerance of corruption are the essential principles of Sistema's operations.

The underlying documents regulating the Corporation's ethical conduct are the Anticorruption Policy, the [Code of Ethics of Sistema](#) and the UN Global Compact, which determine the key principles and requirements to anticorruption work and the basic ethical standards and rules adopted by the Corporation.

Sistema's bodies responsible for compliance with business ethics standards and anticorruption provisions are the Management Board and the Ethics and Control Committee of the Board of Directors of the Corporation. As many as 60% of the Committee's members are independent directors, which allows for a comprehensive discussion of items presented for the Committee's consideration. The average quorum of the Committee's meetings in the reporting year was 87%, an increase of 7% from the previous year.

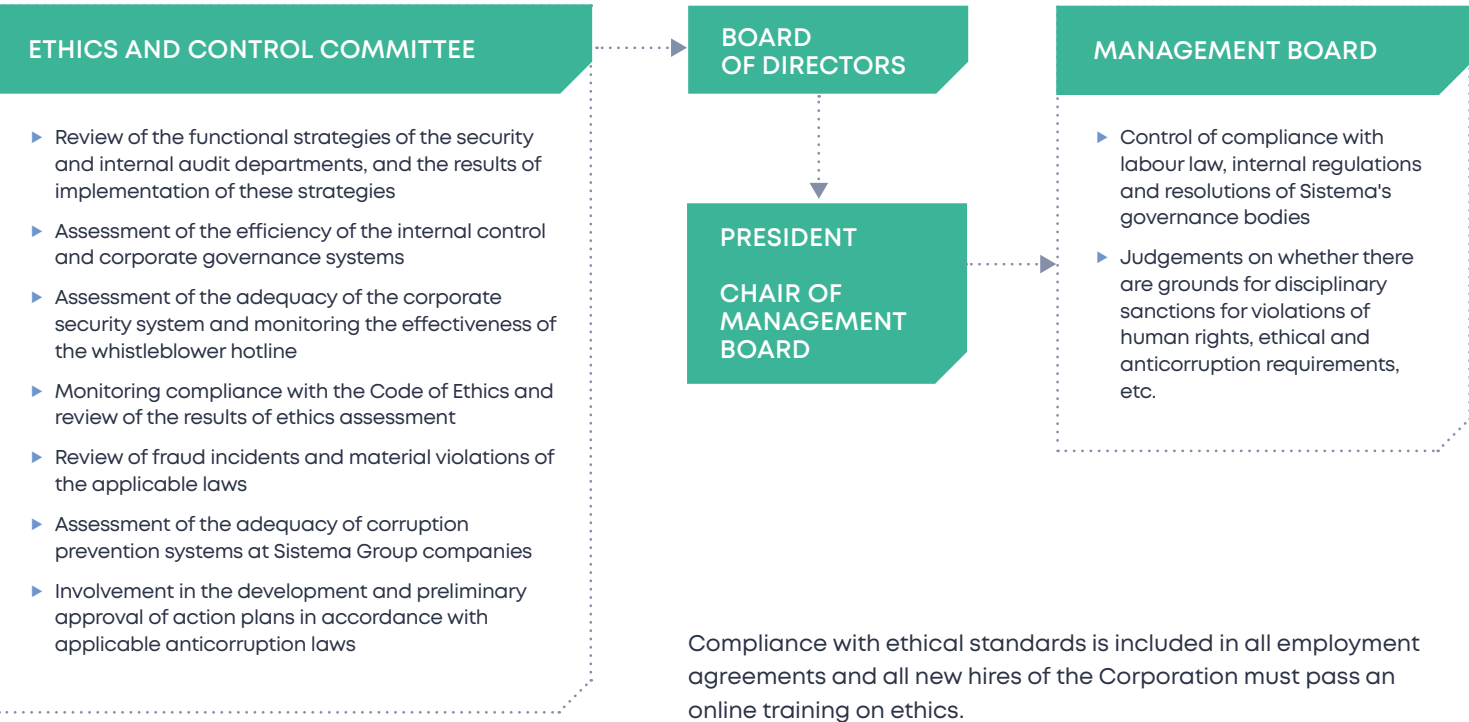
In 2021, the Committee held eight meetings and considered the following items:

- ▶ Performance of the Internal Audit Department in 2021 and its work plan for 2022
- ▶ Potential use of AI for internal audit purposes at Sistema
- ▶ Findings of risk management system audits at the Corporation and across the Group
- ▶ Results of the ethics declaration campaign at Sistema
- ▶ Functional strategy in the area of corporate security (including information security)
- ▶ Identification and prevention of fraud and breaches of law at Sistema PJSFC and Sistema Group companies: progress report

Key results of the Committee's work in 2021:

- ▶ Nine reports were made by the CEOs of the Group companies on the effectiveness of their respective internal control systems and steps to enhance it
- ▶ A road map for development of the Corporation's risk management system in 2022-2023 was approved
- ▶ The audit plan and key performance indicators of the Internal Audit Department for 2022 were approved
- ▶ The revised Policy on Internal Audit of Sistema PJSFC was approved
- ▶ The proposed approach to the organisation of the Corporation's internal control system was approved
- ▶ The Internal Audit Quality Assurance and Improvement Programme of Sistema PJSFC was approved
- ▶ The results of operation of the whistleblower hotlines of the Corporation and its portfolio companies were reviewed

ORGANISATIONAL STRUCTURE



Sistema Charitable Foundation Organised Debates on Professional Ethics

In 2021, Sistema Charitable Foundation organised scientists' debates Ethics in Various Professions as part of its Lift to the Future educational programme. During the online event, prominent figures of the academic community discussed such controversial issues as "Should scientists bear responsibility for their discoveries?" or "Who should make decisions on surgery of a legally incompetent patient, the doctor or the relatives?" As many as 350,000 people watched the online broadcast of the event in the VKontakte social network.

ETHICS ASSESSMENT AND CONFLICTS OF INTEREST



The Code of Ethics lays down the rules and regulations that govern conduct and interaction of Sistema Group employees and counterparties. In line with best practices of corporate governance, the Corporation employs an ethics assessment procedure where employees declare potential or existing conflicts of interest.

ETHICS ASSESSMENT WAS CONDUCTED AT ALL THE GROUP COMPANIES



The main tools for avoiding conflicts of interest at Sistema Group are:

- ▶ Monitoring, identifying and resolving situations that are or may be conflicts of interest;
- ▶ Annual ethics assessment whereby employees fill in ethics and conflict of interest declarations intended for collecting information about possible conflicts of interest among employees both at the time of hiring and during their employment.

Starting from 2020, members of the boards of directors of the Group companies have also been asked to fill in ethics and conflict of interest declaration, which significantly increased the number of persons undergoing ethics assessment. As many as 3,407 employees passed ethics assessment in 2021. 844 conflicts of interest were identified, out of which 302 required a resolution.

In 2021, the results of the ethics declaration campaign were reviewed by the Ethics and Control Committee of Sistema's Board of Directors. In most cases, the declared conflicts of interest did not require any resolution measures, as they posed no risks to the Corporation's interests. However, action plans on conflict resolution were implemented with respect to several declarants in accordance with best corporate governance practice.



TYPICAL EXAMPLES OF CONFLICTS OF INTEREST

- ▶ Immediate family members being employed in positions directly or indirectly subordinated to the declarant, whether at Sistema, portfolio companies, or at their competitors/counterparties
- ▶ Ownership of assets/other financial interests in counterparties or competitors
- ▶ Immediate family members being employed by Sistema or portfolio companies
- ▶ Employment at other companies or business ownership
- ▶ Violations of corporate requirements as regards receiving, giving and reporting business gifts
- ▶ Disclosure of inside information and transactions based thereon

GRI 102-17

Reporting Channels

In order to inform Sistema's senior management about possible facts of abuse of authority, corruption and other violations, employees of the Group and stakeholders can use several channels:

- ▶ Ethics and Control Committee;
- ▶ Immediate supervisor;
- ▶ Hotlines of the Corporation or Sistema Group companies;
- ▶ Internal Audit Department or the Corporate Governance and Legal Function of Sistema.

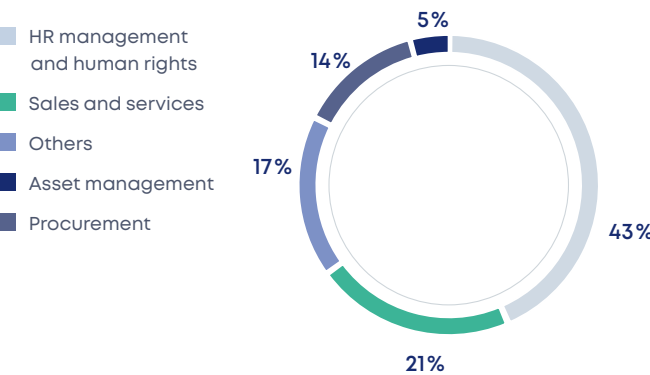
The Internal Audit Service checks all reports received via the Hotline.

Sistema Group companies have their own hotlines. If a report is not reviewed, then the author can submit it again via the Corporation's Hotline. The archive of received messages is maintained in Sistema's cloud system.

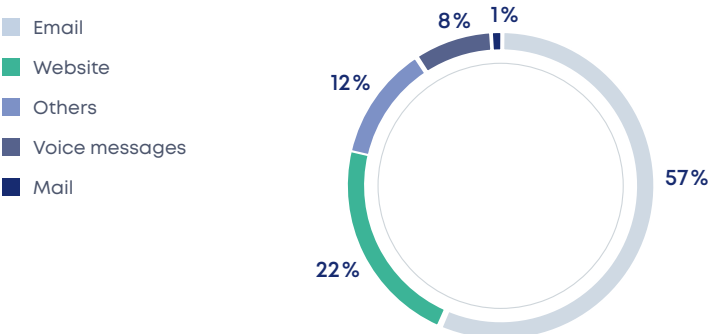
In 2021, the number of messages received through the Corporation's Hotline was 2,192, an increase of 12.8% from 2020.

In 2021, **Etalon Group** updated the Code of Ethics and the Anticorruption Policy and adopted the Policy on the Hotline for Prevention of Fraud, Corruption and Theft, which stipulates the key goals, tasks and principles of the hotline operation, as well as distribution of tasks and responsibility between Etalon Group and its assets.

Messages Received through the Hotlines of Sistema and the Group Companies in 2021 by Subject, %



Messages Received through the Hotlines of Sistema and the Group Companies in 2021 by Reporting Channel, %



Anticorruption Activities

GRI 103-2

Sistema has zero tolerance to corruption in any of its forms and manifestations.

Anticorruption activities are carried out in accordance with:

- ▶ Laws of the Russian Federation
- ▶ Charter of Sistema PJSC
- ▶ Security Code
- ▶ Anticorruption Policy of Sistema PJSC
- ▶ Corruption Prevention Concept of Sistema PJSC
- ▶ Code of Ethics of Sistema PJSC
- ▶ UK Bribery Act 2010

The anticorruption controls in place at the Corporation enable it to efficiently fight corruption.

The Corporation's Anticorruption Policy defines the key principles and requirements aimed at preventing corruption and complying with applicable anticorruption laws. Methods aimed at the prevention of corruption, fraud and theft are defined in the Corruption Prevention Concept. Both documents are binding on both employees and counterparties of the Group.

GRI 102-16

PRINCIPLES OF THE ANTICORRUPTION POLICY

- Responsibility of Senior Management**  
Screening of counterparties
- Assessment of Corruption Risks**  
Information and training
- Adequate Anticorruption Procedures**  
Monitoring and control

# Anticorruption Management

Sistema's anticorruption activities are carried out within the following organisational structure:



GRI 103-3 > GRI 205-1

## ASSESSMENT OF EFFECTIVENESS OF ANTICORRUPTION PROCEDURES AND ASSESSMENT OF CORRUPTION RISKS

Anticorruption plans for the reporting year were fully carried out. Notably, portfolio companies' anticorruption policies were updated to take into account the new threats to the Corporation's economic interests and best international anticorruption practices. In addition, Sistema Group conducted internal assessment of the effectiveness of its anticorruption procedures as part of analysis of effectiveness of heads of security units in the following areas:

- ▶ Regulatory support
- ▶ Specialised anticorruption procedures
- ▶ Training and information for employees
- ▶ Assessment of the results of anticorruption efforts

The analysis demonstrated a high level of organisation of anticorruption work. For Group companies that did not demonstrate sufficient effectiveness in 2021, remediation plans were developed.

In 2021, Sistema conducted assessment of fraud risks, which included risks of corruption. The degree of the risk was determined on the basis of global best practices for combating fraud, taking into account the realities of corporate business, industry-wide statistics and the level of security at assets. Risk assessment was conducted at 92% of the Group's assets (20 companies). The results showed that the Group's companies in the sector of telecommunication, radioelectronics, industrial production, services, retail and banking have the highest exposure to fraud risks.

### Based on the risk assessment, the following methods for preventing adverse events were devised:

- ▶ Timely identification and elimination of reasons of corruption
- ▶ Enhancement of the anticorruption policy taking into account the context of the corporate business operations
- ▶ Identification of conflicts of interest
- ▶ Analysis of procurement activities
- ▶ Organisation of scheduled and surprise audits

In 2022, Sistema Group companies will continue monitoring the effectiveness of their anticorruption procedures. In addition, they plan to organise regular events to enhance corporate culture and promote zero tolerance of corruption, which will include familiarising employees with anticorruption requirements, shaping a common understanding of reasons and consequences of corruption-related offences and promotion of anticorruption awareness.



GRI 205-3

RESULTS OF ANTICORRUPTION EFFORTS AT SISTEMA GROUP IN 2021<sup>1</sup>

173

TOTAL NUMBER OF CONFIRMED CASES OF CORRUPTION

159

TOTAL NUMBER OF IDENTIFIED PERPETRATORS

103

TOTAL NUMBER OF DISCIPLINARY PENALTIES IMPOSED

86

TOTAL NUMBER OF DISMISSALS for corruption/violation of the Anticorruption Policy

7

TOTAL NUMBER OF CASES of non-renewal or termination of contracts with business partners due to corruption-related violations

34

TOTAL NUMBER OF CORRUPTION-RELATED LAWSUITS brought against the organisation or its employees during the reporting period

5

NUMBER OF FINES AND PENALTIES FOR CORRUPTION-RELATED VIOLATIONS

1.2 M RUB

AMOUNT OF FINES AND FINANCIAL PENALTIES RELATED TO CORRUPTION

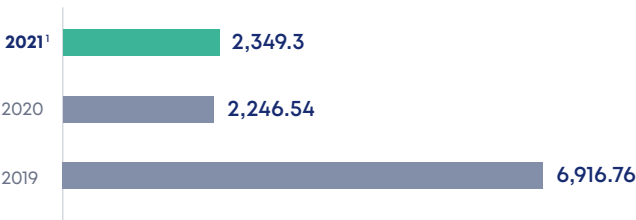
UNCTAD D.2.1

The number of confirmed instances of corruption at portfolio assets fell by 15% compared to 2020 due to the efficient anticorruption measures taken by the Group companies.

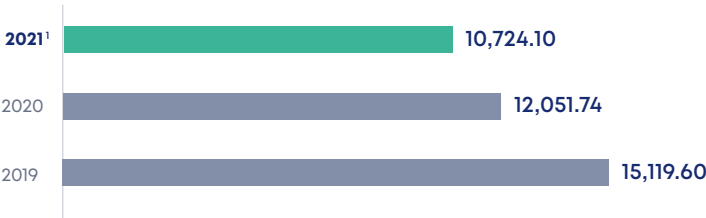
In 2021, the Corporation received no fines for corruption-related violations. The Corporation also had no cases of termination of contracts with counterparties due to corruption-related violations.

The amount of prevented damage decreased by 17% from 2020, which was due to effective risk management measures taken by Sistema's security units.

Recovered losses at Sistema Group, RUB m



Prevented Damage at Sistema Group, RUB m



<sup>1</sup> Data is provided for MTS, Segezha Group, Etalon Group, Medsi, Steppe AgroHolding, Binnopharm Group, BPGC, Business Nedvizhimost, Cosmos Hotel Group, Sitronics Group, etc.

GRI 205-2

EDUCATING AND INFORMING EMPLOYEES AND COUNTERPARTIES

All employees, including new hires, get familiarised themselves with the provisions of the Anticorruption Policy.

In 2021, 100% of contracts of the Corporation included anticorruption clauses, which obligated the counterparties to comply with anticorruption regulations. A total of 88,130 counterparties (80.6%) were informed about anticorruption policies and methods, including 18,574 new counterparties.

As many as 88,104 employees of Sistema Group underwent remote or in-person training in 2021.

In 2022, the Corporation will continue organising trainings and seminars for employees to increase the effectiveness of its anticorruption efforts and prevent corruption within the Group.

Sistema's zero tolerance of corruption is communicated to the portfolio companies. In 2021, **MTS** revised its Counterparty Code of Conduct in line with best international practices, updating minimal standards that are mandatory for all counterparties of the company.

Also, it continued developing its anticorruption compliance development programme, introducing a new electronic learning platform for employees that allows for statistical control. As of the end of 2021, 99% of the company's employees successfully passed the mandatory courses on compliance.

In 2021, **BPGC** completed preparations for a large-scale training on the Code of Ethics for employees that is planned for 2022.

Employees of the Group that Underwent Anticorruption Training in 2021, persons

Senior management	399
Middle management	1,901
Junior management	9,673
Non-management	60,380
Workers	15,751
TOTAL	88,104

Compliance<sup>1</sup>

GRI 103-1

GRI 307-1

GRI 419-1

UNCTAD D.2.1

Sistema considers it mandatory to comply with the requirements of legislation and international law in order to create an ethical business environment and ensure stable and mutually beneficial relationships with partners.

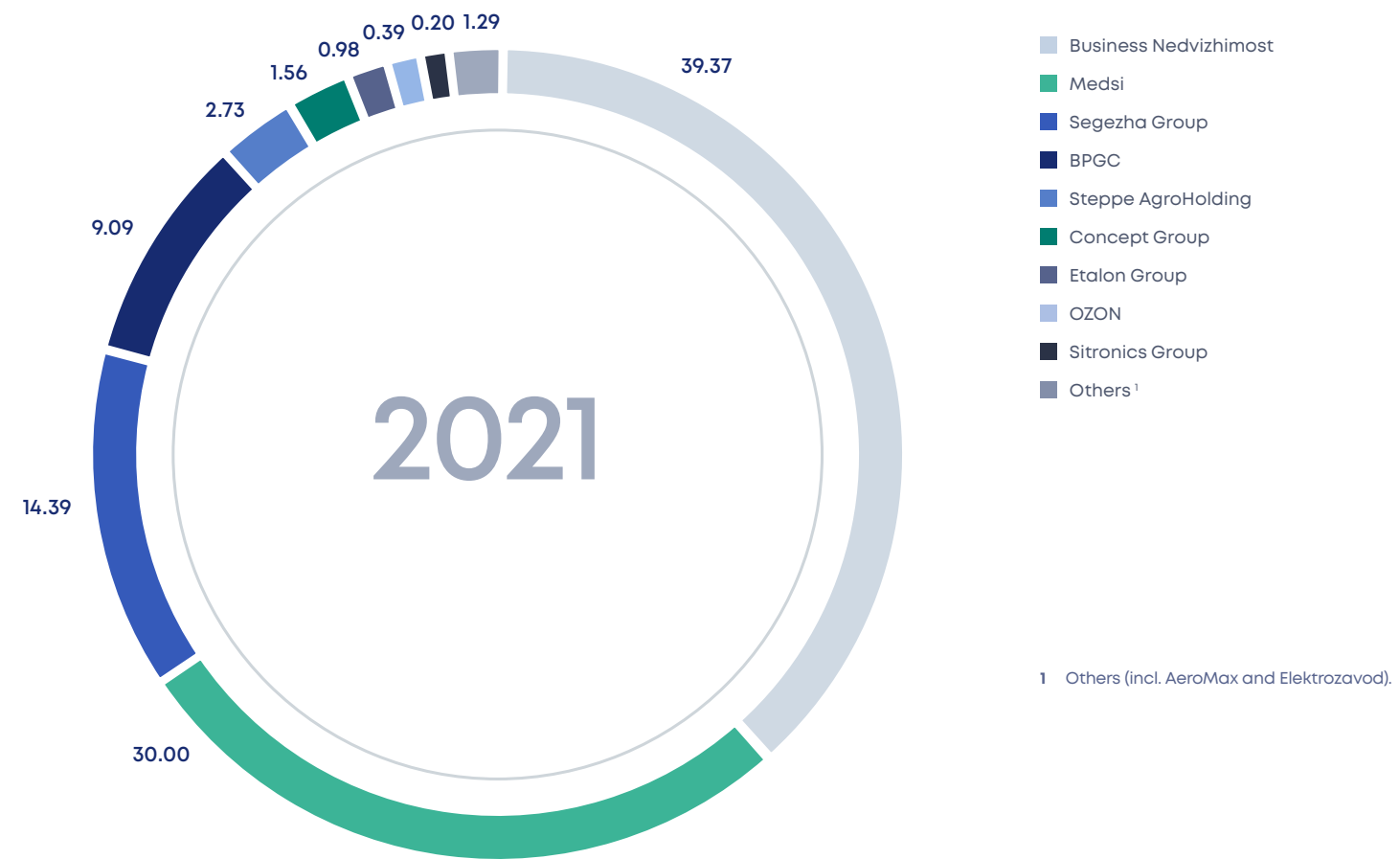
The total amount of fines for Sistema Group amounted to RUB 25,574.09 in 2021. In the reporting year, there were 94 cases of non-financial sanctions related to the identification of instances of unfair competition and violation of anti-trust regulations, as well as to non-compliance with labour and environmental laws at portfolio companies.

SASB FN-AC-510a.1

Main Types of Violations at Sistema Group in 2021, %

Labour law violations	20.01
Environmental laws and regulations	17.82
Violations of disease control and prevention laws (not related to the requirements to manufactured products)	2.19
Construction law violations	2.15
Consumer rights irregularities, including those in product facts and marking	1.96
Transport safety violations	1.94
Fire safety non-compliance	1.43
Unfair competition and violation of anti-trust regulations	0.00
Occupational safety violations	0.01
Others	52.49
TOTAL	100

Fines for Non-compliance with Regulations in 2021, by Sistema's Group Companies, %



GRI 307-1 > GRI 419-1

Fines and Non-financial Penalties Imposed on Sistema Group Companies in 2021

	NUMBER OF FINES	AMOUNT OF FINES, RUB THSD	NUMBER OF NON-FINANCIAL SANCTIONS IMPOSED	FINANCIAL FINES AS SHARE OF REVENUE, %
TOTAL, INCLUDING:	250	25,574.09	94	0.0032%
Environmental laws and regulations	38	4,557.88	22	0.000568%
Unfair competition and violation of anti-trust regulations	–	–	1	0.000000%
Labour law violations	11	5,117.02	4	0.000638%
Occupational safety violations	1	4.50	2	0.000001%
Consumer rights irregularities, including those in product facts and marking	3	500.00	–	0.000062%
Fire safety non-compliance	5	366.00	8	0.000046%
Violations of disease control and prevention laws (not related to the requirements to manufactured products)	11	560.00	–	0.000070%
Construction law violations	2	550	4	0.000069%
Transport safety violations	71	495.2	–	0.000062%
Other	108	13,423.486	53	0.001673%



# INNOVATION MANAGEMENT. DIGITALISATION

## Innovative Activities

- GRI 103-1
- GRI 103-2
- GRI 103-3

Innovations and digital transformation are among the top priorities of Sistema and its investment strategy, since they constitute a key competitive advantage, while the products of innovations become a valuable intangible asset. Sistema invests in boosting the nation's intellectual potential through cooperation with various organisations, sets up own R&D centres and promotes the implementation of advanced technologies in manufacturing for the benefit of long-term sustainability.

TOP 15

BASED ON 2021 RESULTS, SITRONICS GROUP WAS RANKED AMONG RUSSIA'S TOP 15 IT COMPANIES<sup>1</sup>

- Russia developed and approved the Digital Economy of the Russian Federation programme and began developing sectoral programmes for the digital transition. The national programme comprises the following federal projects:
- ▶ Legal regulation of the digital environment
  - ▶ Talent for the digital economy
  - ▶ Information infrastructure
  - ▶ Information security
  - ▶ Digital technologies
  - ▶ Digital state administration
  - ▶ Artificial intelligence

The Corporation's portfolio includes a number of large Russian research and manufacturing enterprises conducting diverse research, development, production and educational activities. Portfolio assets contribute to the development of the country's intellectual and scientific database, thus helping to unlock its digital potential and accelerate digitalisation.

In 2021, the Board of Directors of **MTS** set up a special committee for development of cloud and infrastructure assets.

**Medsi** launched a large-scale programme to revamp and coordinate business processes using an integrated enterprise resource planning system SAP S/4HANA Cloud Private Edition. The plan is to consolidate all business processes in a single intelligent ERP system to reduce the impact of human factor and increase the flexibility of planning and the level of services provided.

<sup>1</sup> Ranked 14th by CNews Analytics (cnews.ru) and 21st by tadviser.ru.

## Most Attractive Technologies for Investment

MOST ATTRACTIVE TECHNOLOGIES FOR INVESTMENT <sup>1</sup>		THE CORPORATION'S PRIORITIES AND APPROACHES TO INVESTMENT
		Technologies that can be tested at Sistema Group's companies to improve the product and/or reduce the development time
LARGE-SCALE TECHNOLOGIES DRASTICALLY CHANGING THE DEVELOPMENT OF THE ECONOMY AND SOCIETY	CROSS-CUTTING NATURE OF TECHNOLOGIES, WITH POSSIBILITY TO APPLY THEM IN A BROAD RANGE OF INDUSTRIES	01 SELECTION CRITERIA: <ul style="list-style-type: none"><li>▶ Technologies that are at an early stage of practical application in individual industries.</li><li>▶ Expected to reach the stage of wide industrial use in the medium term</li></ul>
<ul style="list-style-type: none"><li>▶ Virtual assistants</li><li>▶ Machine learning and neural networks</li><li>▶ IoT</li><li>▶ Industry 4.0</li><li>▶ Augmented reality</li><li>▶ MedTech</li><li>▶ Cybersecurity</li></ul>	<ul style="list-style-type: none"><li>▶ Blockchain</li><li>▶ PropTech<sup>2</sup></li></ul>	02 SELECTION CRITERIA: <ul style="list-style-type: none"><li>▶ Technologies at the stage of development and search for promising spheres for product use</li><li>▶ Achievement of the industrial use stage is expected in the long term</li></ul>
	<ul style="list-style-type: none"><li>▶ Autonomous vehicles and robots</li><li>▶ Carbon nanotubes</li><li>▶ Digital twins</li><li>▶ Silicon batteries</li><li>▶ CRISPR<sup>3</sup></li><li>▶ Biochips</li></ul>	03 CONTINUOUS MARKET MONITORING AND ANALYSIS
Ability to create a long-term competitive advantage for the company	Technologies that will have the biggest impact on the business models of companies in the next 5 years	

<sup>1</sup> According to analysts at Morgan Stanley, Russell Reynolds and Gartner.  
<sup>2</sup> Digital projects in the real estate market.  
<sup>3</sup> Genome editing technology.

Innovation Day is now a traditional event for Sistema's senior executives enabling them to discuss the latest trends and potential for their application in portfolio assets. In 2021, the company held four Innovation Days devoted to hydrogen power, FoodTech<sup>1</sup>, artificial intelligence and cyber security.

The Corporation consistently invests in boosting the intellectual potential of the Group companies, namely, science and education, promising research and new developments, innovative infrastructure and digitalisation. The main criterion for selecting the most promising technologies for the Corporation is the possibility of testing them at Sistema Group's largest companies based on the value and potential risks of such technologies for the assets themselves and their stakeholders.

GRI 203-1 > GRI 203-2 > UNCTAD A.3.3

3.63 BN RUB

SISTEMA'S INVESTMENTS IN R&D<sup>2</sup> IN THE SECTORS OF HIGH TECH, POWER GENERATION AND CONSTRUCTION in 2021

Sistema cooperates with organisations that support innovations, sets up own R&D centres and helps to implement advanced technologies at its portfolio companies.

The results of Sistema's innovative activities are also expressed in the form of patents and applications for intellectual property.

11.66 BN RUB

SISTEMA GROUP'S INVESTMENTS IN INFORMATION TECHNOLOGIES<sup>3</sup> in 2021

Intellectual Property Items of Sistema Group Companies

	2021	2020	2019
Registered intellectual property items	253	203	179
Applications for intellectual property items	129	72	67

Partnerships in the Area of Innovative Technologies in 2021

ASSET	PARTNER(S)	SUBJECT OF THE AGREEMENT
Sistema PJSFC	St. Petersburg State University	Agreement on provision of advisory, legal, informational and any other support to establish Nevskaya Delta Innovative Science & Technology Centre.
Sistema PJSFC	The Higher School of Folk Art (Academy)	Agreement on cooperation in the area of traditional arts and crafts aimed at preserving and developing unique regional, historical, technological, aesthetic and ethical traditions and searching for innovating solutions to boost the popularity of unique craft items of high artistic value in modern society.
Etalon Group	QB Technology IP Ltd	Agreement on acquisition of construction methodology based on using modular technologies in line with the UK standards for further development of a proprietary technology in accordance with the standards of the Russian Federation.
Mikron Group	Mendeleev University of Chemical Technology of Russia	Agreement on cooperation in research and innovation activities to develop new high-purity materials for microelectronics.

1 FoodTech — Food Technology.  
2 Data is provided for Etalon Group, BPGC, Sitronics Group.  
3 Data is provided for Ozon, Etalon Group, BPGC, Aeromax.

R&D AND INNOVATION CENTRES

SASB HC-BP-240a.1

The research activities of Sistema are aimed at developing innovative sustainable solutions for the customers of the Corporation and its portfolio companies and preserving Sistema's competitiveness in the long term. The support of innovations and R&D is an integral part of the activities carried out by the Group companies.

In 2021, **MTS** launched MTS GROM, the third most powerful supercomputer in Russia able to perform computing operations at a speed of up to 2.26 petaflops . This supercomputer will accelerate the creation and launch of products in the area of computer vision, industrial analytics, natural language processing and intelligent video surveillance. In the future, the high capacity of MTS GROM will become available to Russian companies in the portfolio of #CloudMTS provider, enabling businesses to drastically reduce the time required for developing and implementing AI and Big Data projects and cut expenses on high-performance computing.

In 2021, as part of the state programme aimed at supporting the Russian electronics industry, **MTS** established an Internet of Things competence centre. MTS's experts jointly with developers, integrators, consumers and other market participants will analyse the potential of projects that stimulate the manufacturing of modern IoT components in Russia. The opinions of the Centre's experts will be used for taking decisions on the feasibility of state funding for IoT projects.

In the reporting year, the Artificial Intelligence Centre of **MTS** and the government of the Novosibirsk region signed an agreement to set up an innovations cluster in the region. The main goal of the cluster is to unite the scientists, IT specialists, innovators and entrepreneurs to conduct fundamental research in the area of computer vision, natural language processing and edge computing.

2.5 BN RUB

INVESTMENTS OF BINNOPHARM GROUP

in the establishment of a modern R&D centre in the Moscow region

**Binnopharm Group** invested RUB 2.5 bn in the establishment of a modern R&D centre in the Moscow region. The project is aimed at creating a pharmaceutical research centre for development of synthetic and biotech drugs. By 2025, the R&D centre is expected to launch more than 100 new drugs.

**Segezha Group** opened an R&D centre in the Republic of Karelia in the reporting year. This is the first corporate R&D centre opened in Russia and specialising in the development of more efficient and high-tech products in the segment of paper packaging. The main tasks of the centre include optimisation of design, development of new products and testing of packaging solutions. New packaging products and solutions are expected to account for at least 10% of Segezha Group's portfolio by 2022.



For more information, see *Affordability and quality* section.

4 FLOPS (Floating point Operations Per Second) is a measurement used to indicate how many floating point operations a microprocessor is capable of performing each second.

SUPPORT FOR STARTUPS

SASB HC-BP-240a.1

2 M USD

AMOUNT OF FINANCING  
from the MTS StartUp Hub  
for best IT solutions

Sistema is aware of the importance of supporting startups to drive the development of the Group companies and the Russian economy as a whole. The Group companies actively promote the development of young and ambitious companies for continuous technological progress and higher efficiency of operations, seeking to create conditions for their productive work.

For **MTS**, the main tool for interacting with startups is MTS StartUp Hub. In 2021, the Hub opened a new unit, the Venture Studio for launching new technology businesses. The studio will attract young talented teams of IT developers for the ecosystem of the company’s products. All residents have access to MTS infrastructure, while the best solutions can receive funding of USD 2m. In 2021, MTS StartUp Hub opened a representative office in Nizhny Novgorod. In addition, MTS StartUp Hub opened two spaces for the development of 5G startups in the reporting year. The centres for developing and piloting technological products in 5G networks will support young developers and optimise the implementation of promising projects, while developing next-generation networks. In March, a 5G centre opened in St Petersburg. In February 2022, MTS opened a 5G Centre in Astana (then known as Nur-Sultan), Kazakhstan.

In 2021, **MTS AI**, the artificial intelligence arm of MTS, launched a specialised accelerator focused on supporting AI startups and also created a USD 100m VC fund. The fund and the accelerator will search for and support startups working on language, image and behaviour analytics, digital twins, and logistics. The objective is to create competitive AI-based products for the global market.

In 2021, **Meds**i, in cooperation with the Moscow Centre for Innovative Healthcare Technologies, launched Russia’s first accelerator for healthcare projects. Russian and foreign startups can launch pilot projects at Medsi, the largest federal chain of clinics, and other healthcare institutions in Moscow and test their technologies in real-life medical practice. The acceleration programme is designed to search for big data and AI technologies for supporting medical decision-making, medical devices for collecting and analysing data, and remote patient monitoring, preventive medicine and biohacking services.



More information on MTS StartUp Hub.

100 M USD

THE SIZE OF A VC FUND  
established by MTS

VC Funds

To invest in high-tech companies, Sistema establishes VC funds.



For more information on the assets of Sistema’s VC funds, see Sistema’s Annual Report for 2021.

FAMILY OF SISTEMA’S VC FUNDS

FUND	YEAR ESTABLISHED	DESCRIPTION
 SISTEMA_VC	2016	A venture capital fund investing in growth-stage high-tech companies capable of transforming conservative industries with tech solutions or creating new market niches.
 SISTEMA AsiaFund	2015	A venture capital fund specialising in investment in high-tech companies from India and South-East Asia.

Digital Transformation of the Group Companies

In 2021, Segezha Group became the only SAP partner to receive an award for implementing a very complex business transformation project based on SAP S/4HANA during the pandemic and lockdown.



For more information on SAP S/4HANA, see Segezha Group’s Annual Report for 2021.

The Group companies pay increased attention to processes that allow accelerating the digital transformation of their production facilities and the Russian economy as a whole in order to optimise the use of resources and subsequently move to sustainable environmental development.

Since 2020, **Segezha Group** has been implementing its Digital Transformation Strategy, which describes the priorities and plans for business digitalisation. As of the beginning of the reporting period, Segezha Group had implemented the enterprise resource planning system SAP S/4HANA on a full scale.

In 2021, Segezha Group continued to implement the following digital transformation projects:

- ▶ Adoption of a set of systems based on machine learning and computer vision to control supply stream
- ▶ Replication and refinement of the corporate wood accounting system Segezha Les
- ▶ Launch of projects to create a Data Lake for accounting raw materials at Segezha Pulp and Paper Mill and Vyatka Plywood Mill based on PI System software



+10%

INCREASE IN THE EFFICIENCY  
of Steppe AgroHolding's  
production chain due to digitalisation  
and automation

- ▶ Implementation and launch of Segezha Group's corporate web portal
- ▶ Implementation and trial operation of the industrial safety system
- ▶ Start of a project on industrial design of innovative fuel consumption sensors

In 2021, **Steppe AgroHolding** managed to digitalise and automate the production of grain crops at all stages. The company implemented several flagship projects that reduced the human factor to naught and increased the efficiency of the production chain by up to 10%.

Key results of digitalisation:

- ▶ Creation of a “digital twin” of farms using the “Field History” cloud agricultural analysis service, which contains digitised field maps, collects all information on each of them and analyses it
- ▶ Implementation of the system for forecasting and analysing production using artificial intelligence, which forms the structure of crop rotation and calculates the margins and yields of agricultural crops
- ▶ Technological operations by quadcopters, combines and tractors with unmanned systems
- ▶ Introduction of a telematics system for monitoring the fleet

In 2022, the company intends to automate project management processes based on the Russian IT platform Advanta.

Digital transformation continues at **MTS**. The company's business is transforming into an ecosystem, and this process is accompanied by a large-scale technological reorganisation. The company's task is to ensure the connectivity, synergies and development of different businesses through digital technologies, while not slowing down the speed of decision-making and launches of new products and services.

BPGC's digital transformation has the following targets:

- ▶ Extensive programme to upgrade grid infrastructure through advanced digital solutions
- ▶ Production of power grid equipment for digitalisation projects
- ▶ Comprehensive digitalisation in technical and managerial processes



For more information on the innovation projects  
of Sistema Group companies, see the *Smart  
Environment* section.



# SUSTAINABLE SUPPLY CHAIN. LOCALISATION AND IMPORT SUBSTITUTION

GRI 103-3

## Sistema and Sistema Group Companies' awards in 2021

Expert



Срединный путь  
Бизнес-клуб

TOP 50 PROCUREMENT SUBDIVISIONS

**Sistema** made it to the top 50 procurement subdivisions and **BPGC's** Director for Procurement and Logistics became a winner in the category "Best Director for Procurement in the area of supporting SMEs" in a ranking of the quality of procurement management. The ranking was compiled by the Expert RA credit rating agency and the analytical company Expert Business Solutions with the support of the Middle Way business club.



TOP 1000 RUSSIAN MANAGERS

**Sistema's** Director for Procurement, **MTS's** Vice President for Procurement and Administrative Matters, **Segezha Group's** Director for Procurement and **Medsi's** Director of the Procurement Department were included in the Top 1000 Russian Managers, an annual national ranking compiled by the Managers' Association and the Kommersant Publishing House.



BEST DIRECTORS FOR PROCUREMENT

**MTS's** Vice President for Procurement and Administrative Matters, **Medsi's** Director of the Procurement Department and **Steppe AgroHolding's** Director of the Procurement Department were named among Russia's best directors for procurement in a ranking annually prepared by RAEX Analytics and the Association of Procurement Directors.



LEADER OF COMPETITIVE PROCUREMENT

**Medsi** won the Leader of Competitive Procurement award in the category "Economic Efficiency of Procurement Procedures."

# Procurement Management

- GRI 103-1
- GRI 103-2
- GRI 102-9

Sistema Group remains one of the major consumers of goods and services in Russia. The Corporation aims at building transparent and honest relations with partners based on mutual benefit and trust and promotes the principles of responsible business operations among its counterparties.

Effective management of procurement and relations with suppliers helps to lower financial and ESG risks and increase operating income, while generating additional value for shareholders.

Procurement management at Sistema is regulated by the following internal documents:

- ▶ Tender Procedures and Procurement Code of Sistema PJSC
- ▶ Code of Ethics of Sistema PJSC
- ▶ Anticorruption Policy of Sistema PJSC

The key role in ensuring the transparency and efficiency of procurement belongs to the President's Tender Committee, a collective body in charge of procurement.



# Procurement at Sistema Group Companies

- GRI 308-2
- GRI 403-7
- GRI 414-2

In order to enhance the effectiveness of procurement procedures, Group companies update their local regulations on procurement that were developed on the basis of regulations adopted by the Corporate Centre, taking into account the business specifics of each asset.

In 2021, **MTS** updated its Counterparty Code of Conduct, which is applicable to all subsidiaries and affiliates of the company. In addition to basic principles, the Code stipulates that suppliers should abide by environmental laws and observe human rights. If participants of procurement procedures supply goods, works of services that have an impact on the environment and ecological safety, **MTS requests the following information:**

- ▶ Licence for industrial waste handling or an agreement with a licensed company for waste handling
- ▶ Consent to organise collection, loading and unloading and transportation of waste generated in the course of work at own cost
- ▶ Consent to organise recycling of recyclable materials and provide supporting documents at own cost

All key assets of Sistema include requirements on protection of the environment and social relations, anticorruption efforts and other aspects of sustainability in agreements with suppliers and contractors.

In 2021, **Etalon Group** updated its Tender Policy, **Sitronics Group** adopted a new Procurement Policy and **Segezha Group** adopted a document establishing principles of procurement planning. **Segezha Group** also took steps to build a procurement function at the Shared Services Centre<sup>1</sup> in Kirov. The work made it possible to centralise procurement of over 80% of categories of auxiliary products.

## MTS: Suppliers' Audits by JAC



For more information about audits of MTS's suppliers, see MTS's Sustainability Report for 2021

Since 2017, MTS has been a member of the international association of telecom operators JAC (Join Audit Cooperation), which specialises in auditing and raising the awareness of ICT providers about responsible business conduct. The audits are carried out in accordance with the JAC principles, which are based on the international sustainability standards (SA8000, ISO 14000) and cover five basic areas: working conditions; health and safety; impact on the environment; ethical norms; management systems.

Five JAC audits scheduled for 2021 were postponed till next year, mainly due to COVID-19 restrictions.

<sup>1</sup> The Shared Services Centre was established at Segezha Group by decision of the company's management, in order to consolidate all functions not directly related to the production process in one place.



## Procurement Results in 2021

GRI 204-1

UNCTAD A.4.1

Procurement from Local Suppliers and SMEs in 2021 <sup>1</sup>	
Average share of procurement from SMEs	57.86%
Average share of procurement from local suppliers	63.54%

423.5 BN RUB

SISTEMA GROUP'S  
PROCUREMENT VOLUMES  
IN 2021

100%

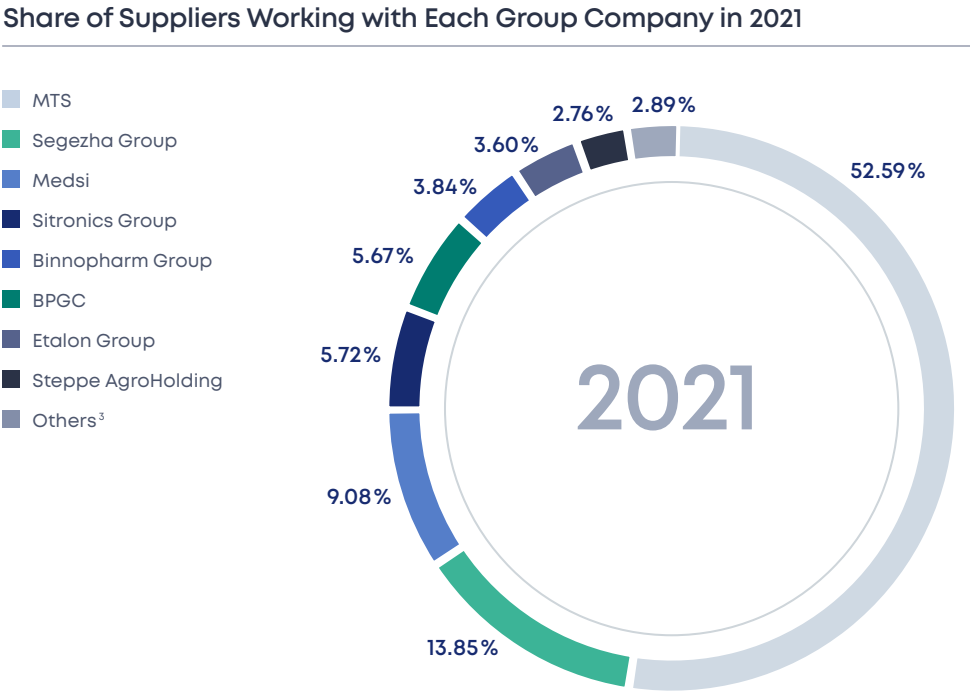
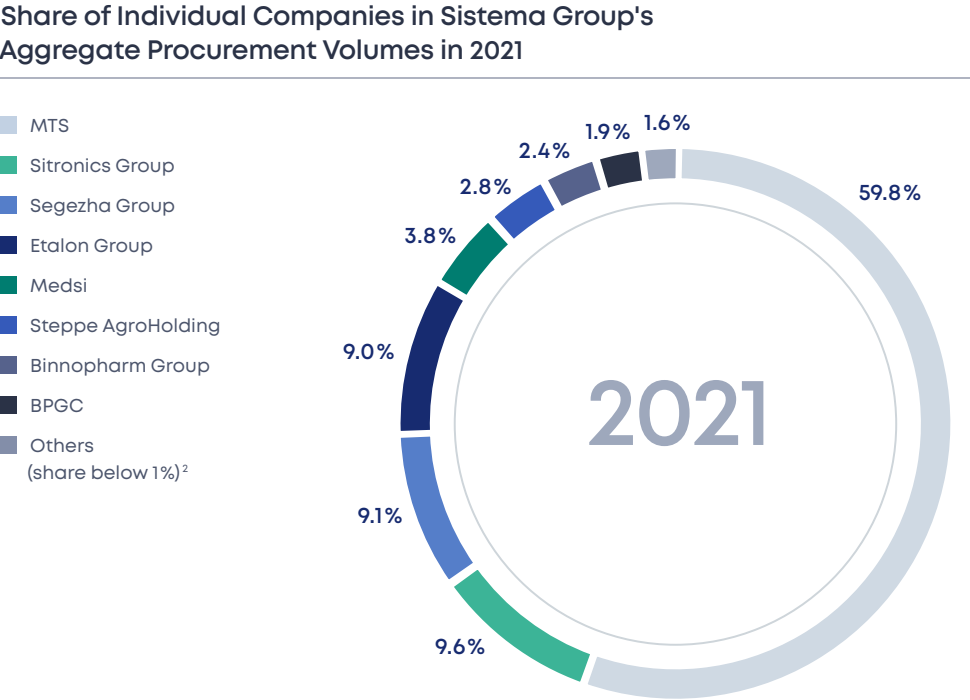
OF PROCUREMENT PROCEDURES  
AT MTS, STEPPE AGROHOLDING  
AND CONCEPT GROUP ARE DONE  
ELECTRONICALLY

73%

THE SHARE OF COMPETITIVE  
PROCUREMENT

38+ THSD

SUPPLIERS COOPERATED  
WITH SISTEMA GROUP IN 2021



<sup>1</sup> Data is provided for Etalon Group, Steppe AgroHolding, BPGC, Business Nedvizhimost, Sitronics Group, Aeromax and Concept Group.

<sup>2</sup> Others (incl. Sistema, Aeromax, Business Nedvizhimost, Cosmos Hotel Group and Concept Group).

<sup>3</sup> Others (incl. Business Nedvizhimost, Cosmos Hotel Group, Sistema, Aeromax and Concept Group).

The Group companies struggle to increase the share of electronic procurement to enhance the transparency of procurement procedures.

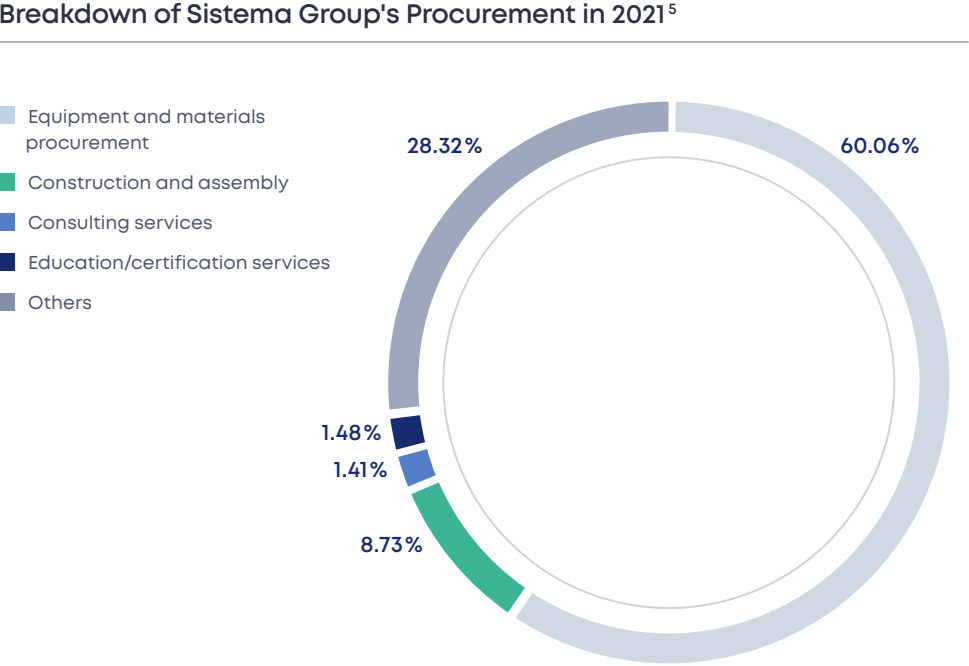
MTS, Steppe AgroHolding, Binnopharm Group, BPGC, Business Nedvizhimost and Concept Group became leaders in electronic procurement in 2021.

2.5+%

THE AVERAGE SAVINGS FROM  
PROCUREMENT PROCEDURES  
ACROSS THE GROUP<sup>4</sup>

9.8+%

THE SAVINGS FROM  
PROCUREMENT PROCEDURES  
AT SISTEMA



## Automation of Supply Chains

A TEAM OF  
40 ENGINEERS

WORKS TO AUTOMATE GOODS  
STORAGE PROCESSES AT  
FULFILMENT CENTRES AND  
WAREHOUSES OF OZON

In order to enhance the efficiency of supply chains and ensure timely deliveries of high-quality raw materials the Group companies strive to organise a transparent supply system actively developing and implementing tools for automating procurement management.

In 2021, **Ozon** launched a robotics lab where a team of 40 engineers works to automate goods storage processes at fulfilment centres and warehouses. Introduction of robots will reduce logistic costs, including those for servicing warehouse facilities. **Ozon** also organised a contest for development of robotised solutions for e-commerce with view to speed up robotisation of its logistic processes and promote industrial robotisation in Russia. Five winning startups received grants and an opportunity to carry out their projects at Ozon.

In order to automate centralised procurement of materials, **Etalon Group** began using Sinteka software in 2021, which enables the company to process requests digitally in all regions of operation.

<sup>4</sup> Data is provided for MTS, Segezha Group, Medsi, Steppe AgroHolding, Binnopharm Group, BPGC, Business Nedvizhimost, Cosmos Hotel Group, Sitronics Group, Sistema and Concept Group.

<sup>5</sup> Data is provided for Segezha Group, Etalon Group, Medsi, Binnopharm Group, BPGC, Business Nedvizhimost, Cosmos Hotel Group, Sitronics Group, Sistema and Concept Group.



## Introduction of Russian Solutions and Localisation

Sistema's portfolio companies actively respond to the increased demand for Russian industrial and IT solutions in various production cycles caused by the need to quickly substitute imports. Given the trend towards placement of production sites in Russia, Sistema Group companies aim at localisation of production, which helps to ensure stability of the supply chain in the interests of its customers.

In 2021, **MTS** successfully tested Russia's first OpenRAN-based 5G telecom solution using Russian-made software developed by the Skolkovo Institute of Science and Technology. During the tests at the Open RAN lab on the territory of the MTS 5G Centre in Moscow, the solution delivered downlink transmission speeds surpassing 1 Gbps. Implementation of these standards will optimise production of telecom equipment in Russia, reducing the amount of money and time needed to build new generation mobile networks.

Also in 2021, **MTS** established a subsidiary, MTS Electronics, the main objective of which is to localise equipment and develop domestic software. Developed solutions will be used for building fixed-line networks and data storage systems, thus strengthening the entire country's economy.

In 2021, **Segezha Group** launched Russia's first industrial production of CLT panels — a state-of-the-art material for house construction — in the Vologda region. Use of CLT panels reduces the time needed to construct a building and makes it more durable and eco-friendly. The company plans to manufacture up to 50,000 cu m of panels per year.

In the reporting year, **Etalon Group** acquired a 35% stake in QB Technology, which specialises in production of modular constructions. Modular housebuilding reduces

the construction cycle by 40% and construction costs by 20%. The company plans to adapt the technology for use in the Russian market.

In 2021, **Steppe AgroHolding** began growing a new sort of winter wheat, Sistema, that was developed together with its Russian partners. The crop yield of the new wheat exceeded 100 c/ha during field tests, which is 50% above the region's average. The semidwarf wheat has high quality and yield and is resistant to insufficient humidity and to fungi and viruses. The company plans to develop another five sorts of winter wheat and three sorts of soya by 2025.

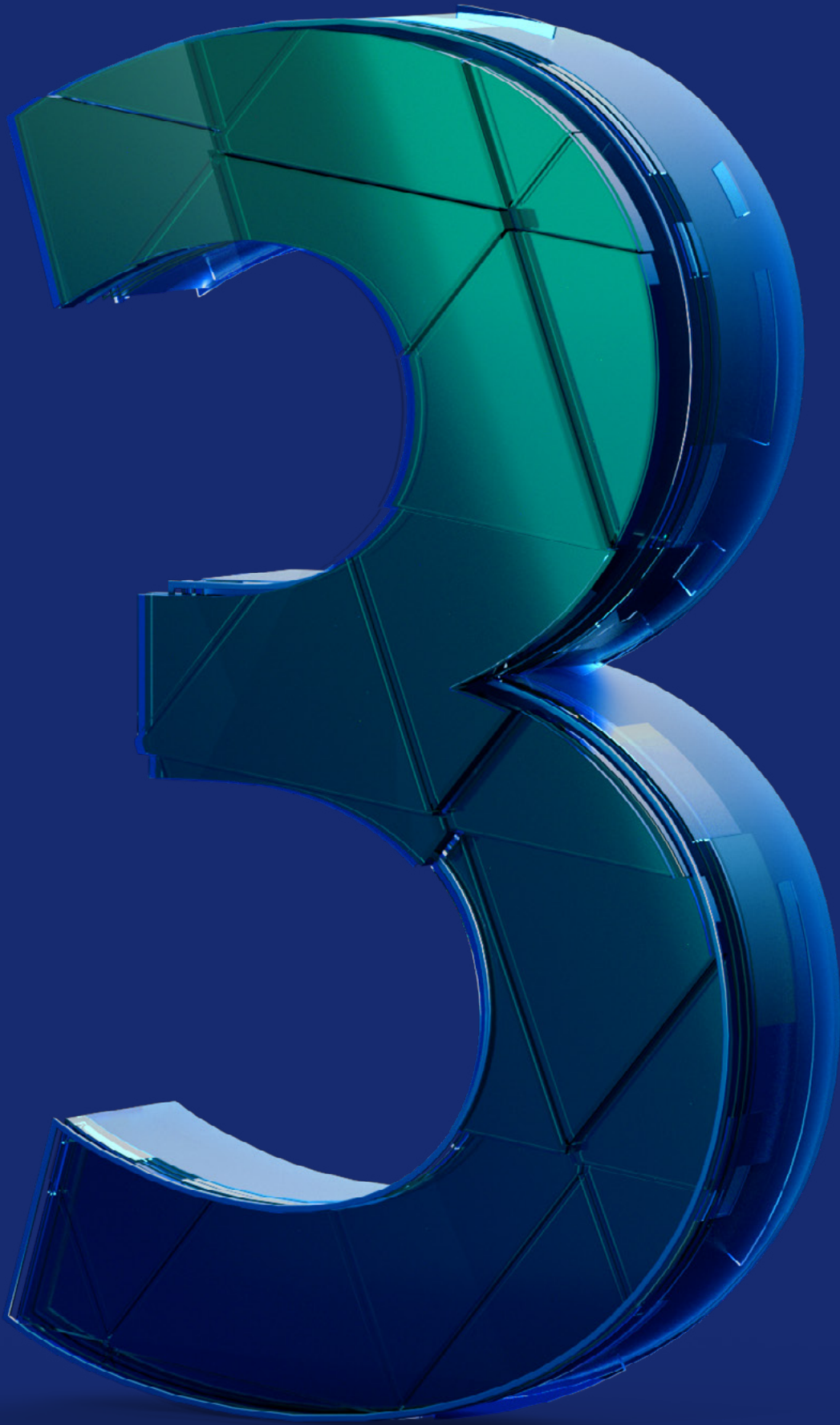
In 2021, **Steppe AgroHolding** tested domestic versions of foreign agricultural machines. It tested a Stalker press-wheel coverer, Russian-made seed drop tubes and Orange Seed 8000 motor-drawn sand disperser, which is meant to replace the foreign model Ag Big. All Russian machines demonstrated lower or similar wear compared to foreign analogues.



For more information on introduction of new technology in the Group companies' production processes, see *Smart cities, homes and industries* section.

## Plans for 2022

MTS	<ul style="list-style-type: none"><li>▶ Support of business development and innovative initiatives in accordance with the CLV 2.0 strategy, further development of the service-oriented model to transition to interaction with customers in the format of a business partner and simultaneously achieve goals set for the procurement function (timeliness, working capital management, continuity)</li><li>▶ Implementation of the project to optimise the Procure-to-Pay process with a focus on development of digital services, seamlessness of processes and data flow</li><li>▶ Introduction of product culture: principles of Lean Agile Procurement, regular QBR for IT products, participation in the President's product environment</li></ul>
OZON	<ul style="list-style-type: none"><li>▶ Development of an internal training course on procurement</li></ul>
SEGEZHA GROUP	<ul style="list-style-type: none"><li>▶ Update of the Procurement Policy for approval by the board of directors</li><li>▶ Development of a basic regulation on interaction in the area of procurement between the Shared Services Centre and subsidiaries</li><li>▶ Launch of a programme to develop competences of procurement specialists, teaming up with local colleges to search for and train employees</li></ul>
ETALON GROUP	<ul style="list-style-type: none"><li>▶ Finalisation and approval of the updated Procurement Regulation that envisages automation of procurement processes</li></ul>
STEPPE AGROHOLDING	<ul style="list-style-type: none"><li>▶ Automation of routines; introduction of a possibility of electronic signing of agreements.</li><li>▶ Optimisation of forms of suppliers' offers for each procurement segment (Crop farming, Animal breeding, Automation and Major construction)</li><li>▶ Approval of a policy and programme of social and environmental monitoring for suppliers</li><li>▶ Development of software for fast procurement for amounts under RUB 100,000</li><li>▶ Transition to fully electronic document flow with key suppliers</li><li>▶ Development of a chatbot for the supplier's personal account</li></ul>
BPGC	<ul style="list-style-type: none"><li>▶ Providing training to the main participants of the business process on the key aspects of drafting ToR and performing an expert appraisal</li><li>▶ Taking measures to improve execution discipline of participants of the business process</li><li>▶ Improving procurement information systems and increasing the level of automation of the procurement process</li><li>▶ Upgrading the "Procurement" section on BPGC's corporate website</li></ul>
BUSINESS NEDVIZHIMOST	<ul style="list-style-type: none"><li>▶ Introduction of an ESG strategy at the company and methodology for assessing counterparty compliance with it</li></ul>



# KEY SUSTAINABILITY ACTIVITIES OF SISTEMA GROUP COMPANIES

- WELL-BEING ..... 106
- ACCESSIBILITY AND QUALITY ..... 142
- SMART ENVIRONMENT ..... 154
- OPERATIONAL ENVIRONMENTAL EFFICIENCY ..... 170
- SOCIAL AND ECONOMIC DEVELOPMENT OF REGIONS ..... 200





# WELL-BEING

## The UN Global Compact Principles

01

Businesses should support and respect the protection of internationally proclaimed human rights

02

Businesses should make sure that they are not complicit in human rights abuses

03

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

04

Businesses should uphold the elimination of all forms of forced and compulsory labour

05

Businesses should uphold the effective abolition of child labour

06

Businesses should uphold the elimination of discrimination in respect of employment and occupation

139,524 PEOPLE

AVERAGE HEADCOUNT AT SISTEMA GROUP

6.4 M RUB PER PERSON

AVERAGE LABOUR PRODUCTIVITY

1.25 BN RUB

OCCUPATIONAL SAFETY EXPENSES IN 2021





**GRI 103-3**

## Sistema Group Employees' Awards in 2021



**MTS's President** won the Sustainable Success prize from the National Business Communication Leaders Award founded by the Russian Communication Agencies Association



**MTS's independent director** won the national Director of the Year Award established by the Association of Independent Directors, the Russian Union of Industrialists and Entrepreneurs and PricewaterhouseCoopers



**Segezha Group's Vice President** was given the title "Honorary Worker of the Timber Industry" by the Ministry of Industry and Trade of the Russian Federation for making an outstanding contribution to the development of the timber industry and for long dedicated work

25 employees from **Segezha Group** received Certificates of Merit from the Ministry of Industry and Trade of the Russian Federation, 84 employees received commendation letters from the President of **Segezha Group**



**Etalon Group's President** came third in the St. Petersburg ranking of Top Managers in Residential and Commercial Real Estate in the category Residential Real Estate. The ranking was made by the Kommersant publishing house



The top executives of **Etalon Group** and **Steppe AgroHolding** made it to the Top 1000 Russian Managers list compiled by the Managers' Association and the Kommersant Publishing House



The **CEO of Steppe AgroHolding** was recognised as the top manager of the year as part of the AgrolInvestor 2021 Award. The award was granted for achieving record-breaking results in revenue growth and operational efficiency



The **CEO and Management Board Chairman of BPGC** received a Letter of Commendation from the Republic of Bashkortostan

**Deputy Director for construction at Bashkirenergo** received commendations from the Head of the Republic of Bashkortostan

The employees of **Bashkirenergo** received Certificates of Merit from the Administration of Ufa for professionalism and many years of dedicated work. The teams of two branches of Bashkirenergo were granted letters of commendation from the Ministry of Industry, Energy and Innovations of the Republic of Bashkortostan for high professionalism and significant contribution to the industrial development of the Republic of Bashkortostan

An employee from **Bashkirenergo** came 2nd in the category Best Result among Power Transmission Companies in the Second Open Interregional Competition “Best Occupational Safety Specialist 2021”

## Sistema Group Companies' Awards in 2021



**MTS** and **Ozon** were included into a subrating of companies popular among job seekers

**Ozon** and **Segezha Group** were included in the Top 100 best employers among the biggest companies (over 5,000 employees).

**Etalon Group** made it to the rating of Top 200 best employers among big companies



**Segezha Group** and **MTS** were granted a platinum status in the Corporate Governance section and a gold status in the Employees and Society and Environment sections in the Best Employer rating

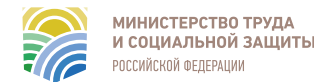
**Etalon Group** received a silver status and made it to the list of best employers according to Forbes



**Steppe AgroHolding** was included in the list of the biggest Russian real sector companies by average salary. The ranking was established by LLC National Credit Ratings



**Bashkirenergo** won a prize in the category Production of oil products; production, transmission and distribution of electric power, gas and water in the Best Occupational Health and Safety contest



**Bashkirenergo** made it to the list of Top 100 in the Russian national competition for best occupational health and safety efforts



**Sistema Charitable Foundation** organised a charitable race, #ZaLes, which was recognised as the best event in the category Support of Sports and a Healthy Lifestyle

# HUMAN CAPITAL

GRI 103-1

GRI 103-2

0.19%

OF THE TOTAL WORKFORCE in the Russian Federation are employed by Sistema Group

Employee professionalism and motivation are among the key drivers of Sistema Group's successful development. The portfolio companies of the Group aim to recruit and retain best talents through continuous improvements in working conditions, social benefits and an evolving corporate culture.

Sistema's HR Department determines the general methodology and principles of human capital management and works to ensure transparent recruitment processes, appropriate incentive mechanisms and organisational development. Sistema's HR activities are regulated by the Code of Ethics, the HR Management Code and other regulatory documents. Sistema fully complies with the provisions and requirements of all local labour laws and business ethics in relation to its staff.

The main achievement of 2021 was the development and launch of key long-term initiatives:

- ▶ Systems for training and developing succession pool members through case competitions;
- ▶ Knowledge Centre with a portfolio of educational initiatives;
- ▶ Regular events enabling leaders to promote their values and share knowledge with employees.

## Staff Composition<sup>1</sup>

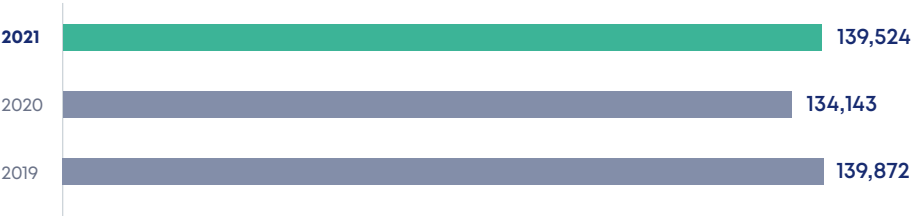
GRI 102-8

Sistema Group is a major employer in all the regions where its companies operate. The Group's total headcount in 2021 was approximately 140,000 full-time employees.

139.5 THSD PEOPLE

the average headcount at Sistema Group

Average Headcount at Sistema Group, persons



<sup>1</sup> Data for 2021 is provided for: MTS, Ozon, Segezha Group, Etalon Group, Medsi, Steppe AgroHolding, Binnopharm Group, BPGC, Business Nedvizhimost, Cosmos Hotel Group, Sitronics Group, Sistema PJSFC, Aeromax, Mosdachtrest, Sistema BioTech, Elektroavod, Concept Group and Sitronics KT (unless otherwise indicated).



0.4%

THE SHARE OF SENIOR MANAGEMENT at Sistema Group

<sup>2</sup> Net of Ozon (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).  
<sup>3</sup> Others (incl. Business Nedvizhimost, Sistema, Aeromax, Sistema BioTech, Elektroavod, Concept Group and Sitronics KT).  
<sup>4</sup> Net of Sistema BioTech (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).

98.3%

THE SHARE OF FULL-TIME EMPLOYEES at Sistema Group Companies

Personnel Structure at Sistema Group by Category, %

	2021 <sup>2</sup>	2020	2019
Senior management	0.4	0.5	0.4
Middle management	2.8	3.2	2.3
Junior management	10.2	8.3	11.9
Non-management	86.6	88.0	85.4

Headcount by the Group Companies, %



Personnel Structure by Type of Employment, %

	2021 <sup>4</sup>	2020	2019
SISTEMA			
Full-time	97.08	97.5	96.8
Part-time	2.92	2.5	3.2
GROUP			
Full-time	98.3	95.8	95.9
Part-time	1.7	4.2	4.1

The Corporation offers ample opportunities for career development in various business segments and is an attractive employer for young people.



GRI 401-1

SASB FN-AC-330a.1

99,752

NEW EMPLOYEE HIRES  
at Sistema Group Companies  
in 2021

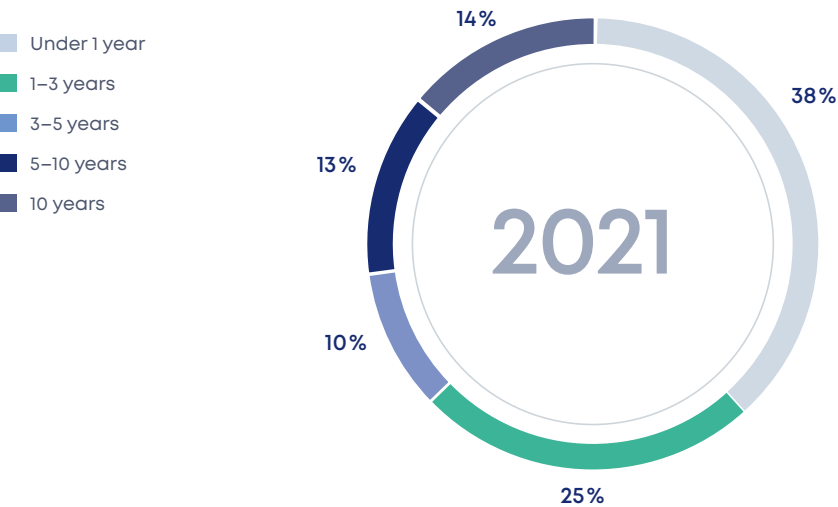
New Employee Hires by Age, persons

	2021	2020	2019
SISTEMA			
Under 30	13	5	19
30 to 50	25	23	29
Above 50	4	1	5
TOTAL	42	29	53
GROUP			
Under 30	54,646	24,646	22,810
30 to 50	40,969	12,929	19,107
Above 50	4,137	2,258	3,738
TOTAL	99,752	39,833	45,655

Personnel Structure by Age, %

	2021	2020	2019
SISTEMA			
Under 30	12	12.0	12.5
30 to 50	66	68.3	68.8
Above 50	22	19.7	18.6
GROUP			
Under 30	32.5	27	30
30 to 50	57	56	52
Above 50	10.5	17	18

Personnel Structure by Time Spent within Sistema Group<sup>1</sup>, %



<sup>1</sup> Net of Sistema BioTech (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).

SASB FN-AC-330a.1

The Corporation promotes gender equality and ensures career mechanisms that are free from any discrimination by gender, age, ethnic background and any other attributes other than professionalism. In 2021, the Group companies recruited a total of 99,752 people.

GRI 405-1

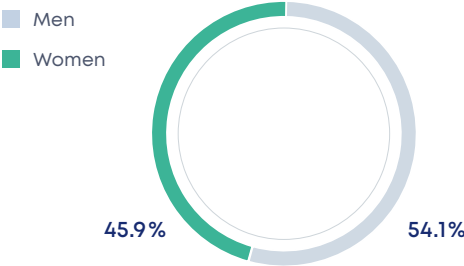
UNCTAD C.1.1

UNCTAD D.1.2

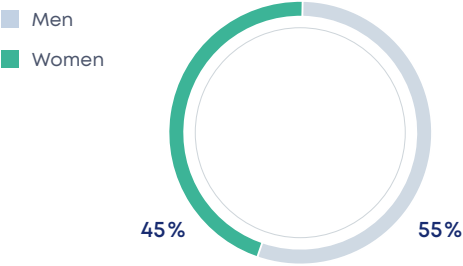
12.5%

THE SHARE OF WOMEN  
at senior governance bodies<sup>1</sup>  
of Sistema in 2021

New Hires by Gender<sup>1</sup>, %



Gender Composition of the Workforce at Sistema Group in 2021, %



New Hires by Gender<sup>1</sup>, persons

	2021	2020	2019
Men			
	22	19	23
Women			
	20	10	30
TOTAL	42	29	53

Senior Governance Bodies' Structure by Gender

	PERSONS	%
MANAGEMENT BOARD		
	8	100
Men	7	87.5
Women	1	12.5
BOARD OF DIRECTORS		
	12	100
Men	11	91.7
Women	1	8.3

Personnel Structure by Gender, %

	2021	2020	2019
SISTEMA			
Men	54	54	49
Women	46	46	50
GROUP			
Men	55	55	53
Women	45	45	46

GRI 401-1

34.6%

THE AVERAGE PERSONNEL  
TURNOVER RATE  
across the Group Companies  
in 2021

5%

THE PERSONNEL TURNOVER  
AT SISTEMA IN 2021

0.4%

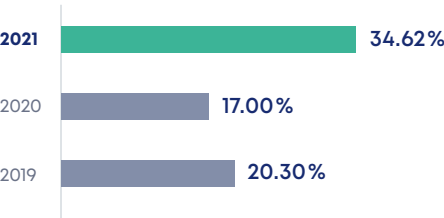
THE AVERAGE TURNOVER OF  
MANAGEMENT PERSONNEL  
at Sistema Group in 2021

1 Net of Sistema BioTech (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).  
2 Voluntary turnover only.  
3 Both voluntary and otherwise.  
4 Net of Ozon (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).

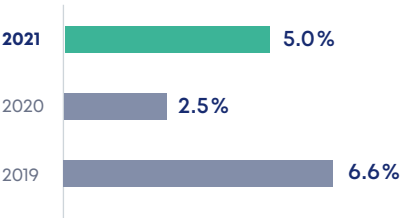
Structure by Type of Employment Agreement and by Gender, %

	PERMANENT CONTRACTS		TERM CONTRACTS	
	MEN	WOMEN	MEN	WOMEN
SISTEMA				
2019	50.5	47.9	0.3	1.3
2020	53.2	45.8	0.4	0.7
2021	52.9	44.6	0.7	1.8
GROUP				
2019	46.5	46.5	3.1	3.6
2020	51.04	41.9	3.1	3.9
2021 <sup>1</sup>	51.8	42.1	3.2	2.99

Average Personnel Turnover Rate  
at Group Companies<sup>2</sup>, %



Personnel turnover at Sistema<sup>2</sup>, %



Average Turnover of Management Personnel at Sistema Group<sup>3</sup>, %

	2021 <sup>4</sup>	2020	2019
Senior management turnover	0.4	0.2	0.1
Middle management turnover	0.2	0.4	0.5
Junior management turnover	0.3	2.6	3.0

Personnel Turnover Rate in 2021 by Age<sup>3</sup>, %

	2021	2020	2019
Under 30	1.5	0.36	1.1
30 to 50	3	1.8	5
Above 50	0	0.36	0.5

88.5%

THE RATIO OF VOLUNTARY  
TO TOTAL TURNOVER  
at Sistema Group Companies  
in 2021

GRI 202-2

27.5%

THE SHARE OF FULL-TIME  
EMPLOYEES FROM MOSCOW  
at Sistema Group Companies  
in 2021

Ratio of Voluntary to Total Turnover at Sistema and the Group, %

	2021 <sup>4</sup>	2020	2019
SISTEMA			
Voluntary turnover	4.6	2.5	7
Voluntary to total turnover	26.1	12.5	53
GROUP			
Voluntary turnover	29.2	26.65	20
Voluntary to total turnover	88.5	84.56	70

Companies across the Group hire employees primarily from local communities and organise local training programmes for unceasing the number of the required professionals where necessary. People from other geographies are hired only if local recruiting of the needed specialist is impossible.

Share of Local Leadership

	2021	2020	2019
Number of senior executives at Sistema, persons	22	19	19
Locals (from Moscow and its suburbs), %	100	89	94.7

Structure of Sistema Group Personnel by Geography in 2021<sup>1</sup>, %

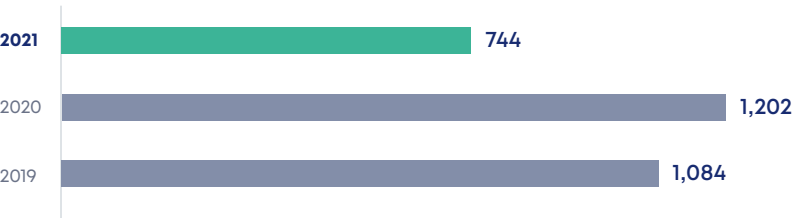


Sistema Group affords equal employment opportunities to all candidates and provides jobs to people with disabilities. In 2020, Group was employing 744 disabled persons, or 0.53% of total headcount.

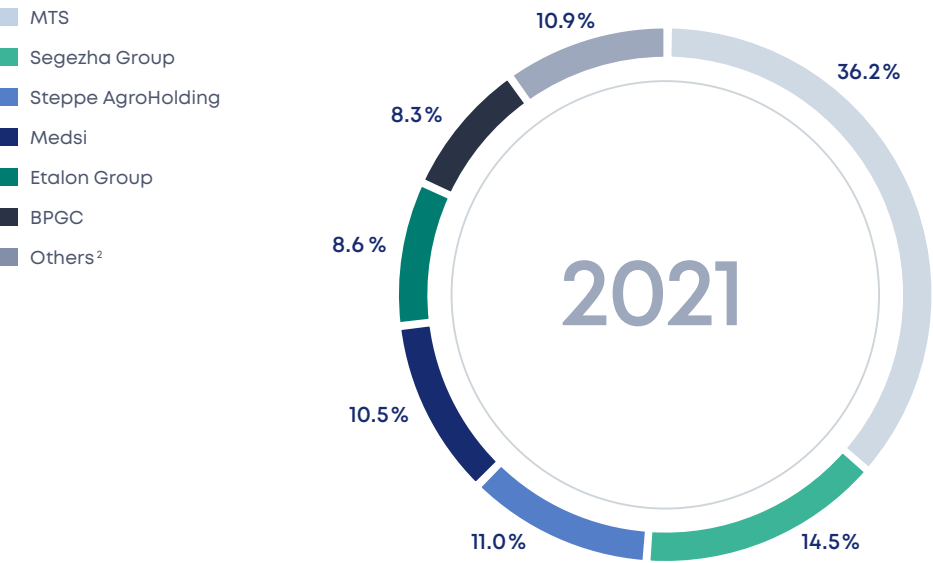
744

EMPLOYEES WITH DISABILITIES  
ARE EMPLOYED AT SISTEMA  
GROUP COMPANIES IN 2021

Total Number of Employees with Disabilities at Sistema Group<sup>1</sup>, persons



Disabled Staff by the Group Companies<sup>1</sup>, %



<sup>1</sup> Net of Ozon, Sistema BioTech (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).  
<sup>2</sup> Others (incl. Binnopharm Group, Business Nedvizhimost, Cosmos Hotel Group, Sitronics Group, Sistema, Aeromax, Mosdachtrest, Elektroavod, Concept Group and Sitronics KT).

## Incentives and Remuneration

GRI 102-21 > GRI 102-35

26.3 THSD  
RUB

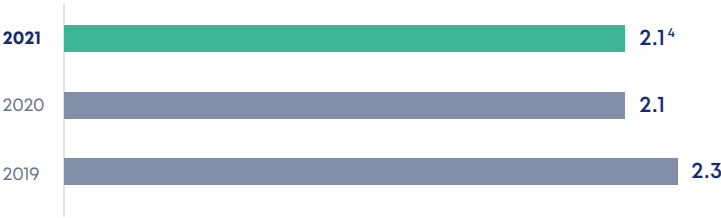
THE AVERAGE MINIMUM  
ENTRY-LEVEL WAGE  
across the Group in 2021

GRI 102-38

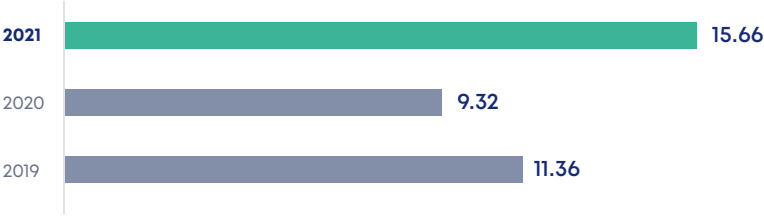
Sistema has an incentive and compensation system in place. In 2021, the Corporation worked on improvement of its remuneration system to bring it in line with the best international practices of investment funds.

On average, the minimum entry-level wage across the Group is approximately RUB 26,319, which is 2x higher than the statutory living wage in 2021.

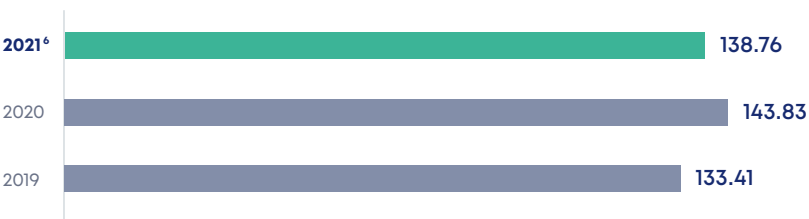
Average Ratio of Entry-Level Wage to the Russian minimum wage<sup>3</sup>



Ratio of the Annual Total Compensation for The Organisation's Highest-paid Individual to the Median Annual Total Compensation for All Employees<sup>5</sup>



Personnel Expenses across the Group, RUB bn

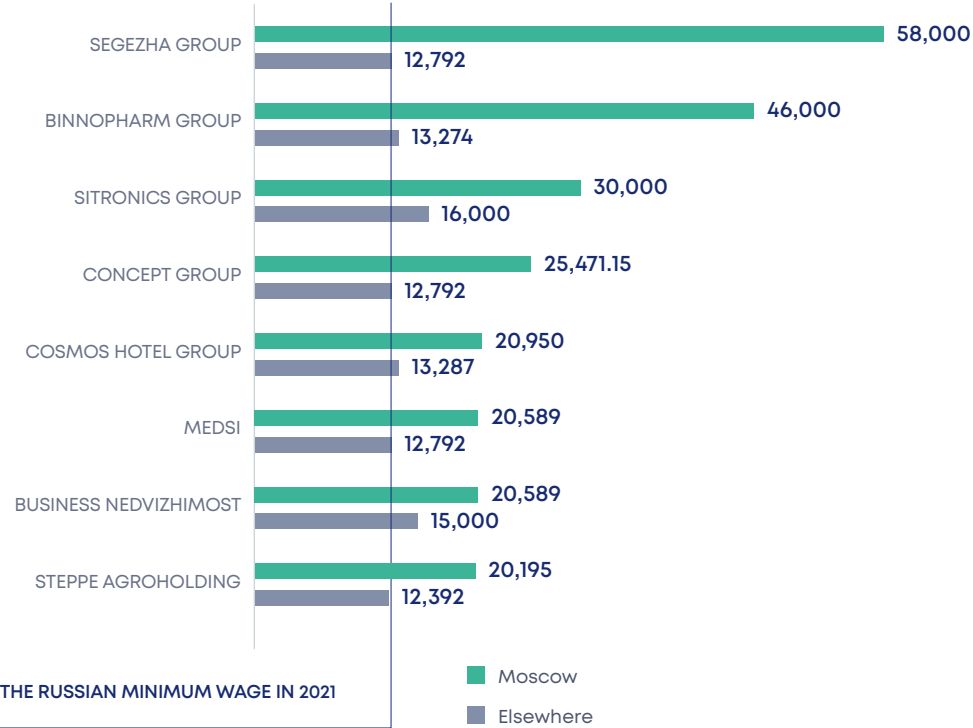


<sup>3</sup> Data is provided for Segezha Group, Medsi, Steppe AgroHolding, Binnopharm Group, BPGC, Business Nedvizhimost, Cosmos Hotel Group, Sitronics Group, Sistema, Concept Group and Sitronics KT.  
<sup>4</sup> Average indicator for 2021.  
<sup>5</sup> The methodology for calculating the indicator has been adjusted and represents the ratio of the average compensation of members of the Board of Directors and the Management Board to the average salary of all other employees.  
<sup>6</sup> Net of Ozon (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).



GRI 202-1

Minimum Entry-level Wage in 2021, RUB



NON-FINANCIAL INCENTIVES

GRI 401-2

1.8 BN RUB

WAS ALLOCATED BY SISTEMA FOR SOCIAL PROGRAMMES AND HEALTH INSURANCE OF EMPLOYEES in 2019-2021

Sistema has a programme of non-financial incentives that includes:

- ▶ Programmes for recognition of employees' achievements;
- ▶ Social benefits and participation in corporate events and volunteer projects.

Sistema offers employees extended benefits, including voluntary health insurance, sick pay above the statutory minimum, financial aid for those in difficult circumstances, travel insurance and accident insurance.

Employees are also invited to use corporate discounts to obtain health insurance for their families. Specific benefits vary from asset to asset according to the realities of their respective businesses and employee needs.

Group's Spending Related to Voluntary Health Insurance and Social Programmes for Employees, RUB m

	2021 <sup>1</sup>	2020	2019
Spending on social programmes	476.50	600.88	2,093
Spending on voluntary health insurance	1,327.72	1,084.9	914
TOTAL	1,804.22	1,684.88	3,007

<sup>1</sup> Net of Ozon, Sistema, Sistema BioTech (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).

GRI 401-3

7.08 %

GROWTH IN SPENDING ON VOLUNTARY HEALTH INSURANCE IN 2021

Parental Leaves at Sistema, persons

	2021	2020	2019
Number of employees entitled to parental leave	3	15	18
Number of employees on parental leave	3	15	18
Number of employees back from parental leave	0	1	1
Share of employees that resumed work, %	0	100	50

Segezha Group Improves Working Conditions for Employees

In 2021, Segezha Group continued the implementation of the Cosy Workplace programme at its key asset Segezha PPM. The goal of the project is to improve working conditions for employees, enhance their motivation and engagement. As part of the project a major overhaul was carried out at the mill, the unused facilities were removed and replaced with new modern ones. Repair works are under way on internal walkways and motorways, water preparation and ventilation

systems are being upgraded. Power Plant No 2 on the premises of the production facility is also undergoing modernisation.

Modernisation works are also under way at the utility rooms of the central repair shop No 2, railway shop, boiler house and maintenance and construction facility.



## Collective Bargaining Agreements

GRI 102-41

UNCTAD C.4.1

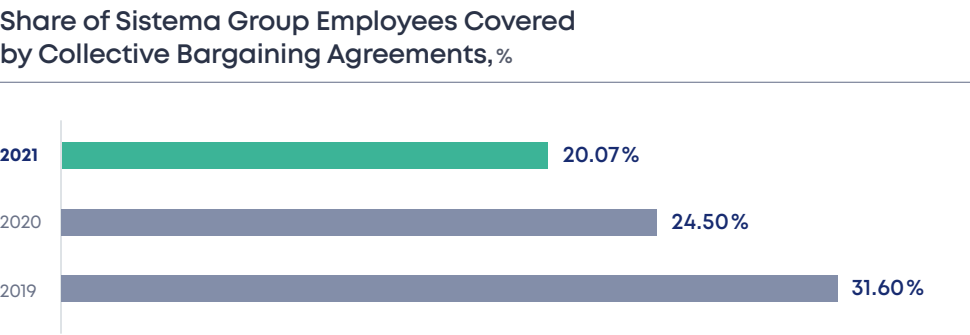
Sistema and its portfolio companies are developing social partnerships with their employees. At some companies of the Group the terms of such partnerships are set out in collective bargaining agreements that provide for employee benefits and compensations that go beyond statutory requirements, including voluntary health insurance, pensions, additional paid leaves, increased sick pay, etc.

20% of employees across the Group are parties to collective bargaining agreements in 2021.

Number of Sistema Group Employees Covered by Collective Bargaining Agreements in 2021, persons	
ASSETS	2021
MTS	8,136
BPGC	7,739
Segezha Group	5,864
Binnopharm Group	2,428
Steppe AgroHolding	1,973
Others <sup>1</sup>	1,868

20%

OF EMPLOYEES ACROSS THE GROUP ARE PARTIES TO COLLECTIVE BARGAINING AGREEMENTS IN 2021



<sup>1</sup> Others (incl.Cosmos Hotel Group, Sitronics KT).

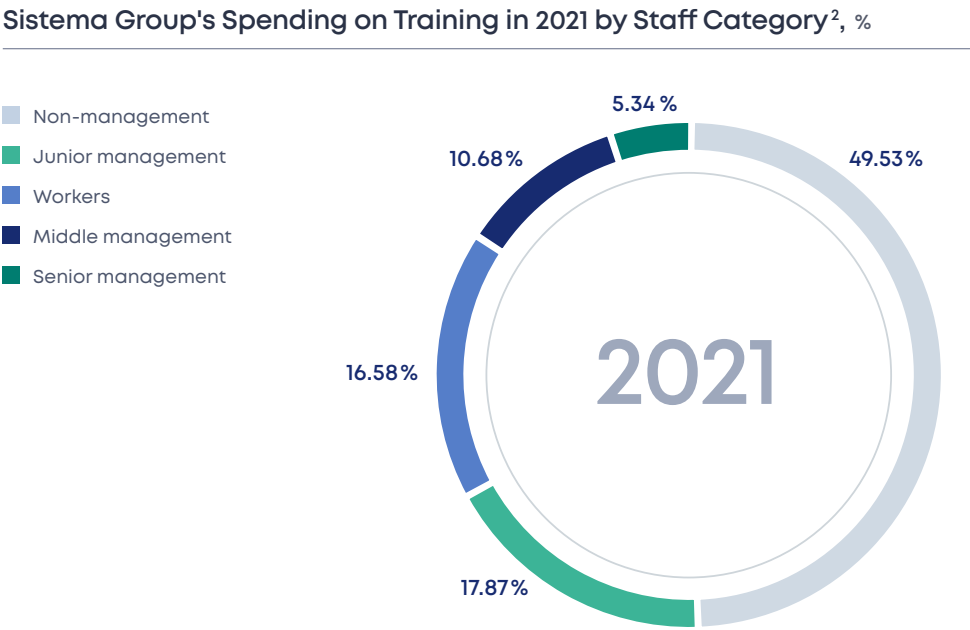
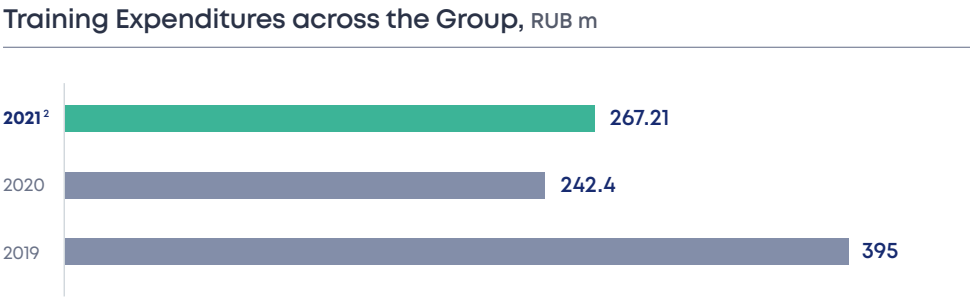
## Employee Training and Development

GRI 404-2

Sistema always aims to help employees enhance their business, professional and soft skills. In 2021 alone, the Group invested RUB 267.21 m in employee training and development.

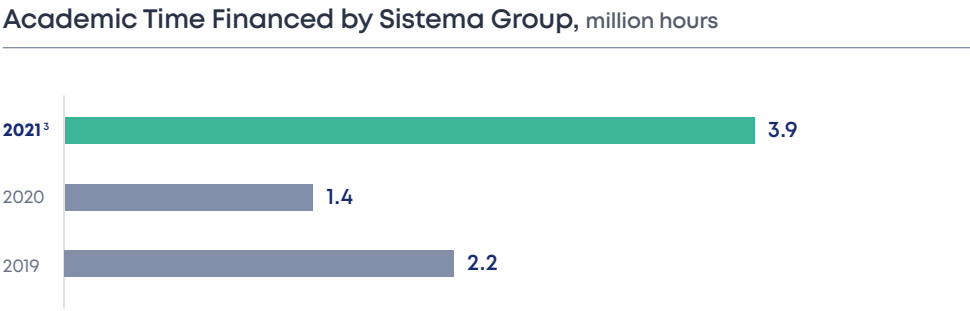
267M RUB

THE TRAINING EXPENDITURES ACROSS THE GROUP IN 2021



3.9M HOURS

THE ACADEMIC TIME FINANCED BY SISTEMA GROUP IN 2021



<sup>2</sup> Net of Ozon, Binnopharm Group, Sistema, Sistema BioTech, Elektrozavod (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).  
<sup>3</sup> Net of Ozon, Binnopharm Group, Sistema PJSC, Sistema BioTech (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).

GRI 103-2

Being aware that the quality of employee education directly correlates with their performance, the Group companies are constantly investing in employee training and development.

In 2021, **MTS** started a roll-out of its voice trainer SkyTrainer developed for interns at call centres. The voice training software imitates a real-life conversation, analyses the mistakes made by the learner and gives recommendations on potential improvements. The product is said to enhance the efficiency of "drill practice" and make it 40% faster. The company developed 100 scripts of conversations with clients and is planning to expand their variety.

In 2021, **Segezha Group's** Vyatka Plywood Millll launched the School of Artisans training project aimed at identifying employees' leadership qualities and developing their professional competences. More than 30 employees joined the project and were included in the succession pool of the mill upon graduation. In 2022, the project will be rolled out at other assets of Segezha Group.

In 2021, **Segezha Group** and the Russian Presidential Academy of National Economy and Public Administration launched an online course on entrepreneurial culture and tools for employees of older age and employees on parental leave.



BUILDING LEADERSHIP TEAMS

Sistema has an in-house recruitment team that carries out a complex procedure for selecting and hiring senior executives. Sistema also has succession pool plans for all levels of management.

Sistema Group's Succession Pool in 2021<sup>1</sup>

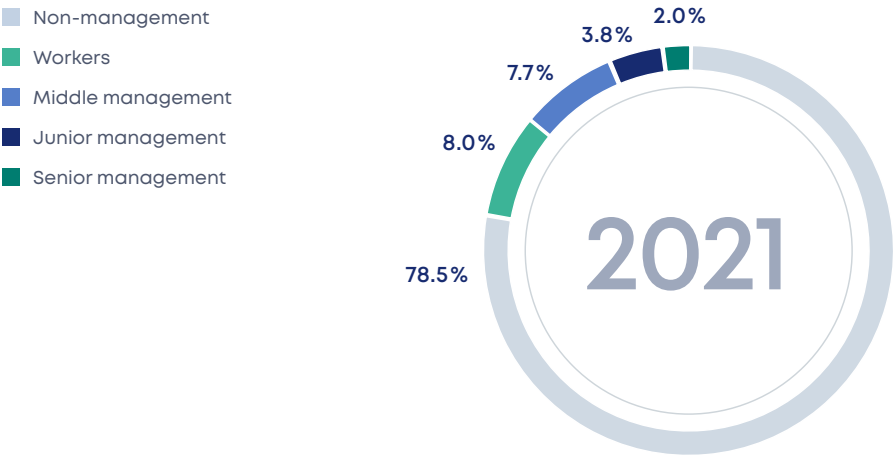
	NUMBER OF SUCCESSION POOL MEMBERS	NUMBER OF THE SUCCESSION POOL MEMBERS PROMOTED	SHARE OF SUCCESSION POOL MEMBERS PROMOTED,%
Senior management	124	25	20
Middle management	158	39	25
Junior management	226	49	22
Non-management	126	42	33
Workers	53	9	17
TOTAL	687	164	24

687  
EMPLOYEES WERE INCLUDED  
IN THE SUCCESSION POOL  
AT THE BEGINNING OF THE YEAR

GRI 404-3

32,114  
NON-MANAGEMENT EMPLOYEES  
WERE COVERED BY PERFORMANCE  
ASSESSMENT

Share of Group Personnel Covered by Performance Assessment by Category<sup>2</sup>, %



Number of Group Personnel Covered by Performance Assessment by Category, persons

Senior management	814
Middle management	3,150
Junior management	1,564
Non-management	32,114
Workers	3,283

<sup>1</sup> Net of MTS, Ozon, Sistema, Elektrozavod (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).  
<sup>2</sup> Data is provided for MTS, Segezha Group, Steppe AgroHolding, Binnopharm Group, Sitronics Group, Concept Group, Elektrozavod.



# Contribution to the Education of Younger Generations

GRI 103-2

Sistema is dedicated to collaboration with academia and works hard to create education and self-fulfilment opportunities for talented young professionals. In 2021, the companies of the Group signed 11 cooperation agreements with the leading universities and colleges of Russia.

## COOPERATION AGREEMENTS BETWEEN PORTFOLIO COMPANIES AND UNIVERSITIES



- ▶ Yaroslavl State Technical University
- ▶ Lomonosov Moscow State University
- ▶ Peoples' Friendship University of Russia
- ▶ Moscow Institute of Electronics and Mathematics
- ▶ St Petersburg State University of Aerospace Instrumentation, Tomsk State University of Control Systems and Radioelectronics, Moscow State Institute of Radiotechnics and Electronics
- ▶ Ammosov Northeastern Federal University
- ▶ Ural Federal University
- ▶ Tomsk Polytechnic University
- ▶ ITMO National Research University



- ▶ Altay State University



- ▶ Russian Presidential Academy of National Economy and Public Administration
- ▶ St Petersburg Stieglitz State Academy of Art and Design



- ▶ St Petersburg State University of Industrial Technologies and Design

## INTERNSHIP PROGRAMMES

Sistema Group gives a lot of attention to educating the future workforce. The Group companies closely cooperate with university students and invite them to internships at their production facilities.

In 2021, **MTS** joined the Far East. Land of Opportunities Consortium established by the Far Eastern Federal University and the Ministry for the Development of the Russian Far East and the Arctic. As part of the Consortium MTS organises internships for IT students. MTS also organised an internship programme for the students and graduates of universities in the Republic of Tatarstan. The

multidisciplinary paid internship programme included about 15 fields of study. After completing the internship, the best students were offered permanent jobs with the company.

In 2021, **Segezha Group** organised internships on the premises of the Vyatka Plywood Mill for 120 employees



of the new Galich Plywood Mill under construction in the Kostroma region. As part of the internship employees acquired unique knowledge about plywood production processes and learned how to operate wood processing machines. Moreover, Segezha Group and the Northern College, a vocational school in the Republic of Karelia, launched a programme to upgrade the college's facilities in 2021-2025. As part of the programme Segezha Group will grant financing to enable the school to purchase modern equipment, repair school rooms and create a comfortable learning environment. The Northern College, in turn, will train students in occupations required by the mill.

In 2021, **Binnopharm Group** organised a number of paid internships for students from Russia and Belarus. The internship programme included courses on the production cycle of tablets, ointments and gels and technology for preparation of penicillin substances.

In 2021, **Sitronics Group** and Tyumen Industrial University agreed on setting up a technology education and research cluster to develop students' digital competences. Under the agreement the TIU will provide project-based training for students specialising in Information Systems and Technologies and Software Engineering.

In 2021, **Sistema Charitable Foundation** signed an agreement with Worldskills Russia to cooperate in preparing, organising and conducting joint work to develop new competences and train employees on a big scale. In future, this practice is going to be deployed all across Russia.

## LIFT TO THE FUTURE

In 2021, Sistema Charitable Foundation, being the main operator of Sistema Group's social investments, continued implementing its flagship Lift to the Future project.

### Key Activities Implemented as Part of the Lift to the Future Project in 2021

#### COOPERATION WITH SCHOOLS

Vocational training classes	Regional platforms in schools for vocational training and development of soft skills	<ul style="list-style-type: none"><li>▶ 16 regions of presence (vs 10 at the end of 2020)</li><li>▶ free-of-charge training programmes in 8 industries</li></ul>
Educational track "Undergraduates Mentor High Schoolers"	The programme is aimed at transferring project team management skills from employees to school children through university students	<ul style="list-style-type: none"><li>▶ 250+ ambassador students</li><li>▶ 650 school students created their own projects under mentors' supervision</li></ul>

#### COOPERATION WITH UNIVERSITIES AND COLLEGES

Grant contest Lift to the Future as a career centre for universities.	Contest of best university initiatives to apply the Lift to the Future online platform for students' career development	<ul style="list-style-type: none"><li>▶ 28 applications</li><li>▶ RUB 2 m in grant funds</li></ul>
"Only Up! on the Lift to the Future" programme	Open-entry online internship for 3-4 year university students	<ul style="list-style-type: none"><li>▶ 420 students completed internships</li></ul>
Training courses	Free-of-charge learning courses on Lift to the Future platform	<ul style="list-style-type: none"><li>▶ 80+ online courses in 9 fields of study</li><li>▶ 35,000+ completions</li></ul>



ONLINE ACTIVITIES

Online nation-wide lecture on career guidance	Nation-wide career guidance for schoolchildren	<ul style="list-style-type: none"><li>▶ 54 regions of Russia</li><li>▶ 25,000 schoolchildren registered on the platform</li><li>▶ 1.2 m views</li></ul>
Aviation Student Day	Interactive live streaming as part of the youth programme MAKs-2021	<ul style="list-style-type: none"><li>▶ 1.1 m+ connections</li></ul>
Meet-up on the Go programming language	Open online conference with Go developers from MTS, MTS Bank, Ozon	<ul style="list-style-type: none"><li>▶ 1.3 thsd+ online viewers</li></ul>

For more information on the career guidance and training programme *Lift to the Future*, see SCF's Annual Report for 2021.

For more information on other projects pursued by SCF, see *Support to Regions and Social and Charity Projects* section.

EDTECH

Sistema's portfolio companies are actively developing IT infrastructure for education.

In Autumn 2021, **Sitronics Group** developed a new version of software used for simulators at the Cheboksary Tractor Plant. The simulator represents a bulldozer cabin and is designed for teaching personnel how to drive the vehicle; the simulator is equipped with a dynamic platform that imitates the jolts and sounds of a real bulldozer. This simulator will enable learners to obtain realistic experience and acquire all necessary skills for driving a bulldozer.

In 2021, **MTS** set up remote workplaces at the Higher School of Economics, providing remote access to the university's IT infrastructure for more than 700 schoolchildren attending advanced computer science courses.

In 2021, **VisionLabs** unveiled technologies for remote exams and assessment that were developed by Skolkovo. The digital platform based on smart vision and biometric data makes it possible to verify student identities and prevent copying and fraud.

In 2021, **Steppe AgroHolding** supported a hackathon for junior IT staff. The participants were set the task to develop a software for fighting illegal fishing.





## Corporate Culture

~450

ATHLETES FROM 16 COMPANIES PARTICIPATED IN WINTER SPORT GAMES

500 THSD RUB

THE TOTAL AMOUNT OF TRANSFERRED FUNDS TO THE EKA ENVIRONMENTAL ORGANISATION

1,291

NUMBER OF VOLUNTEERS THAT TOOK PART IN AT LEAST ONE EVENT



For more information on the volunteering activities at Sistema Group, see SCF's Annual Report for 2021.

1 In 2021, SCF stopped counting the number of hours worked by volunteers, since the volunteering programme was transformed into an intellectual volunteering programme (see page 51 of SCF's 2021 Annual Report). The intellectual volunteering programme prioritises the performance of tasks over the number of hours.

Sistema and the Group companies are committed to building a corporate culture among its employees.

In 2021, **Sistema** traditionally held its Winter Sports Games for Sistema Group employees. The teams competed in cross-country skiing, family relay, race of heroes, ice fishing, curling, cybersport and ice hockey. The event was attended by 450 athletes from 16 companies.

**Segezha Group** also organised winter games for its employees in the Republic of Karelia. The games attracted more than 100 participants.

In 2021, **Sistema Charitable Foundation** organised a corporate run #ZaLes aiming to promote a healthy lifestyle and protect the environment. #ZaLes was conducted as part of the 5th nation-wide ZaBegRF semi-marathon in 85 regions across Russia. Approximately one thousand employees took part in the event. For each participant SCF transferred funds to the EKA environmental organisation for planting trees in one of the regions where Sistema operates. The total amount of transferred funds reached RUB 500,000.

Employees across Sistema Group take part in a variety of volunteer and charity initiatives primarily targeting:

- ▶ Underprivileged children;
- ▶ Large families;
- ▶ Veterans;
- ▶ People with disabilities.

Sistema Group's volunteer projects are coordinated by Sistema Charitable Foundation (SCF). When planning its volunteer projects SCF uses a comprehensive approach that takes into consideration the social needs of various regions.

### SCF Corporate Volunteer Centre Performance

	2021	2020	2019
Number of Group companies involved (at least once)	23	22	22
Number of events held	64	12	50
Number of volunteers that took part in at least one event	1,291	324	693
Average number of the Group companies taking part in activities	5	5	7
Man-hours invested	— <sup>1</sup>	1,458	3,200



## Plans

### IMPLEMENTATION OF HR MANAGEMENT PLANS IN 2021

AREAS	RESULTS
Development of the succession pool programme, with coverage of more management levels	<ul style="list-style-type: none"><li>▶ In September 2021, Sistema's first case competition was held; a pool of 43 talented employees was formed, for which a development programme was drafted</li><li>▶ In December 2021, Systematics case competition for young employees under 30 was launched; the finals took place in February 2022</li></ul>
Introduction of a mentoring programme	<ul style="list-style-type: none"><li>▶ 40 mentor-mentee pairs were formed; all pairs meet regularly — at least once a month</li><li>▶ 3 master classes have been held and an instructional video for mentors has been released</li><li>▶ 4 episodes of the series Mentor have been filmed, where the technique of mentoring is shown using the example of Sistema's leaders</li></ul>
Creation of a digital environment for contacting talents	<ul style="list-style-type: none"><li>▶ An IT solution for collecting data on the succession pool employees was implemented, the Succession Pool module on the corporate portal was developed</li></ul>
Development of the corporate culture with a focus on openness, growth and unity	<ul style="list-style-type: none"><li>▶ 17 Sistema Talks events have been implemented offline and online with over 14,500 views</li><li>▶ 10 episodes of Sistema Breakfast were released (a series of interviews with employees)</li><li>▶ The Mentor series have been released to promote mentoring at the Corporation</li></ul>

### PLANS FOR THE DEVELOPMENT OF THE HR MANAGEMENT SYSTEM IN 2022

AREAS	RESULTS
Career development	<ul style="list-style-type: none"><li>▶ Consolidation of best practices, career growth from high school to senior management</li></ul>
Digitalisation	<ul style="list-style-type: none"><li>▶ Implementation of a variety of digital tools to automate HR processes and create progressive people analytics</li></ul>
Incentives	<ul style="list-style-type: none"><li>▶ Creation of an effective system of financial and non-financial incentives</li></ul>
Ideology and culture	<ul style="list-style-type: none"><li>▶ Promotion of the Corporation's values to create a culture of continuous improvements and boost synergies through people's collaboration</li></ul>



# HEALTH AND SAFETY



## Management Approach to Occupational Safety and Health

The key principles of Sistema's activities in the area of occupational health and safety are described in the Sustainability Policy and in HR management regulations.

Ensuring comfortable and safe working conditions is a priority for Sistema Group. The Group companies annually update their goals in the area of occupational safety and health and conduct special assessments in order to offer optimal working conditions and prevent accidents and occupational disease. Compliance with workplace safety rules in the Group is regulated by internal documents and collective agreements based on the specific realities of particular industries.

**Apart from that, the Group companies control the observance of health and safety norms by contractors, especially on production sites:**

- ▶ When hiring contractors, the Group companies make sure their contracts contain labour safety clauses formulated specifically for the type of work to be done and equipment to be used;
- ▶ Group companies regularly monitor the observance of workplace and fire safety rules by contractors;
- ▶ They also check that the contractors' staff uses personal protection equipment;
- ▶ And require contractor employees to have passed a medical check-up and completed a labour safety training before they are admitted to work.



In 2021, 43 occupational health and safety committees were registered across the Group's production assets, each including representatives from both management and employees. The Group companies have feedback channels for reports about deficiencies and violations in occupational safety.

43

OCCUPATIONAL HEALTH AND SAFETY COMMITTEES WERE REGISTERED across the Group's production assets in 2021

In 2021, **Segezha Group** improved and updated its documents that define the principles and mechanisms for occupational health and safety management, including the Occupational Safety Policy and Golden Safety Rules, a methodology for dealing with violators. In 2021, Segezha Group received a group certificate ("umbrella certificate") in accordance with the international standards ISO 45001, ISO 14001 and ISO 9001 for all its major assets<sup>1</sup>. In 2021, a new procedure for investigating accidents was introduced at Segezha Group enterprises. It combined the analysis of each individual industrial accident in accordance with the requirements of Russian legislation and the investigation of all possible adverse events that could lead to injuries.

GRI 103-3

87%

ETALON GROUP'S SAFETY INDEX in 2021 with a target level of 75%.

GRI 403-7

**Etalon Group** determines the level of occupational health and safety at its construction sites using a special tool called "Safety Index." It is calculated using data on a number of key parameters obtained during monitoring of construction sites with Building Information Modelling (BIM), and is measured by the ratio of positive ratings to the total number of ratings at a controlled site. The Safety Index enables Etalon Group to conduct effective OHS monitoring at its construction sites, to receive up-to-date information from monitored sites in real time, to get a 3D view of locations where OHS violations have occurred, and to identify hazardous situations that require immediate intervention.

In 2021, **Etalon Group** approved a new version of the Methodology for Determining the Safety Index at Etalon Group Construction Sites; now the safety index takes into account the probable impact of risk on the life and health of workers by dividing the degree of risk into indirect and direct forms. Also, as part of the digitalisation of processes for monitoring the level of occupational safety at facilities, the company put into commercial operation the IT system Fire Safety of Construction Camps. The system can be used to monitor the state of construction camps in real time, enter data on violations during operation and analyse them.

Also, in March 2021, **Etalon Group** approved a new version of the Procedure for Approval and Control of Contractors for Construction and Installation Works at the Group's Sites. The document defines the requirements for organisations and personnel performing construction and installation works, the procedure and conditions for the performance of work, and organisational and technical measures to ensure occupational, industrial, fire and environmental safety. In 2021, classes were held with representatives of contractors on construction and installation works with the mandatory inclusion of occupational safety matters.

In 2021, **MTS** adopted the Safety, Health and Well-Being Strategy for 2021-2023, which is based on the Vision Zero concept, which combines three areas: safety, occupational health and well-being of employees at all levels of production. MTS is certified for compliance with the international standard ISO 45001:2018 (Occupational health and safety management systems).

In 2021, **Steppe AgroHolding** approved the Occupational Safety Policy and established the Occupational Safety Management System. The system covers all workplaces and employees, with three levels of management: the level of employees, the level of line managers and the level of senior management. Duties and responsibilities in terms of occupational safety are defined for each level. Steppe AgroHolding also created a department of occupational safety and environmental protection.

<sup>1</sup> Segezha Group plans to extend the umbrella certificate to all its enterprises, including foreign assets and new assets acquired in 2021: JSC Novoyeniseysky Timber Chemical Complex and LLC Inter Forest Rus.  
<sup>2</sup> Building Information Modeling.

## Results in Occupational Safety and Health

GRI 403-9 > GRI 403-10

In 2021, there were no cases of occupational diseases among employees.

In 2021, the Group recorded 118 accidents, mainly at production assets. The number of accidents increased by 47.5% in 2021. This growth is associated with the inclusion of Ozon in the data perimeter, which recorded 33 accidents during the reporting period.

Each case was followed up by an internal investigation seeking to reveal their causes and prevent similar accidents in the future.

Total Number of Occupational Injuries at Sistema Group, pcs

	2021 <sup>1</sup>	2020 <sup>2</sup>	2019 <sup>3</sup>
Number of work-related accidents	118	80	98
Including fatalities	5	1	2

Accidents by Company, %



1.25 BN RUB  
SISTEMA GROUP'S EXPENDITURES  
ON EMPLOYEE HEALTH AND SAFETY  
IN 2021

<sup>1</sup> Data is provided for MTS, Ozon, Segezha Group, Etalon Group, Medsi, Steppe AgroHolding, Binnopharm Group, BPGC, Business Nedvizhimost, Cosmos Hotel Group, Sitronics Group and Concept Group.  
<sup>2</sup> Data is provided for MTS, Segezha Group, Etalon Group, Medsi, Steppe AgroHolding, Binnopharm Group, BPGC, Business Nedvizhimost, Cosmos Hotel Group, Sitronics Group and Concept Group.  
<sup>3</sup> Data is provided for MTS, Segezha Group, Etalon Group, Medsi, Steppe AgroHolding, BPGC, Business Nedvizhimost, Cosmos Hotel Group, Vologda Textile, Sistema Capital, Concept Group and Sitronics Group.

## Occupational Health and Safety in the Group Companies

Sistema Group companies strive to create comfortable and safe working conditions for their employees.

In 2021, **Segezha Group** began creating a big data tool with an analytical function for systematising information about potential risks at production facilities. The introduction of this tool will allow the company to carry out diagnostics and promptly warn personnel about the risks of each technological process, which will reduce the level of industrial injuries.

In 2021, **MTS** began developing an industrial data security service. Special devices help monitor compliance with industrial safety standards and quickly respond to emergencies. Sensors are able to determine the location of an employee, monitor the presence of personal protective equipment, analyse the air composition and notify of danger.

In 2021, **LLC Bashkirenergo**, to ensure the safety of personnel, completed the installation of lightning detection sensors in the south-east of the Republic of Bashkortostan, thus covering the entire region with a lightning activity monitoring system. The sensors are installed at a distance of 150–250 km from each other and respond to electromagnetic impulses from lightning discharge processes. Information from the sensors is collected on a centralised server, which allows dispatchers to see the movement of thunderheads and warn working crews about any approaching thunderstorms and the need to stop work.

**Sitronics Group** developed a new Sitronics Locus solution that helps control the location of personnel, cargo and equipment at production facilities in real time. The platform works with a system of beacons, trackers and a data transmission network, and displays the location of people and objects in building plans and 3D models. This solution helps increase the level of occupational safety at production facilities.



# Occupational Health and Safety Training

GRI 403-5

9,150

EMPLOYEES OF SEGEZHA GROUP  
COMPLETED TRAINING IN  
OCCUPATIONAL SAFETY IN 2021

17,478

EMPLOYEES OF MTS COMPLETED  
TRAINING IN OCCUPATIONAL  
SAFETY IN 2021

All categories of employees at Sistema Group companies take labour safety trainings designed to maintain and improve working conditions and ensure occupational health and safety.

In 2021, 9,150 employees of **Segezha Group** completed training in occupational safety, up 51% year-on-year. For example, Segezha Group trained employees of its Segezha Pulp and Paper Mill in RCFA<sup>1</sup>, a method for improving the reliability of equipment. The RCFA method is used to effectively determine the root causes of an abnormal situation and develop a plan for its elimination. Passing the training course will increase the reliability of work and reduce the number of accidents in production. 100 professionals and managers of the enterprise's production sites were trained.

In 2021, 53,108 people, including 17,478 employees, completed OHS training at **MTS**. The company uses training systems for internal training on occupational health and safety, including Colossus and the distance learning system of MTS Virtual Academy. The company also provides training on first aid to persons injured at production facilities before arrival of rescue services.

All **Etalon Group** managers responsible for safe working practices are trained and tested at least once every three years. Training is carried out both within the company and at third-party educational organisations. All employees whose activities are associated with permanent or periodic presence at construction sites are required to undergo basic safety training and pass certification tests. In 2021, 137 employees of Etalon Group completed training courses on occupational health and safety with the total duration of 4,960 hours.

1 Root Cause and Failure Analysis.





# Employee Protection Measures Taken in Response to the COVID-19 Pandemic

GRI 403-6

- In 2021, the Group companies took the following measures to prevent the spread of COVID-19 among employees and to ensure uninterrupted production activities:
- ▶ Contactless thermometry and free personal protective equipment for employees at workplaces;
  - ▶ Regular disinfection of premises and vehicles, including air disinfection;
  - ▶ Social distancing and hand sanitisers;
  - ▶ COVID-19 and antibody tests for employees;
  - ▶ Distribution of instructions and memos for employees with signs of respiratory diseases and those diagnosed with COVID-19;
  - ▶ Employee health insurance plans providing for payments in case of COVID-19.

For more information on Sistema Group's security measures related to the COVID-19 pandemic, see Response to COVID-19 in 2021 section.



# Health and Safety of Stakeholders

Ensuring consumer safety and promoting healthy lifestyles among customers, local communities and other stakeholders are important activities for the Group companies. Businesses across the portfolio come up with technology and project solutions working towards the health and safety of all stakeholders.

1.3<sup>M</sup> RUB  
WERE INVESTED IN THE PROJECT BE HEALTHY WITH MEDSI!

In 2021, **Meds**i invested in the project Be Healthy with Medsi! RUB 1.3 m. Be Healthy with Medsi! is a free programme promoting a healthy lifestyle among the company's clients and partners with the participation of volunteer doctors and Medsi employees. The project includes a series of lectures, consultations, newsletters, and preventive and diagnostic activities. In 2021, more than 200 lectures were held on the topics of mental health, vaccination, proper nutrition, vitamins and hormones. The project had 165 unique partner companies.

In 2021, **VisionLabs** completed a project to install contactless thermometry posts in educational institutions in the town of Odintsovo. VisionLabs Thermo systems automatically detect people with fever in real time and immediately send alerts. The system's interface also provides a real-time temperature summary for all people who entered the building.

**BPGC** and Bashkortostan's Ministry of Education and Science extended until 2026 their cooperation agreement to educate school students about electrical safety and prevent electrical injuries. This cooperation includes extra-curricular safety classes and creation of educational products on electrical safety (films, performances, video blogs, games and comic strips). As part of the new agreement, it is planned to hold lessons on the basics of electrical safety, including in a remote format.

75<sup>M</sup> USD  
WERE INVESTED IN THE STARTUP HEALTHIFYME

In 2021, **Sistema Asia Fund**, together with partners, invested USD 75 m in the Indian startup HealthifyMe, a developer of a healthy lifestyle and fitness app. The company plans to use the raised funds to expand its presence in India, Southeast Asia and North America, and to acquire other online health and fitness startups. Significant investments are also planned in the development of AI solutions.



# CONFIDENTIALITY AND PERSONAL DATA PROTECTION

GRI 103-1

GRI 103-2

GRI 103-3

Being a responsible business, Sistema understands the importance of protecting personal data of its clients and other stakeholders, which is becoming increasingly relevant as innovative digital technologies are introduced.

Portfolio companies accumulate large sets of personal data of various stakeholders in the course of their activities that can be leveraged to customise services and products. Because of that, Sistema and Group companies make every effort to ensure reliability of their products and services and security of internal and external business processes, using state-of-the-art tools to protect their data storage from illegal or accidental access. The companies are also perfecting approaches to data management and enhancing the culture of handling personal information.

SASB TC-TL-220a.1

Group companies continuously perfect their corporate regulations in order to enhance the protection of data and information. In 2021, **Segezha Group** updated its Policy on Insider Information. The new version establishes a procedure for access to insider information, the rules for keeping its confidential and controlling compliance with the Law on Insider Information, as well as internal control rules in the area.



Policy of Sistema PJSC on Personal Data Processing and Protection

In 2021, the **IT Grad** cloud provider (a subsidiary of MTS) successfully passed an audit for compliance with Payment Card Industry Data Security Standard (PCI DSS), an international standard of security of financial operations, which confirmed that the company ensures security of financial operations related to business clients processing bank cards in the course of providing services. The audit analysed the measures taken for protection of virtual, physical and network infrastructure and internal regulations of the provider.

GRI 418-1

SASB TC-TL 230a.1

Any complaints about privacy breaches and loss of personal data can be made via the Corporation's centralised hotline or appropriate communication channels of its portfolio companies. There were no such personal data leaks identified in 2021.

## MTS Was among Founders of the Alliance for the Protection of Children in the Digital Environment

In 2021, MTS was among ten major Russian digital companies to support the initiative of setting up an Alliance for the Protection of Children in the Digital Environment. The main goal of the organisation is to create a child-friendly internet environment based on creative and safe technologies and digital solutions.

Members of the Alliance intend to promote digital literacy and organise outreach campaigns, educational programmes and trainings on internet security, digital hygiene and online risks for children, teachers and parents. They also plan to identify and restrict children's access to content that can harm their health or development, to delete illegal content and to promptly respond to users' complaints related to malicious content. The Alliance will set up working and advisory groups for members to conduct research and exchange best practices related to protection of children in the area of information and communication technologies.

Simultaneously, MTS participates in information campaigns aimed at increasing the population's awareness about potential fraud activities and protection measures. In 2021, MTS took part in a partner information campaign devoted to protection of children from interned fraudsters



# Personal Data Protection Solutions for Corporate and Private Customers

SASB TC-TL 230a.2

30+

BIG RUSSIAN RETAILERS ARE ALREADY IMPLEMENTED MTS SOLUTIONS TO PROCESS BIOMETRIC DATA OF THEIR EMPLOYEES

In March 2021, several large retail chains began using **MTS's** cloud technologies to process biometric data of several thousands of their employees. MTS ensures uninterrupted and safe storage of data in compliance with legislation and reduces time needed for employee identification. The solutions are already implemented at over 30 big retailers in Russia. In 2021, MTS also launched a solution for protecting subscribers against spam callers, which automatically identifies unsolicited calls and redirects them to voice mail. Unlike other antispam services, the function enables customers to listen to messages left and thus avoid missing the necessary information.

**Ozon** pays significant attention to security and protection of its customers' data. To prevent personal data leaks, Ozon provides its customers with an option of two-factor authentication by phone number with a one-time code, and its payment partner uses special encoding for bank cards information. Data protection system for payment processing and bank card security measures are PCI DSS<sup>1</sup> compliant. The company's website includes information on how to identify fraud and recommendations on prevention of personal data leaks.

## Cybersecurity

At the end of 2021, **#CloudMTS** together with a partner was one of the first players in the Russian market to launch the MTS WAF Premium cloud service for multi-level protection of client web applications. The service allows analysing potential vulnerabilities and monitoring and responding to threats 24/7. MTS WAF Premium is designed for medium-sized and large companies whose business is related to client web applications. The solution prevents theft of users' personal data and money, malfunctioning, substitution of web pages and penetration into IT infrastructure.

In 2021, **Seclore**<sup>2</sup> integrated its solutions in the Microsoft Teams corporate platform. The solution enables companies using Microsoft Teams as a tool for organising remote work of their employees to organise joint work with confidential documents without a threat of data leaks or impact on the speed of interaction and productivity. The integration further improved the encoding system, therefore enhancing protection of user data.

In the reporting year, **Ozon** expanded and amended its regular online training on principles of information security, which is mandatory for all employees. Also, the company regularly organises external independent audits of its security systems. In 2021, Ozon's buying app successfully passed an external audit.

<sup>1</sup> PCI DSS — Payment Card Industry Data Security Standard.  
<sup>2</sup> A subsidiary of MTS and investment of Sistema Asia Fund.







# ACCESSIBILITY AND QUALITY

## The UN Global Compact Principles

01

Businesses should support and respect the protection of internationally proclaimed human rights

02

Businesses should make sure that they are not complicit in human rights abuses

07

Businesses should support a precautionary approach to environmental challenges

150+ M  
PEOPLE

ARE CUSTOMERS OF SISTEMA GROUP COMPANIES

20+

SECTORS OF OPERATION INDUSTRIES







GRI 103-3

## Group Companies' Awards in 2021



**MTS** was named the fastest broadband ISP in Moscow by TelecomDaily



**MTS** received an award from CX World Awards 2021 for best B2B customer experience in telecom services, submitting a case on improvement of CJM<sup>1</sup> and EJM<sup>2</sup>



**MTS** was included in Value Creators 2021, an annual ranking by Boston Consulting Group



**Ozon** was named among the top 3 favourite consumer brands during the COVID-19 pandemic, based on a survey by Boston Consulting Group and Romir

**Ozon** was included in the Romir rating based on the visibility and confidence index



**Ozon** won the Best Delivery Service category of the Fontanka.ru: Recognition and Influence 2021 award



**Ozon** has made it to the third place on the list of 50 most popular online retailers in Russia compiled by Brand Analytics



**Ozon's** application topped the rating of Roskachestvo as the best application for ordering food products



**Ozon** came in 8th in the RBC rating of Russia's 50 fastest-growing companies



**Etalon Group** was named among the 10 most successful developers in Old Moscow, according to the Metrium real estate company



**Etalon Group** was included in Russia's top 10 digital developers, placed 8th in the rating by the digital audit agency SDI360



**Etalon Group** was ranked 6th in the Forbes rating of top 20 real estate developers

**Meds**i topped the Forbes ranking of Russia's 20 largest medical companies



**Etalon Group's** residential project Etalon-on-Neva won the 4th international architecture and design competition Gold Trezzini 2021. The project was awarded for best layout.

**Etalon Group** received a non-competitive award for best brand visualisation

<sup>1</sup> CJM (customer journey map) is a tool for studying customer experience and points of interaction with a brand, product or service provided by a company.  
<sup>2</sup> EJM (employee journey map) is a tool for studying experience of an employee or candidate and their interaction with customers or other employees.



**Etalon Group's** residential project Shagal was named best in the Business Class Premier of the Year of the international award Records of Real Estate Market



**Etalon Group** received awards in two categories of Top ZhK, a competition of new apartment blocks: Best Layout and Best Entrance Space



**Meds**i topped the ranking of the 200 largest privately owned multi-profile clinics in Russia according to the analytical centre Vademecum

**Meds**i was ranked 4th among St Petersburg's five leading medical companies in 2021 and named the fastest-growing medical centre

**Meds**i won the international CCGuru Awards among call centres in two categories: Best Call Centre and Most Efficient Management of Peak Work Load



**Steppe AgroHolding** won the Reliable Domestic Supplier of Grain category of the Agricultural Investor 2021 award



**Steppe AgroHolding** was included in the top 30 milk producers in Russia, a rating compiled by Milknews, Soyuzmoloko and Streda Consulting



**Binnopharm Group** made it to the top 10 producers of generics. The research was conducted by the industry publication Farmatsevtichesky Vestnik and IQVIA



**Binnopharm Group** was named the pharma company of the year at the Green Cross award of the pharmacy community



**Binnopharm Group** was the absolute leader among the top 20 producers of prescription drugs, according to a rating by RNC Pharma

# ACCESS TO PRODUCTS, SERVICES AND INFORMATION

GRI 103-1  
GRI 103-2

Clients and consumers are crucial stakeholders for Sistema Group companies. Sistema Group companies strive to enhance the accessibility and quality of goods and services and to ensure the availability of information about them for customers and consumers. This is broadly enabled by introduction of digital and innovative technologies and launch of new services.

## Development of Digital Services

In 2021, **MTS** continued developing its services in over 30 regions of Russia, increasing the coverage of mobile communication, mobile internet and digital TV services. In some Russian cities, MTS actively worked to increase the speed of mobile internet. Therefore, the company increases accessibility of digital services to ensure comfort of the population and to make it easier to call emergency services or receive remote education.

SASB HC-BP-240a.1

In the last two years, **Medsi** has been developing an ecosystem for patients within its telemedicine app SmartMed, developed together with MTS. The platform offers a range of services: making a doctor's appointment, requesting a house call, accessing the patient's electronic records and paying for services. The app has been downloaded more than 1 m times. In 2021, growth of active users grew by 225% vs 2020; the number of doctor's appointments made via the app grew 2.5-fold. In 2021, Medsi also launched Onconet, a remote monitoring system for cancer patients to enable them to communicate with their doctors online. The system makes communication between the doctor and the patient easier, promptly reports alarming symptoms to the doctor and increases accessibility of timely medical aid.

In 2021, **Ozon** continued work to expand the range of its products and services. It was the first web platform to start safe sales of medications on the internet. Ozon made prescription drugs more easily accessible for the population and supported small and medium-sized pharmacies.

In 2021, **Segezha Group's** Russian and European enterprises continued implementing CRM Creation, a system for automation of customer interaction. It allows building a single sales route for new and existing customers with the same efficiency at each Group enterprise, optimising customer communications and getting access to sales analytics. In future, Segezha Group plans to perfect customer service by merging various communication channels with a single purchase history and launching buyer's personal accounts for orders via the website.

**Sitronics Group** and its subsidiary Sputniks are developing a single marketplace of geoinformation solutions based on analysis of data from earth remote probing. The future universal platform of geoservices will enable the group of companies to post spatial data from satellites and users to work with the information using a common web interface and ready tools in the format of statistical reports. The data can be used for automated identification systems in ship navigation and civil aviation.

# Accessibility for Remote Areas and Special Needs Customers

Sistema Group companies regularly invest in new production facilities and expansion of retail chains, which contributes to the development of regions of operations and the enhancement of living standards there.

In 2021, **Ozon** launched a pilot project of opening pick-up points with a minimum area of 15 sq m in small towns. This made it possible for customers in remote regions to promptly receive their orders.

Also in 2021, **Ozon** announced its plans to upscale the business and simplify logistics in Russia and the CIS. In autumn 2021, the company opened a distribution centre in Belarus for local entrepreneurs and launched a franchise of pick-up points in Minsk, reducing the delivery times and expanding the audience for Belarusian businesses. Belarusian sellers increased their sales more than 5-fold from March to September 2021. Ozon also expanded its presence in the Republic of Kazakhstan by signing an agreement with JSC Kazpost. Now the country's residents can receive their orders at 2,000 post offices. This way Ozon increased the number of its pick-up points in Kazakhstan 20-fold.

SASB HC-BP-240a.1

In 2021, **Binnopharm Group** continued expanding its product mix. In the first quarter of the year, the company received seven marketing authorisations for medications, out of which three are vital or essential drugs . The company's portfolio currently includes over 450 marketing authorisations, including Sputnik V, a COVID-19 vaccine. In the next five years, Binnopharm Group plans to bring up to 150 new products to the market. The company opened representative offices in six CIS countries at the end of 2021 in order to promote its products. This enables it to grow faster and to promote branded medications in regions of operations, expanding the product range for local population. In future, Binnopharm Group plans to enter the markets of Middle East and Southeast Asia.

In 2021, **Medsi** opened several highly specialised medical centres in Moscow and regions.

New Specialised Medsi Medical Centres Opened in 2021	
LOCATION	SPECIALISATION
Moscow	▶ Treatment of melanoma
	▶ Ophthalmology
	▶ Children's multi-specialty clinic
	▶ Diagnostics of breast diseases
St Petersburg	▶ Treatment of giant nevus
Moscow region	▶ Medical laboratory
Moscow region, Izhevsk, Perm	▶ Outpatient cancer centre
Perm	▶ Prevention of strokes and heart attacks

In 2021, **Medsi** began offering air transportation for patients from regions to Moscow and bringing medical personnel to patients all over Russia. This is especially important for people with limited mobility and residents of remote areas. In June 2021, the company successfully performed the first air transportation, bringing a female patient from the Polar region to Medsi's clinical hospital No 1 in the Moscow region.

Sistema Group enables access to services for various demographics, including people with special needs.

In autumn 2021, **Ozon** became the first marketplace to provide the disabled with a possibility to buy canes, wheelchairs and other means of rehabilitation online using e-certificates. Until then, such certificates could only be used at offline stores. After Ozon got connected to the state information system E-certificate, acquisition of means of rehabilitation using government subsidies became possible anywhere in the country.

In 2021, **Ozon** launched its own charitable programme, Ozon Care, aimed at supporting the most vulnerable groups of population. Under the programme, the marketplace sell products of non-profit organisations, with revenue from sale donated to charities. By the end of 2021, as many as 14 charitable organisations joined the programme, and the total amount of donations exceeded RUB 2 m.

1 Drugs included in the government's list of vital and essential drugs.



# CUSTOMER EXPERIENCE

GRI 103-1 > GRI 103-2

Sistema Group companies pay special attention to creating and developing positive customer experience. The effectiveness of these efforts is reflected in the high level of loyalty of the Group's customers. Group companies analyse the behaviour, preferences and lifestyles of their customers to introduce new ways of providing services, including via digital technologies.

## CONSUMER LOYALTY LEVEL OF SISTEMA GROUP COMPANIES IN 2021:

COSMOS HOTEL GROUP

8.8

RATING OF HOTELS UNDER OWN BRAND

ETALON GROUP

47%

LEVEL OF REPEAT SALES IN ST PETERSBURG  
18% in Moscow

MEDSI

71%

BRAND RECOGNITION IN MOSCOW <sup>1</sup>

MTS

No 2

THE WORLD'S TELECOM BRANDS IN THE BRAND STRENGTH INDEX (BSI) Brand Finance <sup>2</sup>

BPGC

7.1%

THE NUMBER OF CONNECTIONS TO POWER GRIDS GREW BY 7.1% compared to 2020 <sup>3</sup>

OZON

89%

BRAND AWARENESS consumer confidence in the brand — 85%

OZON

No 1

IN RUSSIAN E-COMMERCE in terms of brand recognition according to the BBDO Brand Science consulting agency

<sup>1</sup> Daily active users of SmartMed grew by more than 11,000 in 2021 and visits to clinics by more than 50%.  
<sup>2</sup> MTS is the only Russian telecom brand on the list.  
<sup>3</sup> With the highest growth — 84.6% — seen in the category of customers with maximum transferred capacity exceeding 670 kW.

## Processing Customer Requests

In 2021, **LLC Bashkirenergo**, having noticed frequent questions from consumers about new smart meters, issued a brochure [on the topic](#). It contains answers to questions about the competence of territorial grid operators and consumers regarding installation and operation of electricity meters, the differences between smart meters and traditional meters, meter verification, methods of transmitting readings, and feedback to grid operators.

In 2021, **Cosmos Hotel Group** developed a standard operational procedure Work with the quality of services provided to deal with customers' complaints and reviews. All complaints and messages from customers are collected in the trust.you quality assurance system. The company's employees have 48 hours to consider all complaints and negative reviews and take the necessary measures.

On the night of 1 November 2021 prices of some products on **Ozon's** website dropped drastically for technical reasons. Later Ozon cancelled orders made at such prices. However, the Russian Federal Service for Supervision of Customer Rights Protection declared such unilateral cancelling illegal. Ozon reviewed all applications from customers and satisfied all requests, reimbursing the inflicted damage.





SASB HC-BP-240a.1

# Customer Experience

Early in 2021, **Medsi** launched a project titled Omni Committee in order to create a process for continuous improvement of customer experience. It started with studying best practices of customer experience enhancement. Having studied best practices and interviewed and polled employees and customers, Medsi prepared a road map for improvements which includes about 100 projects. It then established a collective body — the Omni Committee — to efficiently implement changes and control progress of projects. It is chaired by Medsi's president and includes members of the company's management board. The high efficiency of this approach to customer experience enabled Medsi to roll the project out to other types of medical facilities — hospitals and Premium personalised medicine centres. Total investments in the project amounted to RUB 32.2 m.

In 2021, **MTS** introduced a new position — vice president for customer experience and service — demonstrating that the company cares about customers' satisfaction with each product and convenience of using several products within the ecosystem.

In early 2022, **MTS** started using computer vision at its offices to service customers without asking for ID. It is the first case of biometric authentication introduced at Russian mobile retailers, and it will increase the safety of customer service and make servicing faster and more convenient.

At the end of 2021, **MTS** launched a new accounting service for entrepreneurs, Debit Credit. This is an automated programme offering a full range of services for bookkeeping; it also includes 24/7 support from specialists. The service will free up entrepreneurs' time for business development and will help them to avoid errors and fines related to financial accounting. Debit Credit will be especially useful for new businessmen, since they will get help with submission of documents for company registration and will be able to get a digital signature for free.

In 2021, **MTS** presented a new application, GoGym, which allows paying for one-time gym visits by minutes. By the end of the year, the app was accepted by fitness centres in 20 regions of the country. In future, the company plans to integrate the app with other services of the MTS ecosystem.

In the reporting year, **MTS's VC fund** acquired 10% in Airo, an online on-request household services provider. Users can order apartment cleaning, laundry, dry cleaning and shoes repairs and request delivery. The service is currently available in Moscow and St Petersburg and is used by over 50,000 people.

In May 2022, **MTS** and the LUKoil filling stations chain agreed on a strategic partnership to launch Russia's first subscription that combines payment for fuel at filling stations and access to the digital products of the MTS ecosystem in the MTS Cashback app. The project piloted in four regions: Yekaterinburg, Saratov, Tatarstan and Bashkortostan.

In 2021, Ozon's express delivery service, **Ozon Express**, started offering own ready meals in Moscow. The emphasis is on the speed of delivery, which does not exceed one hour and meets customers' expectations. In 2022, the company plans to start offering ready meal deliveries in other cities of Russia.

In 2021, **Ozon** signed a cooperation agreement with Etalon Group, under which the marketplace will showcase the developer's apartments on its website and install its parcel terminals in Etalon Group's new apartment blocks. The agreement seeks to enhance customer satisfaction and expand sales channels, therefore increasing the stability of both companies' businesses. In 2022, Ozon plans to launch a new hotel booking service as part of Ozon Travel. The service will offer hotel ratings, customer reviews and booking options without prepayment or bank card details. The advantage of Ozon Travel's hotel booking service is that it can be paid for with a Russian bank card from anywhere in the world.

In 2021, **Segezha Group** changed the functioning of the finished products warehouse of LLC Vyatka Plywood Mill to meet the needs of its customers. Now products are stored by orders rather than by type, the warehouse has an electronic queue management system and has optimised logistics and loading operations. This reduced the time needed for order consolidation and vehicle loading three-fold, simultaneously increasing the speed of order delivery from the time of placement till arrival to the customer.





# PRODUCT STEWARDSHIP



Sistema Group companies offer high-quality products and services that meet customers' high expectations and are also safe and eco-friendly. To achieve this, the companies introduce latest quality assurance tools throughout the production cycle and have their products certified.

## Certification

The company ensures the safety and quality of its goods in accordance with Russian legislation and voluntary standards and initiatives. Sistema actively supports the development of certification and labelling practices at the Group companies to confirm the quality of products and services.



**Segezha Group** is guided by the requirements of Russian and international certificates throughout the entire production chain. The company complies with the principles of responsible forest management; notably, its production received certification with the Forest Stewardship Council® (FSC) and the Programme for the Endorsement of Forest Certification (PEFC). At the end of 2021, 86% of the company's leased forest land was FSC-certified. In addition, in October 2021, RUF fuel briquettes<sup>1</sup> produced by LLC Vyatka Plywood Mill got their first FSC certificate. Also in 2021, LLC Sokol CLT became the first Russian enterprise to pass European Technical Assessment (ETA). It confirmed the high quality of CLT panels<sup>2</sup> used for construction of multi-storey buildings. The quality of the plant's CLT panels was also confirmed by a CE (Conformité Européenne) certificate, which attests to the enterprise having latest quality assurance practices in place.

**Etalon Group** and DOM.RF Corporation (a development institute in the housing sector) signed a memorandum of intention that envisages joint implementation of a pilot project for certification of an apartment building according to the new green government standard that is currently in development.

**Meds'i's** clinico-diagnostic centre was accredited by the international non-profit organisation Joint Commission International (JCI). The company received JCI certification at the end of 2020 for three years. JCI certification is one of the most universally recognised and prestigious symbols of quality in healthcare. It testifies to a high level of maturity and culture of medical organisations.

In early 2022, **Binnopharm Group's** production facilities Alium and Biocom received a GMP<sup>3</sup> certificate from the Eurasian Economic Union. The certificate confirms the proper functioning of the facilities' quality assurance systems and guarantees safety and efficiency of the drugs they produce. It also allows selling drugs in EEU member states as they meet the uniform requirements to quality, efficiency and safety. Binnopharm Group's other plants also plan to undergo certification according to the EEU's GMP standards.

1 Eco-friendly solid fuel made by compressing birch dust.  
2 Multi-layer cross-laminated timber panels.  
3 Good manufacturing practices.

## Responsible Consumption

Responsible consumption is defined as a rational approach to purchasing and using goods and services aimed at minimising damage to the environment and cutting social costs. Sistema supports the idea of responsible consumption, offering customers of the Group companies eco friendly products and opportunities for packaging recycling and repeated use of goods.

The Group companies are carefully monitoring the use and consumption of paper as part of their activities. In 2021, 26% of all paper consumed comes from responsible, FSC-certified sources.

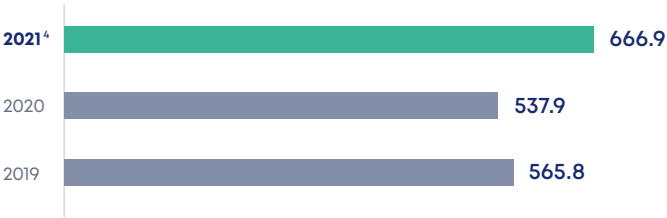
In 2021, **Segezha Group** opened an innovation centre that will develop more efficient and high-tech products in the segment of paper packaging. Investment in the project amounted to some RUB 90 m. In 2022, the company plans to launch several new products, such as vegetable and fruit packaging based on wet-strength paper that will increase their shelf life. It will also present solutions to protect customers in the industrial segment from fakes. Work is underway to develop a paper-based ultra-strong packaging and packaging with biodegradable barrier layer. Segezha Group is actively looking into expansion of the product mix and searching for efficient alternatives to plastic.

Three years ago, **Segezha Group** started a project of transition to electronic document flow and by now it has managed to digitise half of its document flow, which is about 45,000 documents per month. In addition to reducing the environmental impact, this reduced the time needed for internal approvals, settlements with counterparties and preparation of financial reports, enhanced the efficiency of interaction between divisions and decreased spending on office paper, printing and document storage.

In 2021, **Meds'i** launched a paper recycling project in its clinics, where collected waste paper was recycled by a partner company. The goal of the project is to involve visitors and employees of Medsi in the environmental agenda and to reduce negative impacts on the environment. In the reporting period, a total of 42 clinics took part in the project, aggregately collecting 12.9 tonnes of waste paper.

In 2021, **MTS** and MTS Bank organised a national advertising campaign, Future without Plastic, which helped the bank to increase issue of virtual bank cards 4.5-fold compared to the previous year. Thanks to this, MTS Bank reduced plastic consumption by 7.5 tonnes in 2021.

Paper Consumption, thsd t



## Promotion of Responsible Consumption

Sistema Group companies actively shape the culture of responsible consumption among the population.

In 2021, **MTS** and a partner theatre in Samara launched a social and environmental project titled Let's Go to Theatre. As part of the project, school students and their parents were asked to bring old notebooks, newspapers and other printed products to MTS outlets and a mobile drop-off point. Collected waste was recycled to print a guide for young theatre goers.

In 2021, **Sistema Charitable Foundation** launched the #EcoSprint campaign — an online course of environmental literacy — as part of its Lift to the Future educational project. At the course, students studied the basics of an eco-friendly lifestyle and discussed how to handle waste, household chemicals and old clothes and what goods to choose to minimise impact on the environment.

4 Data is provided for Segezha Group, Concept Group, Etalon Group, BPGC, Business Nedvizhimost.





# SMART ENVIRONMENT

## The UN Global Compact Principles

07

Businesses should support a precautionary approach to environmental challenges

08

Businesses should undertake initiatives to promote greater environmental responsibility

09

Businesses should encourage the development and diffusion of environmentally friendly technologies

11.66 BN RUB

SPENT ON INFORMATION TECHNOLOGIES

885 THSD T CO<sub>2</sub> EQ

DIRECT GREENHOUSE GAS EMISSIONS

54.25 GJ/ RUB M

ENERGY INTENSITY (ENERGY CONSUMED PER RUB M OF CONSOLIDATED REVENUE)

1.4 BN RUB

SPENT ON ENVIRONMENTAL PROTECTION

1.01 MT CO<sub>2</sub> EQ

INDIRECT GREENHOUSE GAS EMISSIONS





GRI 103-3

Sistema Group Employees’ awards in 2021



An **MTS** employee’s team ranked third in the Waymo Motion Prediction Challenge, an international artificial intelligence competition



**LLC Bashkirenergo’s** environmental safety engineer ranked first in Bashkortostan’s competition Best Environmental Safety Professional 2021

Sistema Group Companies' Awards in 2021



Ranked among the top 10 out of 33 Russian companies that voluntarily disclosed their climate data via CDP, the leading international carbon reporting platform, getting a B score.

**MTS** also obtained a CDP climate score of B (“Management” level)



**MTS** became the winner of the IoT Awards 2021 in the category “IoT Company of the Year in Russia”



**MTS’s** supercomputer was included in the list of the top 500 most powerful non-distributed computer systems in the world



**MTS** ranked third in the category “Implementation of Open API in Banking” at the FINAWARD 2021 for transforming its mobile app into a smart bank



**MTS** won in the category “Best Information Technology Security Strategy” at the IP Russia Awards



**MTS** was commended by the Expert Council of Eco Best Award 2021 for implementation of social initiatives and introduction of efficient ecosystems



The **#CloudMTS** programme for business was named the best partner programme of cloud service providers by CNews



**Segezha Group** was awarded at FSC Russia’s Green Project of the Year 2021 for its project “CLT panels as a climate-neutral building material of the future”



**Segezha Group** became the winner in the category “Successful International Environmental Project” at the Ecotech Leader 2021, a national award in the field of environmental technologies



**Segezha Group’s** bioenergy projects were recognised as a success story in the use of alternative energy sources in an international survey by Deloitte’s Goal 13 Impact Platform



**Segezha Group** received the SAP Unstoppable Business award for its comprehensive business transformation project completed despite the pandemic and lockdown



**Segezha Group** received a special award from the Ministry of Industry and Trade of the Russian Federation as a high-tech company in the timber industry



**Segezha Group** won in the category “Industry” with its project “Control of Supply Stream With CV and ML”<sup>1</sup> at the RB Digital Awards

**Medsi’s** SmartMed app became the winner in a special category at the RB Digital Awards and was named a Superservice



**Etalon Group** was awarded “for the use of modern technologies in construction” at the Urban Awards 2021



**Etalon Group** won first prize in the “Housing” category of the BIM Technologies 2019/20 competition



**Steppe AgroHolding** won in the category “Innovation of the Year” at the Agricultural Investor of the Year 2021 award for the full automation of the chain of technological operations in crop production using artificial intelligence and drones



**LLC Bashkirenergo** received category A in the ranking of fundamental (environmental and energy) efficiency compiled by the ERA environmental rating agency

1 Computer Vision and Machine Learning.



# SMART CITIES, HOMES AND INDUSTRIES

GRI 203-1

One of the key achievements of Sistema and its portfolio companies is the creation of a smart environment for people and enterprises. Innovative technologies contribute to making the urban environment more comfortable and safer by means of collecting and analysing data, which helps to predict potential risky situations and formulate demand for additional infrastructure. Smart home solutions enable a more efficient use of resources, in particular, they make it possible to save electric power and water consumed by households and (if the equipment is sophisticated enough) to create tailored day-to-day home automation scenarios with zero human input. Smart manufacturing optimises and enhances the efficiency of industrial processes and ensures the environmental friendliness of production facilities.

A smart city is an automated system for managing urban infrastructure, including transport, energy, heat and water supply and security, based on the data received from the information and communication networks of a particular city.

## Telemedicine

remote access to health services

## Communications

digitalisation, secure communications, comfortable environment for person-to-person interactions and data exchange

## E-government

citizen participation in city management

## Green City

controlling pollution and noise, creating "green" neighbourhoods, landscaping

## Mobility

more efficient traffic use both for personal cars and for public transport, smart transport and parking lots

## Smart utilities

water and power supply

## Smart waste management

## Security

for citizens




# Smart Cities

Sistema's portfolio companies are actively involved in the implementation of the federal Smart City programme for digitalisation of utilities and introduction of latest engineering solutions and in the Housing and Urban Environment national project.

In 2021, **MTS** launched the analytical digital platform MTS.Region<sup>1</sup> based on Big Data containing up-to-date information about the population count and composition, and tourist flows. Detailed data makes it possible to take more effective managerial decisions with regard to urban development. In 2021, several regions of Russia entered into an agreement with MTS to use MTS platform for making cities a more comfortable living environment. In the Yaroslavl region experts will use Big Data to assess the region's tourist potential, the quality and accessibility of tourist infrastructure. A digital map of retail infrastructure will be created in Belgorod, enabling the local government and businesses to select the best location for their retail outlets and offices based on the particular features of the city infrastructure and pedestrian flows. The Baikal region will use MTS's product to assess the capacity of city highways, the utilisation rate of public transport and the sufficiency of infrastructure.

In 2021, for the purpose of urban environment data collection **Sitronics Group** set up drone ports (automated drone take-off and landing stations). They are used for charging and automatically launching drones. The network of drone ports makes it possible to spot changes in the urban environment, monitor transport and construction sites, and provide security for the city infrastructure.

In September 2021, **Sitronics Group** entered into an agreement with the Ministry of Family, Demographics and Social Welfare of the Ulyanovsk region and provided server equipment to the Unified Regional Centre of Social Welfare for testing. The centre was offered a server model designed for high-performance computing and big data analysis, which will make it possible to improve and speed up local government services for citizens.

 For more information on the smart city see [Sistema's Sustainability Report for 2020, page 119.](#)



## SAFE CITY

Sistema and its portfolio companies are making a substantial contribution to improving safety in cities due to their strong innovative potential.

In 2021, **MTS** set up a partnership to implement a pilot project in the area of video analytics based on the technology of neural networks. By using the data network and the computing capacity of MTS the system can increase the efficiency of security operators at shopping malls. The smart video surveillance system replaces a range of random security systems and appliances in shopping malls, identifies security incidents and informs the operator accordingly. MTS also installed round-the-clock video monitoring systems in different localities of the Komi Republic, the Sakha Republic (Yakutia) and in Moscow. Data from street cameras makes it possible to quickly identify offenders, ensure the safety and comfort of residents and protect public property from vandals.

In March 2021, **MTS** deployed a security system based on intelligent video surveillance in a cadet school of the Don State Technical University. The cameras installed at the school's entry gates are capable of recognising the students and staff. The data base may store up to 30,000 digital profiles. The system immediately alerts the representatives of security firms to any trespassing attempts. The project was implemented as part of the national programme "Digital Economy 2024" that envisages deployment of video cameras with a face recognition function in all 43 thsd Russian schools. In 2021, MTS implemented a pilot project "safe digital kindergarten" in one of the nursery schools of the Perm region. The project includes installation of an intelligent video surveillance system and smart intercom systems along the perimeter of the building, at entry gates and playgrounds. In addition to providing security, the digitalisation of the nursery school makes it easier to monitor compliance with sanitary requirements.

In 2021, **MTS** implemented a cloud project designed to combat theft at the stores of the Republic of Bashkortostan. The CloudMTS anti-theft system analyses video footage from stores in real time, and a data base is formed on the basis of information received from the retail outlets connected to the system. In the event of theft, the employees of stores enter the offender's identification details in the data base of the system. If a person recognised by the system as suspicious walks into any of the shopping areas, the system alerts the stores' security staff enabling them to take appropriate measures.

In 2021, **MGTS**<sup>2</sup> started equipping cable manholes with wireless sensors raising an alert when opened. Due to decreasing the response time of security services, cable theft was reduced by 42% and vandalism with damage to cable lines was down by 27%.

In August 2021, the intelligent fire protection system for social and commercial facilities Replex that has no rivals in Russia was added to the **CloudMTS** platform. The cloud-based platform is designed to monitor fire protection equipment and ensures the safety of almost 1,500 education, healthcare and manufacturing facilities, offices and shopping malls across Russia. The system's key elements were transferred to the cloud: digital 3D models of secure facilities, electronic fire safety ledgers, a CRM system. The transfer of data to the cloud platform ensured stable operation of all systems and reduced the IT maintenance costs by an average of 25%.

In the reporting year, **Sitronics Group** developed a technological platform for connecting the employees of emergency services to the nationwide Unified System for Emergency Prevention and Response. The infrastructure was created on the basis of domestically-manufactured equipment and software and includes virtual workstations, a secure network, video conference systems and telephony, which makes it possible to remotely monitor and coordinate any emergency response operations.

<sup>1</sup> In Summer 2022, the platform was renamed in "GeoEffect".  
<sup>2</sup> MGTS is a subsidiary of MTS.



DIGITALISATION OF TRANSPORT SYSTEMS

Development and implementation of new technologies for transport helps improve the quality of services and optimise logistical operations.

In 2021, **MTS** embarked on the first stage of the Digital Stops project in Novosibirsk. Interactive screens enable residents to call emergency services and build itineraries, while round-the-clock video surveillance makes it possible for operators to continuously monitor the smart bus stops. The new technology enhanced the level of security and comfort for city residents, with the total number of digital stops reaching six at the end of 2021. In 2022, MTS is planning to increase the number of smart bus stops in the city.

In 2021, the local government of Penza started using **CloudMTS** platform for processing and storing data transferred from the navigation systems of more than 500 public transport vehicles. The high speed of data processing ensured by MTS has improved the accuracy of information about public transport: now local residents receive the most recent and reliable data about the timetable and current location of transport vehicles. At the same time, the round-the-clock monitoring makes it possible to manage the time intervals and the number of vehicles on public transport routes more effectively.

In 2021, **Sitronics Group** designed a digital platform for managing transport systems that is an integral part of the Intelligent Transport System's architecture. The main capabilities of the platform include collecting data and presenting it in the form of dashboards and maps, analysing and forecasting road traffic, managing transport subsystems and traffic flows. The platform has increased the level of comfort and security on the roads, contributing to more efficient use of the existing road infrastructure and ensuring the required level of mobility for the public.

In 2021, **Sitronics Group** also participated in the implementation of large-scale projects for the Russian marine industry. The first project was the creation of e-navigation infrastructure: a common information space uniting all stakeholders of the marine industry to ensure prompt and full information exchange. The e-navigation technologies are already available on three merchant ships. A full-scale launch of the infrastructure is expected to take place in 2022. In future, the system may potentially manage ships independently, which will help reduce the number of breakdowns. The second project that Sitronics Group embarked upon was the creation of Bering soft and hardware package for ships. The package consists of several modules: an electronic cartographic navigation and information system, electronic logs, an automated technical diagnostics system, an emergency warning system. The use of the package will make it possible to increase the efficiency and safety of ship navigation. In 2022, Sitronics Group will also continue developing and integrating a system of automated steering gear controls making it possible to perform such complex operations as water rescue of people.







# SMART HOMES

A smart home is a residence that uses an automation system that provides centralised monitoring and management of specific home subsystems (such as heating, lighting, ventilation etc.).

ELECTRICITY

LIGHTING

LEAK PREVENTION

CLIMATE CONTROL

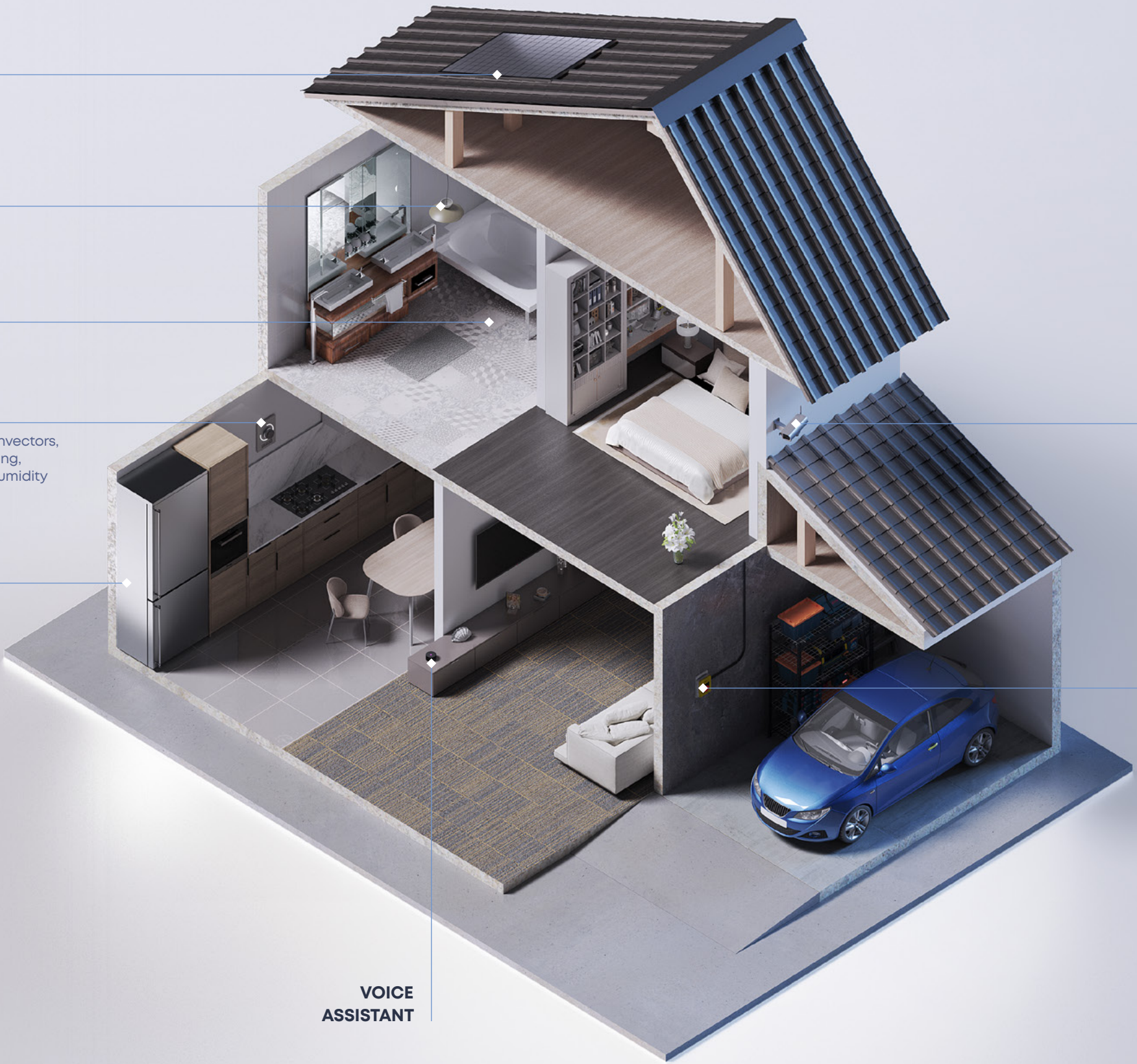
central heating, heat convectors, ventilation, air conditioning, underfloor heating, air humidity

HOME APPLIANCES

SECURITY

FIRE SAFETY

VOICE ASSISTANT




**MTS** is the main contributor to the development of Smart Home systems. The mobile operator develops such technologies as smart video surveillance, data analytics, IoT platforms and networks. These technologies enhance safety, facilitate digital management of homes and offices and improve people's quality of life.

In 2021, **MTS** provided free-of-charge access to the MTS Smart Home platform. The platform makes it possible to integrate lighting elements, sockets, robot vacuum cleaners and other electric appliances with the MTS Smart Home application to enable remote management of the system from a smartphone. The new platform is currently operational in a beta-testing mode and features comfortable home management scenarios, for example, one may pre-programme the switching of lights whenever a door is opened or whenever somebody moves in a particular place in a flat/home, the app can also turn off power sockets whenever one leaves the building. Users can also monitor emergency situations and receive immediate smartphone alerts in the event of water or gas leaks, smoke inside the house or trespassing. MTS Smart Home can be used to manage the devices of different brands in a single app.

In 2021, **MTS** offered a new product for property developers wishing to integrate IoT infrastructure into housing estates at the time of construction. Deployment of this innovation at the construction stage will provide future residents with an opportunity to manage their homes through a smartphone, for example, they will be able to remotely open an intercom system or manage water and electricity meters. The first contract for the creation of such infrastructure has already been signed with Sistema's property development arm Etalon.

In 2021, **MTS** launched the MTS Entry Phone service in Khabarovsk. The users of the new platform will be able to manage access to entry gates and see videos from the intercom camera. In the Rostov region MTS is planning to equip utility gas meters with NB-IoT SIM chips. As a result, the meters will automatically collect data and transfer it to the utility supplier to ensure correct gas consumption reporting. Utility services will be able to monitor illegal gas consumption and identify and record any gas leaks.

At the end of 2021, **MTS's centre** for innovations and investments **MTS StartUp Hub** announced a search for startups developing smart home solutions. MTS is looking for ready products or projects targeting a wide customer base and featuring technologies that are unique for the Russian market. The best projects will be integrated with MTS's smart home ecosystem and distribution channels.

 For more information on the smart home see Sistema's Sustainability Report for 2020, page 118.



# SMART INDUSTRIES

Smart manufacturing involves the digitalisation of equipment, manufacturing processes and human work, which often means integration with an IoT network.



For more information on the smart industries concept see Sistema's Sustainability Report for 2020, page 123.



## MINING INDUSTRY. ELECTRONICS. ENERGY. INDUSTRIAL PARKS

In 2021, **MTS** launched a digitalisation project at an oil and gas deposit in the Perm region aimed to improve the remote management system at production sites. The project includes setting up a smart video surveillance system, which makes it possible to read biometric personal data, identify the number of people currently present on the site, determine the temperature of equipment and alert to any deviations from the norm. The system has tripled the speed of response to emergency situations.

**MTS** also installed a smart video surveillance system at a gas deposit in the Yamalo-Nenets Autonomous District. The system is capable of withstanding Arctic temperatures as low as minus 50 degrees Celsius. This system makes it possible to remotely monitor the hard-to-reach gas deposits and ensure the security of employees and equipment. Virtual access from a computer or a phone means that users don't have to go to the deposit site, which can be reached only by a helicopter from May to November.

In the Perm region **MTS** also provided reliable and stable LTE coverage in a 400-meter deep mine in difficult geological conditions. The pilot project is aimed at increasing efficiency and security while coordinating mining works.

At the end of 2020, **MTS** joined forces with **LLC Bashkirenergo** to implement a project to create a platform for identifying losses in power grids in the Republic of Bashkortostan. Tests carried out at the Ufa power grids detected incidents of meter tampering and understatement of meter readings by a factor of 7 to 10, in some cases production facilities were registered as households. It is expected that at least 200 thsd m of LLC Bashkirenergo will be connected to the platform in order to identify commercial power losses.

In 2021, a smart video analytics system made by **VisionLabs** was installed at the production facility of one of the biggest manufacturers of electric equipment in the Tver region. Computer vision technologies ensure access control, vehicle recognition, monitoring of employees for compliance with PPE requirements and presence in hazardous areas.

**MTS** has connected the Khrabrovo industrial park in Kaliningrad to high-speed internet. Cloud server solutions will help ensure effective operations of companies working on the premises of the business park and will guarantee data protection. MTS will also deploy a video surveillance system at the park: data from cameras will be stored on a cloud server, making it possible to automate security monitoring in the innovative cluster.

**BPGC** is building a 10-kV cable transmission line "Zubovo substation-Airport". The line is designed to provide power to the new Ufimsky industrial park located near the Airport. The capacity is required for a new super light aircraft manufacturing facility that will be located on the park's premises. The facility is expected to be commissioned in 2022.





FOREST INDUSTRY

In 2021, Sistema's forestry asset Segezha Group continued optimisation and digitalisation of the forest industry in order to ensure a more sustainable use of wood.

In the reporting period, **Segezha Group** commissioned the new automated dispatch system of Segezha Group's logging enterprises. This system enables the enterprises to keep track of timber product movements at all production stages, ensuring the required transparency of operations. LPK Kipelovo in the Vologda region fully transitioned to the automated system in 2021. In future, the project will be rolled out in all logging facilities of Segezha Group.

In 2021, **Segezha Group** set up a design centre on the basis of JSC Giprobum to increase the speed and improve the quality of investment projects. The design centre works in five focus areas: Timber Processing (logging, sawing, laminated beams, CLT and plywood production), Pulp and Paper Production (pulp, paper and cardboard production), Power (heating and electric power projects), Environment (air, water, bio-treatment) and Logistics (road construction in the forest industry). The centre is actively developing digital technologies and 3D modelling. In 2021, the design

centre prepared engineering and design documentation for 27 projects, with 9 of the projects related directly to the modernisation of Segezha Group's enterprises. For example, the new pellet shop at JSC Sokol Woodworking Plant was designed solely by the design centre's team.

In 2021, **Segezha Group** installed a unique joinery machine Hundegger K2i Industry 650 at its Sokol Woodworking Plant. The machine is designed for the production of all parts of wooden houses, and the machine's software covers the entire production process: from design to final finishing of parts. The new equipment made it possible to expand the product mix produced by the plant.

AGRICULTURE

Agriculture is one of the most promising segments in terms of introduction of innovative technologies. In 2021, Sberbank and **Steppe AgroHolding** signed a cooperation agreement to develop AI technologies in agriculture. The bank will also finance the Group's investment programme. In the reporting period, Steppe AgroHolding tested its new solution Agro AI in partnership with Sberbank. The solution aims to increase the productivity of the AgroHolding on the basis of data from satellite images and artificial intelligence analytics.

Agro AI is comprised of 4 modules:

- ▶ AI-appraiser of fields that makes checks before purchase. It defines real boundaries of fields, analyses the types of crops and crop yields.
- ▶ AI-cultivator makes monthly forecasts for the field's crop yields and recommends alternative crops if the real harvest is insufficiently high.
- ▶ AI-analyst makes monthly analytical reports and forecasts crop yields across regions.
- ▶ Monitoring of the field's borders and identifying the boundaries of cultivated land in specific geographical areas.

In 2021, **Steppe AgroHolding's** crop rotation<sup>1</sup> schedule was for the first time formed with the help of an artificial intelligence system. The system analysed a big amount of data and offered a more effective crop rotation scheme, which was later validated by the company's agricultural experts. In 2021, Russia's only self-driving truck, Kamaz-65119, was successfully tested on the fields of Steppe AgroHolding in the Krasnodar region.

In 2021, **Sitronics Group** signed an agreement with the Altay State University to implement comprehensive projects in the area of implementation of digital technologies in various sectors of the economy, including in the agricultural sector. The agreement provides for joint development of engineering and design documentation, production and supply of equipment and implementation of IT projects for the agricultural industry.

1 The practice of growing various types of crops on the same land during several successive seasons.

CONSTRUCTION

**Etalon Group** uses digital innovations in construction projects and keeps upgrading its cutting-edge project management system that uses BIM (building information modelling). Initially this technology was used for decreasing the number of errors at the design stage, accumulating data and enhancing planning accuracy. Later, the BIM model made it possible to monitor the quality and safety of construction works and keep track of construction milestones and schedules. In 2020, a separate BIM-based module was introduced for preliminary acceptance and transfer of flats to off-plan property owners. In 2021, Etalon Group decided to further expand its BIM software to incorporate the service company (for planning maintenance post-delivery) and so encompass the entire building life cycle.

In 2021, **MTS's portfolio company VisionLabs** jointly with a partner developed a digital service for the construction industry. Integration of computer vision technologies and BIM systems makes it possible to create a single digital platform for managing construction and monitoring changes on the construction site in real time, increasing the security and transparency of processes and optimising the use of materials and working hours.

In February 2021, **MTS** launched a video surveillance system for UralMostoStroy, a company charged with the construction of a new bridge on Bashkortostan's M7 highway. The new system allows for remote app-enabled monitoring of construction works in general and compliance with industrial standards and timelines in particular and makes it possible to watch the video footage stored on CloudMTS.

BIM stands for building information modeling. This involves digital models of buildings where all stakeholders interact over the entire lifecycle of the project. Such models typically combine physical, functional, technical, and economic parameters of the building.



# OPERATIONAL ENVIRONMENTAL EFFICIENCY<sup>1</sup>

GRI 103-1

GRI 103-2

As a responsible investor, Sistema understands the importance of global challenges and the scale of the environmental impact of its production assets and makes every effort to manage such impact. The Corporation’s primary responsibility is determining environmental management priorities within portfolio companies and monitoring their activities to evaluate their environmental footprints and manage related risks.

Sistema’s approaches to environmental protection are set out in its Corporate Governance Code, Sustainability Policy, and the new Environmental Policy approved in 2021 that is binding on Sistema and is recommended for the Group companies as a template on which to model their respective internal regulations. The Corporation expects that the Group’s suppliers, contractors and other business partners will also adhere to the high standards of environmental responsibility set out in the Environmental Policy.

Sistema’s Environmental Policy

1 Data for 2019 is provided for: MTS, Etalon Group, Segezha Group, Medsi, Steppe AgroHolding, Business Nedvizhimost, Cosmos Hotel Group, BPGC, Sistema and Sitronics (unless otherwise indicated).  
Data for 2020 is provided for: MTS, Segezha Group, Etalon Group, Medsi, Steppe AgroHolding, Binnopharm Group, BPGC, Cosmos Hotel Group, Sistema, Koncel and RZ Agro (unless otherwise indicated).  
Data for 2021 is provided for: MTS, Ozon, Segezha Group, Etalon Group, Medsi, Steppe AgroHolding, BPGC, Business Nedvizhimost, Cosmos Hotel Group, Sitronics Group, Sistema, Aeromax, Concept Group, Elektrozavod and RZ Agro (unless otherwise indicated).

## Environmental Management System





## Managing Environmental Impact across the Group

The Corporation guides its asset companies in implementing and enhancing their environmental management systems in light of their respective business scale and specific environmental risks characteristic of the industries they operate in.

**The Group companies are working towards the implementation of environmental management systems according to ISO 14001:2015. Segezha Group and BPGC already hold ISO 14001:2015 certificates. MTS is currently working on the implementation of ISO 14001:2015.**

In 2020, **Segezha Group** developed its long-term Environmental Safety Strategy for 2021-2025, aiming to decarbonise production and minimise anthropogenic impact on the environment. Another key document regulating Segezha Group's environmental efforts is its Environmental Protection Policy. Environmental factors are taken into account when planning the development of Segezha Group's production: the programmes for the construction and modernisation of the Group's production facilities include environmental targets.

In addition, the programme to improve the environmental efficiency of Segezha Pulp and Paper Mill received the approval of the Ministry of Industry and Trade of the Russian Federation in 2021. The funding for the programme planned for 2021-2026 exceeds RUB 2bn. As part of the programme, it is planned to install a new line of the causticising<sup>1</sup> site and equipment for the collection, purification, and utilisation of various gases, and to upgrade treatment facilities at the biological wastewater treatment unit. In 2021, the Public Environmental Council under the administration of the Segezha municipal district, created in 2020 to supervise operations at the mill's production sites, held a scheduled meeting. During the meeting, members of the Council visited JSC Segezha Pulp and Paper Mill and learned about management's plans for the modernisation and replacement of equipment.

In 2021, **Etalon Group** approved its [ESG Policy](#), which included issues of environmental protection and the company's environmental responsibility. The company's priority is the responsible use of resources at all stages of construction projects. After the restructuring of Etalon Group in 2021, environmental control is carried out by technological directorates in each region of operations.

To improve the quality of environmental control, the company also established the Quality Assurance Department. The main task of the department is to identify and register criteria for safe construction. The company also conducts its own environmental monitoring at various stages of project implementation in all regions of operations.

At **MTS**, the ESG Committee of the Board of Directors determines the strategic areas of the company's environmental activities, with overall coordination in the area of "E" (Environment) and operational control carried out by the ESG Centre of the Ecosystem Development and Marketing Division. The main document regulating environmental activities at MTS is the policy "Environmental Safety and Environmental Protection at Administrative Facilities"; this document also applies to interaction with counterparties in terms of environmental protection.

The environmental activities of **LLC Bashkirenergo** (part of BPGC) are carried out in accordance with the Quality and Environment Policy approved in 2020.

In 2021, **Steppe AgroHolding** established the department of occupational safety and environmental protection to coordinate environmental matters; the company also has the [Environmental Protection Policy](#). The document sets out the company's priority areas and commitments in the field of environmental protection. Steppe's focus areas include preservation of soil fertility and biodiversity and responsible land use.

**Ozon's** environmental protection units include the Environmental Safety Group and the Department of Occupational Health, Environmental Safety and Fire Safety. Ozon's key environmental focus is managing waste, reducing the proportion of waste dumped in landfill sites and developing recycling programmes.

**Concept Group's** key priorities in the field of environmental protection include reducing the use of plastic/polyethylene and the water consumption. Concept Group plans to develop its Environmental Policy in 2022.

<sup>1</sup> Causticising is the process of clarification (regeneration) of green liquor into white liquor. Liquor is an alkaline solution. Liquor is an important element in the production of paper.

## ENVIRONMENTAL IMPACT ACROSS THE GROUP, BY INDUSTRY

	ENERGY	WATER	BIODIVERSITY	EMISSIONS	EFFLUENTS AND WASTE
HIGH TECHNOLOGY	+				+
HOSPITALITY	+	+			+
FOREST INDUSTRY	+	+	+	+	+
HEALTHCARE	+	+			+
MICROELECTRONICS	+	+		+	+
REAL ESTATE	+			+	+
CONSTRUCTION	+	+	+	+	+
AGRICULTURE	+	+	+	+	+
TELECOMMUNICATIONS	+			+	+
PHARMACEUTICALS	+	+		+	+
FUNDS & BANKS	+				
E-COMMERCE	+			+	+
POWER INDUSTRY	+	+	+	+	+



# Performance in Environmental Protection in 2021

UNCTAD A.3.1

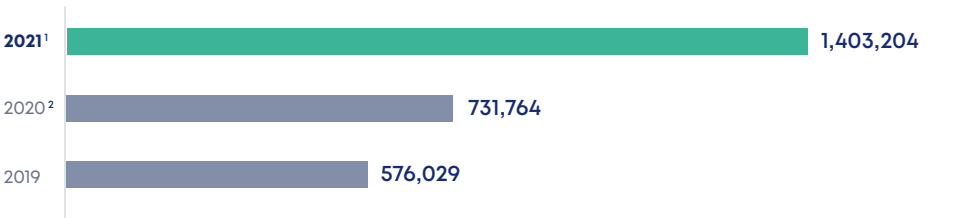
Wherever they operate, the Group companies take steps towards mitigating negative impacts on water and land resources and biodiversity.

In 2021, Sistema Group spent RUB 1.4 bn on environmental protection, almost twice the amount spent in 2020.

1.4 BN RUB

THE EXPENDITURES OF SISTEMA GROUP RELATED TO ENVIRONMENTAL PROTECTION IN 2021

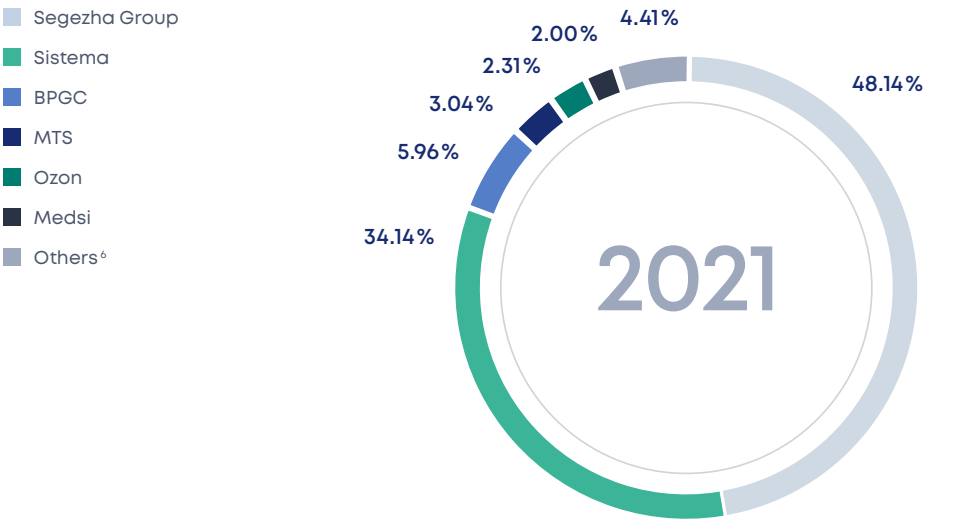
Expenditures of Sistema Group Related to Environmental Protection, RUB thsd



Group Expenditures Related to Environmental Protection, %

	2021 <sup>3</sup>	2020 <sup>4</sup>	2019
Air protection and climate change prevention	11	3.4	7.6
Wastewater collection and treatment	44	18.8	33.1
Waste treatment	28.4	12.3	30.0
Conservation of biodiversity and protection of natural habitats	5.8	0.01	9.7
Other segments	10.8	65.4 <sup>5</sup>	19.6

Total Environmental Expenditures in 2021 by the Group Companies, %

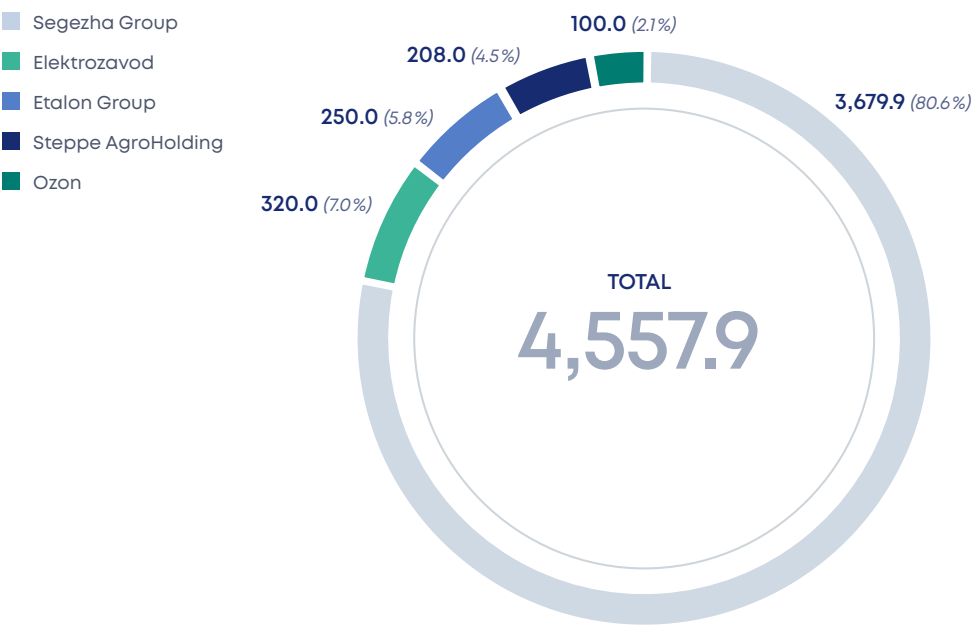


1 Without Etalon Group, Cosmos Hotel Group, Aeromax and Concept Group (using the 2021 consolidation perimeter specified at the beginning of the section).  
2 Without BPGC and Cosmos Hotel Group (using the 2020 consolidation perimeter specified at the beginning of the section).  
3 Net of Etalon Group, Cosmos Hotel Group, Aeromax and Concept Group (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).  
4 Net of BPGC and Cosmos Hotel Group (in accordance with the consolidation perimeter for 2020, given at the beginning of the section).  
5 Segezha Group data given without breakdown by area.  
6 Others (incl. Etalon Group, Steppe AgroHolding, Business Nedvizhimost, Cosmos Hotel Group, Sitronics Group, Elektrozavod, Concept Group and RZ Agro).

GRI 307-1

In 2021, 38 financial sanctions for breach of environmental legislation were imposed on Sistema's portfolio assets, totalling approximately RUB 4.56 m.

Penalties for Non-compliance with Environmental Laws and Regulations in 2021 by the Group Companies, RUB thsd





## Use of Water Resources

GRI 303-1 > GRI 303-2 > GRI 303-5 > UNCTAD B.1.3

66.4 M CUBIC METRES

THE VOLUME OF WATER WITHDRAWAL BY THE GROUP COMPANIES, a decrease of 21.5% from 2020

Water is still among the main resources consumed by every company of the Group, both for production and utility purposes. This makes rational water use a pressing need for every business without exception. Water withdrawal and discharge are carried out in accordance with the legislation of the regions of operations. The Group companies do not operate in regions where water resources are scarce.

In 2021, the Group companies withdrew 66.4 million cubic metres of water, down 21.5% from 2020.

The main sources of water withdrawal were municipal water supply systems and natural sources. The withdrawal of fresh water<sup>1</sup> in 2021 amounted to 61,026.5 thsd cu m. The volume of water consumption<sup>2</sup> within the Group amounted to 8.2 million cubic metres. Most of this water is consumed by the Group's production assets.

GRI 303-3

Water discharge by the Group companies in 2021 totalled 56 million cubic metres. Water discharge by the portfolio companies decreased by 32% from 2019.

1 Fresh water here means water from surface and underground sources, rainwater and water received from third parties under water supply contracts. Net of Ozon, Etalon Group, Medsi, Steppe AgroHolding, Business Nedvizhimost, Cosmos Hotel Group, Sistema, Aeromax, Concept Group and Elektroavod (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).

2 Water consumption is calculated using the following formula: Water consumption= Total water withdrawal — Total water discharge. Net of MTS, Ozon, Etalon Group, Medsi, Steppe AgroHolding, Business Nedvizhimost, Sitronics Group, Sistema, Aeromax and Concept Group (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).

3 Net of Ozon and Concept Group (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).

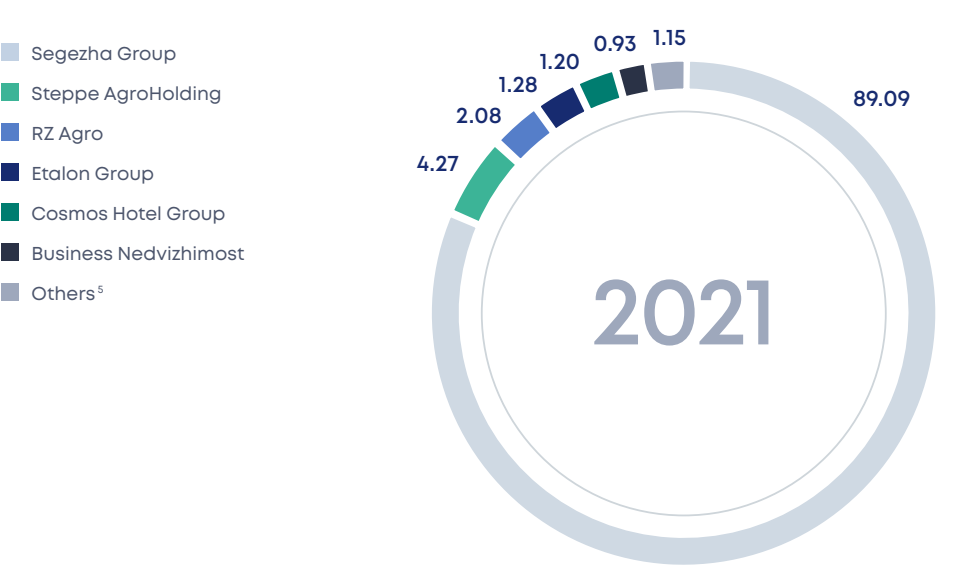
4 Net of Medsi and BPGC (in accordance with the consolidation perimeter for 2020, given at the beginning of the section).

5 Others (incl. MTS, Medsi, BPGC, Sitronics Group, Sistema, Aeromax and Elektroavod).

Water Withdrawal by the Group by Source, thsd cu m

	2021 <sup>3</sup>	2020 <sup>4</sup>	2019
Water service companies	10,916.1	16,721.5	36,031
Natural sources	55,516.3	67,891	54,913
Other sources	2.4	97.5	2,550
TOTAL	66,434.8	84,710	93,494

Water Withdrawal in 2021 by company, %



GRI 303-4

55.6 M CUBIC METRES

WATER DISCHARGE BY THE GROUP IN 2021

GRI 306-1

6 Net of Ozon, Etalon Group, Steppe AgroHolding and Concept Group (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).

7 Net of MTS, Etalon Group, Medsi, BPGC and Cosmos Hotel Group (in accordance with the consolidation perimeter for 2020, given at the beginning of the section).

8 Net of Etalon Group (in accordance with the consolidation perimeter for 2019, given at the beginning of the section).

9 Others (incl. MTS, Medsi, BPGC, Sitronics Group, Sistema, Elektroavod and RZ Agro).

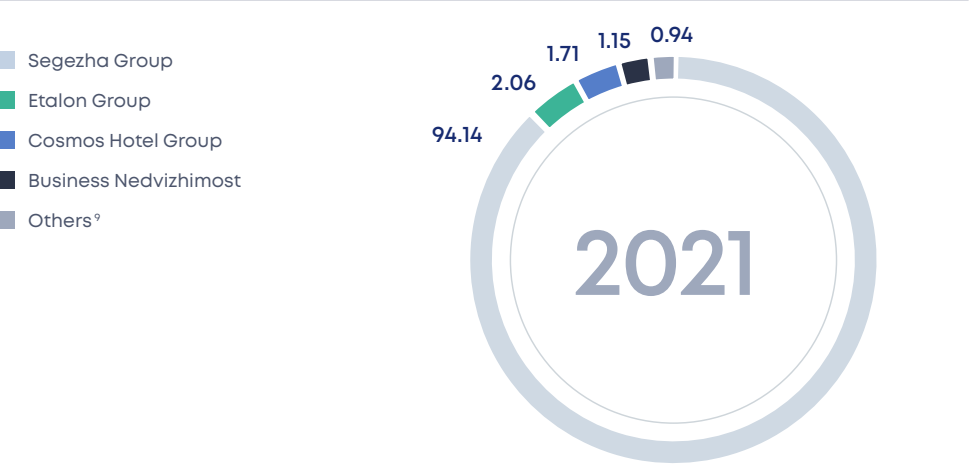
10 An aeration tank is a treatment plant or reservoir with artificial aeration to promote the biological oxidation of wastewaters.

11 Product of technological processing of raw wood used for production of technical carbon, in the oil industry, foundry operations, in cement production, construction, for manufacturing chipboards, fibreboards and rock wool construction boards, and in road construction.

Water Discharge by the Group, thsd cu m

	2021 <sup>6</sup>	2020 <sup>7</sup>	2019 <sup>8</sup>
Discharged for treatment	5,622	12,239	34,818
Treated	39,652	41,982	40,877
Discharged to water bodies untreated	9,235	7,163	6,272
Others	1,148	-	-
TOTAL	55,657	61,384	81,967

Water Discharge in 2021 by the Group Companies, %



Segezha Group plans a complete renovation of the biological wastewater treatment unit as part of the environmental programme of its Segezha Pulp and Paper Mill for 2021-2026. In 2021, the company completed the overhaul of aeration tanks at the unit. This helped significantly increase the degree of purification of industrial wastewater and minimise the content of suspended particles in it. Segezha Group also installed a unified wastewater monitoring system called Navigator. The company equipped the biological wastewater treatment unit with automatic sensors for full control of the wastewater treatment process.

Segezha Group also plans to build wastewater treatment facilities at JSC Sokol Pulp and Paper Mill in the Vologda region. The wastewater treatment facilities designed to treat 6.5 m cu m of wastewater per year will be launched by 2023. The total investment in the project is estimated at RUB 2bn. The project will ensure filtration of wastewater from all existing and planned production facilities. Creating additional wastewater treatment facilities became necessary in connection with a large-scale investment project for the construction of a new paper-making machine and the expanded output of technical lignosulphonates<sup>11</sup>. As a result of the modernisation, the production capacity will grow 4x, from 20 to 80 thsd t per year, and the volume of wastewater will also increase accordingly.

In 2021, Cosmos Hotel Group's water discharge exceeded its water withdrawal as the company actively integrates solutions for the use of water from storm drains (from rain, snowmelt and air conditioning systems). For example, the Cosmos Smart Dubinskaya Hotel implemented a solution that uses condensate from air conditioning units in plumbing fixtures, which reduces water withdrawal.



# Atmosphere Protection

GRI 305-7

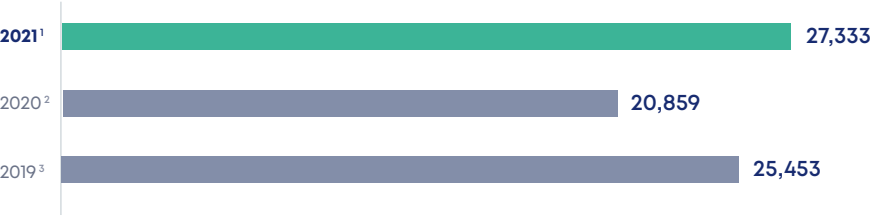
27.3 THSD T

THE VOLUME OF AIR POLLUTANT EMISSIONS IN 2021

Minimisation of air pollution is a priority for Sistema Group.

In 2021, the volume of air pollutant emissions amounted to 27.3 thsd t, up 30 % from 2020.

Emissions of NOx, SOx and other Significant Pollutants in the Atmosphere by the Group Companies, t



Emissions of NOx, SOx and other Significant Pollutants in the Atmosphere by the Group Companies

	2021 <sup>4</sup>		2020 <sup>5</sup>		2019	
	TONNES	%	TONNES	%	TONNES	%
NOx	1,710.67	6.76	3,006	14.41	3,814.5	14.99
SOx	7,386.61	29.18	2,191	10.5	2,047.2	8.04
Persistent organic pollutants (POP)	124.01	0.49	6.07	0.03	0.9	0.0
Volatile organic compounds (VOC)	777.81	3.07	298.4	1.43	441.1	1.73
Hazardous air pollutants (HAP)	7,547.00	29.82	5,913	28.35	4,833.0	18.99
Particulate matter (PM)	9,114.66	28.02	8,503	40.77	10,792.5	42.40
Other standard categories of air emissions identified in relevant regulations	672.33	2.66	941	4.51	3,524.2	13.85
TOTAL	27,333.09	100.00	20,858	100	25,549.2	100

1 Net of Medsi, Sistema, Concept Group and Aeromax (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).

2 Net of MTS, Etalon Group, BPGC, Sistema, Concept Group and Aeromax (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).

3 Data is provided for Segezha Group, Steppe AgroHolding, BPGC, Cosmos Hotel Group and Sitronics Group.

4 Net of Medsi, Sistema, Concept Group and Aeromax (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).

5 Net of MTS, Etalon Group, BPGC and Sistema (in accordance with the consolidation perimeter for 2020, given at the beginning of the section).

Segezha Group accounts for the bulk of emissions within Sistema Group. The company takes measures to reduce impact on the atmosphere and limit emissions of ozone-depleting, chemical and other substances.

In 2021, **Segezha Group** completed the overhaul of recovery boilers and the replacement of electrostatic precipitators at its Segezha Pulp and Paper Mill. The total cost of the project was about RUB 2 bn. The programme for the complete replacement of electrostatic precipitators and the overhaul of recovery boilers significantly reduced the environmental load of the mill. The collection of lime dust particles by the new filters will become almost complete (over 99%).

**MTS** participates in regional air protection projects. In 2021, the Clean Air project introduced an environmental monitoring and pollution detection system developed by MTS and installed equipment that monitors about 40 types of substances in the atmospheric air in the Ulyanovsk region. The system can determine the source of air pollution. The system from MTS increases the efficiency of the ten stations for monitoring the environment currently operated in the region. It is planned to reduce the volumes

of pollutants in the Ulyanovsk region to 20% by 2024. In 2020, MTS also launched a 5G network in pilot mode on the territory of the Far Eastern Federal University (FEFU) to test high-tech projects. In 2021, the FEFU Centre for Project Activities used this network to create stations for environmental monitoring of water and air. They can remotely monitor the state of the environment and generate detailed reports on any slightest changes and deviations. The stations can be used in industrial facilities: the system automatically controls the level of emissions in accordance with legal regulations and warns when it reaches a critical level. This will help enterprises ensure the environmental safety of their technological processes and minimise possible environmental and economic risks.







# Industrial Waste Management

GRI 306-1

Sistema is responsible in waste management, always aiming for waste minimisation.

Most of the waste produced by Sistema and its portfolio companies is either low-hazard or non-hazardous to the environment. In 2021, 99.3% of the Group's waste was class 4 or 5 (non-hazardous waste). The total waste amount was 1.65 m t<sup>1</sup>.

GRI 306-3

UNCTAD B.2.3

Total Waste of Sistema Group by Russian Waste Hazard Class, t

TYPE OF WASTE, T	2021 <sup>2</sup>	2020 <sup>3</sup>	2019
<b>Hazardous, including:</b>	<b>485</b>	298.5	585.7
Class 1	9.2	10.6	124.8
Class 2	76.3	58.6	49.2
Class 3	399.5	229.3	411.7
<b>Non-hazardous, including:</b>	<b>1,652,692.6</b>	931,872.2	1,417,377.8
Class 4	190,409.4	409,700.8	688,581.3
Class 5	1,462,283.1	522,171.4	728,796.5
<b>TOTAL</b>	<b>1,653,177.6</b>	<b>932,170.7</b>	<b>1,417,963.5</b>

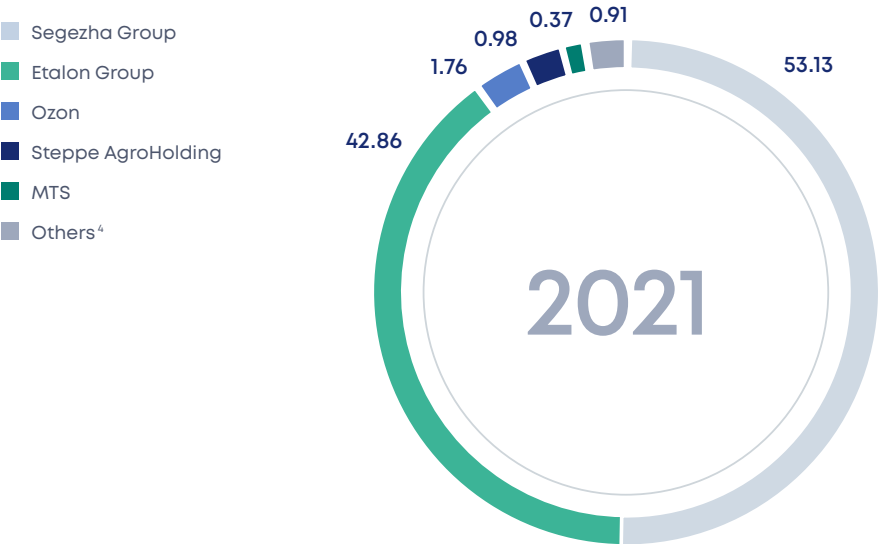
1.65<sub>MT</sub>

THE TOTAL WASTE AMOUNT IN 2021

Hazardous waste management and utilisation are invariably in compliance with applicable laws and regulations.

GRI 306-2

Waste Generated in 2021 by the Group Companies, %



1 The growth was due to extension of the data consolidation perimeter.  
2 Net of Cosmos Hotel Group and Aeromax (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).  
3 Net of BPGC and Cosmos Hotel Group (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).  
4 Others (incl. Medsi, BPGC, Business Nedvizhimost, Sitronics Group, Sistema, Concept Group, Elektroavod and RZ Agro).  
5 Net of Steppe AgroHolding, Cosmos Hotel Group, Sitronics Group, Aeromax (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).

GRI 306-4

GRI 306-5

SASB TC-TL-440a.1

Total Waste by Disposal Method in 2021,%<sup>5</sup>

WASTE DISPOSAL METHODS	TOTAL WEIGHT OF WASTE OF SISTEMA GROUP	TOTAL WEIGHT OF HAZARDOUS WASTE OF SISTEMA GROUP	TOTAL WEIGHT OF NON-HAZARDOUS WASTE OF SISTEMA GROUP
<b>Disposal, including:</b>	<b>60.5</b>	<b>0.25</b>	<b>61.28</b>
Landfill	18.59	0.24	18.83
Recovery, including energy recovery	41.75	0.01	42.29
Incineration	0	0	0,004
Composting	0.16	0.00	0.16
<b>Reuse</b>	<b>1.79</b>	<b>0.00</b>	<b>1.82</b>
<b>Storage on premises</b>	<b>3.97</b>	<b>0.01</b>	<b>4.02</b>
<b>Transferred to third parties, including:</b>	<b>32.07</b>	<b>99.74</b>	<b>31.19</b>
For disposal and decontamination	22.17	99.52	21.17
For storage	9.9	0.22	10.02
<b>OTHERS</b>	<b>1.67</b>	<b>0</b>	<b>1.69</b>
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>



# Circular Economy and Bioenergy

UNCTAD B.5.1  
SASB RR-FM-160a.4

Sistema Group is actively implementing bioenergy and circular economy technologies in production processes. Circular (cyclical) economy is an alternative to a traditional economy in which consumption and production go through a closed-loop cycle: resources are used to their maximum, there is no accumulation of waste and adverse impact on the environment is minimised.



**Segezha Group** aims to extract maximum value from wood resources and decrease its impact on the environment by implementing measures designed to ensure that 100% of wood is recycled. One of the company's key activities is production of fuel granules, also known as pellets. Pellets are an environmentally friendly renewable energy source in high demand across the world. The use of pellets makes it possible to reduce the consumption of fossil fuels and solve the problem of waste disposal.

In November 2021, **Segezha Group** commissioned a new pellet plant at JSC Sokol Woodworking Plant with an annual capacity of 65,000 t. More than a mere addition to the product portfolio, the move made Segezha Group's industrial cluster in the town of Sokol an eco-friendly facility and became an important element in the closed-loop production cycle. The project will ensure the environmental safety of the company's core business (bark burning) and the useful utilisation of sawdust into finished products (pellets).

In 2021, **Segezha Group** also put into operation a unit for shredding bark and wood waste at LLC Vyatka Plywood Mill, which converts bark and wood waste into biofuel for subsequent combustion in a thermal oil unit, thus providing workshops with thermal energy. Prompt processing of bark and wood waste also helps prevent acidification of soil and water by decomposition products, and to mitigate fire risks. In 2022, the company plans to install another oil boiler that will operate on renewable fuel from waste of the technological cycle.

15,000+  
OLD MOBILE PHONES  
were transferred to specialised organisations for repairs or recovery by MTS in 2021

15,000<sub>T</sub>  
OF WASTE WAS RECYCLED  
through the Ozon Recycle programme in 2021

GRI 103-3



For more information on Ozon Recycle, see the project's official website.

For more information on the Ecomobile project of Synergetic and Ozon, see the project's official website.

In 2020, **MTS** set the goal of introducing the principles of circular economy into its business processes. The company launched the MTS Life Cycle Laboratory, which, as part of the waste sorting programme, promotes the principles of rational use of resources, expands the list of separately collected recyclables and scales the programme to the company's enterprises. In 2021, MTS expanded the list of separately collected recyclables. For example, a pilot project was launched with MGTS to transfer wooden office furniture for recycling. In 2021, the company also transferred for recycling more than 800 kg of batteries, more than 82 t of waste paper and more than 100 kg of plastic.

**MTS** also launched a number of projects for the environmentally friendly recycling of old phones. The MTS retail chain accepts trade-ins, with more than 15,000 phones transferred to specialised organisations for repairs or recovery in 2021. At the end of 2021, a pilot project was launched to sell used devices in working condition through the company's website and partner online stores. The transfer of telecom equipment for secondary use after timely repair and modernisation helps reduce the environmental damage caused by the production and use of new devices, including reduction in CO2 emissions, water use and electricity consumption.

In 2021, **MTS** took part in the development of the GSMA strategy paper on circular economy for network equipment<sup>1</sup>. The paper analyses the evolution of network equipment in the telecommunications industry towards a business model based on circular economy.

Since 2014, **Ozon** has been implementing its **Ozon Recycle** programme for organised collection, preparation and recycling of materials. It involves nine fulfilment centres of the company, as well as more than 20 partner companies. In 2021, the company managed to recycle a record 15,000 t of waste, or more than 50% of the company's total waste (this includes waste generated in fulfilment centres, sorting centres, dark stores and own pick-up points). The share of recycled waste is the company's key KPI for monitoring the effectiveness of the waste management system. In 2021, the Ozon Recycle programme was awarded the special prize "Green Online Retailer" at the Green Award 2021 organised by the Russian Environmental Operator.

At the beginning of 2022, **Synergetic** and **Ozon** launched an environmental initiative with a special vehicle ("Ecomobile") stopping near Ozon's pick-up points in Moscow to collect household waste (plastic, batteries, paper, etc) from residents for recycling.

1 «GSMA strategy paper on circular economy for network equipment».



## Biodiversity Preservation

GRI 304-3

Cognizant of the vital importance of biodiversity, Sistema Group companies invest in projects and initiatives to protect natural sites and habitats of endangered species.

100+

PLANTS FROM THE RED LIST SPECIES were under the supervision of Segezha Group

**Segezha Group** keeps a record of forest areas with rare ecosystems on an ongoing basis. The company identifies local valuable ecosystems in the process of logging. In 2021, Segezha Group controlled about 16,000 ha. The company constantly updates the list and geography of the Red List species. In the reporting year, more than 70 rare animal species and more than 100 plants were under the supervision of Segezha Group. The key seasonal habitats of animals cover 15,000 ha. In order to preserve the population of species, Segezha Group maintains forest areas necessary for their survival and also refrains from using chemicals in these areas.

In 2021, **LLC Bashkirenergo** (part of BPGC) continued to install bird protection devices on power lines, aiming both to minimise the risks of bird kills and to make grids more fail-safe. LLC Bashkirenergo installed 664 sets of bird protection devices and 3,325 devices that prevent birds from landing on elements of overhead power lines of 35 kV and more.

In 2021, as part of its Place of Power project, **MTS** installed cameras to record and study the life of bees in real time in the Bashkiria National Park. The camera system makes it possible to detect anomalous events that occur if there is a threat to the bee population from the use of pesticides.

### AQUATIC BIODIVERSITY PRESERVATION

GRI 304-3

The Group companies also participate in compensation campaigns for the restoration of aquatic biological resources in the water bodies of their regions of operations.

18+<sup>M</sup> RUB

THE COST OF COMPENSATORY MEASURES OF SEGEZHA GROUP

**Segezha Group** released 13,300 juvenile Siberian sturgeons into the Yenisey River near the village of Atamanovo, Sukhobuzimsky district, Krasnoyarsk Krai in July 2021, and 201,800 juvenile graylings and 92,400 sturgeons in October (together with the Yenisey Territorial Administration of the Federal Agency for Fishery). The cost of compensatory measures exceeded RUB 18 m.



REFORESTATION

GRI 304-1 > GRI 304-3

600 THSD HA

THE TOTAL AREA OF FOREST PLOTS  
where forestry activities were limited

Segezha Group is one of Russia’s key forest users. Segezha Group is invested in establishing a forest management cycle that is both sustainable and economically sound. Part of the solution is an elaborate annual reforestation plan. Segezha Group was the first company in Karelia to implement intensive forest management practices, effective from 01 January 2021.

Also in 2021, **Segezha Group** and **WWF** signed an agreement on the conservation of intact forests in the Arkhangelsk region. The purpose of the agreement is to preserve forest areas inhabited by rare species of plants and animals. Thus, Segezha Group voluntarily preserves forests of high conservation value in its leased areas in the Onega, Severodvinsk and Priozernoye forestries of the Arkhangelsk region. The total area of forest plots where forestry activities were limited was about 600,000 ha, of which logging was completely prohibited on more than 150,000 ha.

The intensive forest management model comprises a system of both economically and environmentally sound exploitation steps that limit environmental impact on unexploited forests of high conservation value, sustain biodiversity and natural ecosystems, and reduce the risks of wildfire. In the longer term, the approach leads to greater forest productivity, encourages effective industrial production, and contributes to socio-economic evolution.

In 2021, **Segezha Group** implemented a set of planned reforestation activities in the regions of logging operations:

- ▶ 15,800 ha in Krasnoyarsk Krai;
- ▶ 8,300 ha in the Republic of Karelia;
- ▶ 5,200 ha in the Vologda region;
- ▶ 4,400 ha in the Arkhangelsk region;
- ▶ 1,300 ha in the Kirov region.

In 2021, **Segezha Group** increased the reforestation area by 20%, to 35,000 ha, and improved the efficiency of reforestation. The cost of reforestation in 2021 increased by only 4%, to RUB 147 m.

147 M RUB

THE COST OF REFORESTATION  
IN 2021

In the reporting year, **Segezha Group** also supported a unique research project of the Karelian Ministry of Natural Resources and Ecology for creating a collection of genotypes of the Karelian birch. This type of birch listed in the Republican Red List has been seriously affected by illegal logging. The project aims to preserve the species and support biodiversity.

Extensive vs Intensive  
Forest Management

EXTENSIVE



— Although reforestation and husbandry steps are required from timber companies by law, they mean certain losses for businesses and so make them eligible to receive compensation once the plantings become exploitable

INTENSIVE



+ A system of economically sound husbandry & reforestation steps aimed specifically to grow the desired species



FIGHTING FOREST FIRES

GRI 304-3

The fight against forest fires and measures to prevent them are an important aspect of the conservation of forests and forest ecosystems.

In 2021, **Segezha Group** enterprises — Lesosibirsk WP No 1 and Xylotech Siberia — and WWF signed an agreement on the conservation of ecologically valuable forests in Krasnoyarsk Krai with a total area of 25,190 ha. The enterprises assumed voluntary obligations to protect intact forest landscapes (IFL) excluded from industrial development from fires and, if necessary, to carry out fire prevention and extinguishing. If more than 5% of IFL territory under logging ban agreement burn out, the enterprises undertake to compensate for the loss and additionally exclude from commercial logging a forest site of the same size.

In December 2021, **Segezha Group** signed an agreement with the Aerial Forest Protection Service on cooperation in the field of preventing and extinguishing forest fires at the company's lease areas in all Russian regions.

In 2021, **MTS** expanded the remote monitoring system for forest fires in Krasnoyarsk Krai from ten to 15 stations. The software processes information from video cameras located on MTS towers using the operator's network traffic. The monitoring system makes it possible to detect a fire at an early stage, start prompt elimination of a forest fire, prevent a threat to settlements, and reduce damage to forests and tangible objects.



Plans for 2022

MTS

- ▶ Developing a training course for those responsible for environmental protection in the branches.
- ▶ Developing a training course for new employees called “Environmental Responsibility at MTS Group” and aimed at informing employees about environmental initiatives within the company and the rules for participating in them.
- ▶ Registering facilities with a negative impact on the environment related to the technological division.
- ▶ Preparing for the creation of an IT system for environmental protection and environmental safety.
- ▶ Revising the Policy “Environmental Safety at Administrative Facilities” taking into account the recommendations of the international standard ISO 14001.
- ▶ Ensuring the implementation of the Uniform Programme for Carbon Management and Assessment of Risks Related to Climate Change at PJSC MTS.
- ▶ Integrating environmental responsibility principles into the company's business processes.
- ▶ Facilitating the promotion of environmental values among employees, customers and partners.
- ▶ Ensuring the implementation of environmentally significant projects with subsequent scaling to the regions of operations and to all MTS Group companies.

OZON

- ▶ Switching to returnable packaging for parcels as part of the Ozon Recycle programme.

STEPPE AGROHOLDING

- ▶ Providing all subsidiaries with up-to-date documentation on environmental protection in order to reduce the risk of penalties in this area.
- ▶ Minimising the generation of waste of hazard class 1 by switching to the use of LED lamps by all of Steppe's subsidiaries.
- ▶ Reducing air emissions through the modernisation of dust and gas treatment facilities.

LLC BASHKIRENERGO  
(PART OF BPGC)

Operations in accordance with the applicable environmental laws:

- ▶ measuring the efficiency of dust and gas treatment facilities;
- ▶ developing and approving standards for permissible emissions, taking inventory of sources of emissions;
- ▶ developing a project of a buffer area for the facilities of production departments;
- ▶ carrying out industrial environmental control at the border of the buffer area;
- ▶ providing specialised hydrometeorological information on the onset of adverse meteorological conditions;
- ▶ developing and coordinating an action plan for adverse meteorological conditions;
- ▶ carrying out quality control of a water body in a water protection area.

Rational use of natural resources:

- ▶ regular accounting of water consumption, timely calibration of water meters;
- ▶ quality control of groundwater from wells for technological and utility & drinking water supply;
- ▶ control of water level dynamic in wells.

Continuous improvement of personnel competence:

- ▶ holding a lecture “Environmental Safety at an Enterprise”;
- ▶ holding a lecture for the personnel of contractors
- ▶ “Waste Management: Review of Changes in Legislation”;
- ▶ environmental safety training;
- ▶ subscription to the journal Production Ecology and to Ecologist's Handbook.



# CLIMATE CHANGE

GRI 103-1

GRI 103-2

Climate change is one of the key global problems; the increase in greenhouse gas emissions into the Earth's atmosphere is accepted as the main cause of climate change. Greenhouse gases are formed mainly during the consumption of fuel and energy resources and during some production processes. In order to tackle this problem businesses should aim to reduce greenhouse gas emissions, increase energy efficiency and decrease the energy intensity of their goods.

The Group companies consistently implement measures in this area: adopt energy saving technologies, conduct modernisation of production facilities and infrastructure, and broaden the use of alternative energy sources.



## Carbon Management and Climate Risk Management across the Group

TCFD Strategy |b

TCFD Governance|a

TCFD Governance|b

SASB RR-FM-450a.1

In 2021, **Segezha Group** updated its Sustainability Strategy until 2025, with climate-oriented production and forest management as one of the key areas. The company set the goal of progressively reducing its carbon footprint.

**In this regard, Segezha Group conducted a comprehensive climate assessment of its business in 2021.**

- ▶ A comprehensive assessment of the sources of Scope 1, 2 and 3 greenhouse gas emissions at Segezha Group enterprises was carried out. Greenhouse gas emissions were calculated in accordance with the methodological approaches and recommendations of the Greenhouse Gas Protocol [1, 2, 3] and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories [4, 5, 6].
- ▶ An analysis of climate risks was carried out, identifying physical risks (associated with changes in weather and climate conditions and other environmental parameters due to global climate change) and transition risks (associated with the transition to a low-carbon path of economic development) most relevant for Segezha Group's operations.
- ▶ A study was carried out to assess the absorption capacity of forests from 2016 to 2020, together with the GFA Climate Competence Centre (Germany). A pilot assessment of emissions and absorption was carried out in the Republic of Karelia as the key region.
- ▶ After assessing potential of climate projects, the company determined a pool of potential projects for implementation in order to reduce direct and indirect greenhouse gas emissions across Segezha Group.

Based on the results of this work, in December 2021 the Strategy and Sustainability Committee of Segezha Group approved the concept of the Decarbonisation Strategy to achieve the goals of the Paris Agreement. Planned results in 2030: reducing Scope 1 and 2 emissions to net zero; in 2035: reducing Scope 1, 2 and 3 emissions. Segezha Group plans to complete a detailed roadmap for the implementation of the **Decarbonisation Strategy until 2030 taking into account a science-based approach in the following areas:**

- ▶ Implementing best practices in energy management (ISO 50001) and advanced energy-saving technologies;
- ▶ Fully using secondary fuels (bark, sawdust, black liquor, secondary resources of biological wastewater treatment) and other secondary energy resources;
- ▶ Phasing out the use of heavy fuel oil and other fossil fuels by 2030;
- ▶ Increasing the share of products using recycled materials, including waste paper;
- ▶ Using renewable energy sources.

SASB FB-AG-110a.2

**Steppe AgroHolding's** Board of Directors has the Audit, Finance and Risk Committee responsible for assessing the risk management system, including sustainability risks. In 2021, Steppe established a special commission to assess the risks associated with global climate change, which will determine specific steps to achieve solid financial results and improve development momentum. The company plans an internal ESG audit in the second half of 2022, which will include an assessment of the control system in relation to climate risks. Insurance is considered as the main tool for mitigating the risk of extreme weather conditions. As for non-standard migrations of insects and other production risks, the company promptly changes the crop processing scheme and introduces moisture-saving no-till technologies<sup>1</sup>.

<sup>1</sup> No-till farming is an agricultural technique without disturbing the soil through tillage; cover crops are also used as mulch. No-till farming decreases the amount of soil erosion tillage causes in certain soils. Other possible benefits include an increase in the amount of water that infiltrates into the soil.



MTS stated the relevance and importance of the carbon agenda in its ESG strategy. Climate agenda issues are included in ESG regulations and considered in the corporate governance system at four levels:

ESG COMMITTEE OF THE BOARD DIRECTORS

- ▶ Approval of strategic development areas

ESG CENTRE

- ▶ Coordination and operational control

FUNCTIONAL GROUP OF ENVIRONMENT

- ▶ Implementation of key initiative and technological control
- ▶ Preparation of climate reporting

WORKING GROUP OF ENVIRONMENT AND RESPONSIBLE FINANCE

- ▶ Forming a uniform climate strategy of MTS Group
- ▶ Developing a climate risk map
- ▶ Implementation of initiatives aimed at reducing the carbon footprint that require cross-functional interaction

GRI 102-13

The Working Group on Environment and Responsible Finance has compiled a list of key risks (physical and transition) associated with climate change, in accordance with the recommendations of the TCFD.

Since 2019, **MTS** has been a member of the global GSM initiative to minimise the impact of the telecommunications industry on climate change and is a member of the Climate Change Workstream, a working group created within the JAC Association. Participation in the specialised JAC working group enables MTS to gain access to the best practices in the area of carbon management and made it possible to continue the implementation of environmentally significant initiatives with greater efficiency, including identification of the most significant sources of greenhouse gas emissions and their share in the supply chain.

GRI 308-2

Within the framework of the GSM Association, **MTS**, together with other telecom operators, is also developing a unified methodology for calculating the volume of indirect greenhouse gas emissions generated in the supply chain of telecommunications companies. The collaborative work should result in a GSMA Scope 3 Guidance containing practical guidance for industry companies on calculating Scope 3 indirect emissions.

Since 2019, **MTS** Group has been disclosing annually its work to reduce greenhouse gas emissions on the international CDP platform. In 2021, MTS reaffirmed its high score of B ("Management") from CDP experts, strengthening its position in terms of carbon footprint disclosure.

**Ozon's** impact on the climate, as an e-commerce marketplace, is through the transportation of parcels and the consumption of energy resources. The company is currently analysing sources of greenhouse gas emissions.



For more information on Segezha Group's carbon management, see *Segezha Group's Annual Report for 2021*.

A list of physical and transition risks and opportunities, see Annex 3. Identification of climate change risks and opportunities based on the recommended structure from the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

For more information on MTS's carbon management and list of climate risks, see *MTS's Sustainability Report for 2021*.



# Greenhouse Gas Emissions

GRI 305-1 UNCTAD B.3.1  
TCFD Metrics and Targets | b

885 THSD T OF CO<sub>2</sub> EQ  
THE DIRECT GREENHOUSE GAS EMISSIONS IN 2021

Sistema Group’s portfolio assets account for and control greenhouse gas emissions. In 2021, direct greenhouse gas emissions amounted to 885 thsd t of CO<sub>2</sub>.

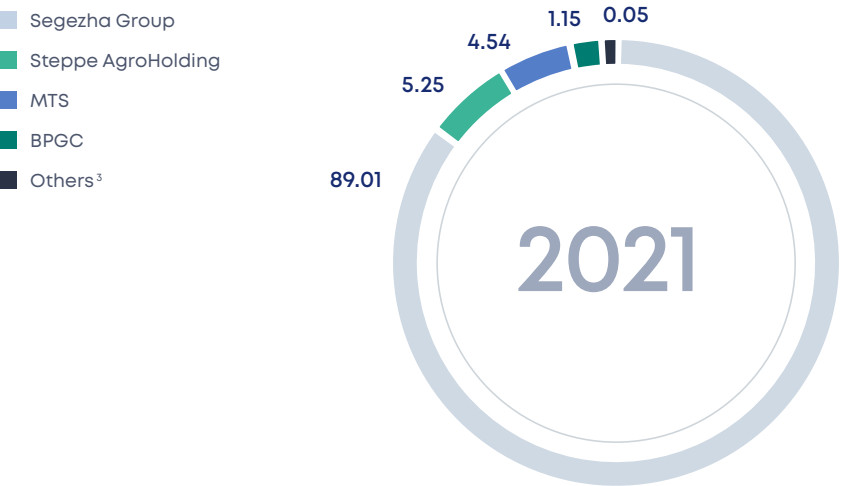
Direct GHG Emissions (Scope 1), t of CO<sub>2</sub>eq



The increase in direct greenhouse gas emissions is due to the recovery of the intensity of business processes in 2021 to pre-pandemic levels, as well as the adjustment of Segezha Group’s methodology for calculating greenhouse gas emissions.

SASB FB-AG-110a.1

Sistema Group’s Direct GHG Emissions in 2021 by Company, %



GRI 305-4

GHG Emissions Intensity, t of CO<sub>2</sub>eq/RUB m of consolidated revenue



1 Data is provided for MTS, Segezha Group, Steppe AgroHolding, BPGC, Cosmos Hotel Group, Sitronics Group and RZ Agro.  
2 Data for 2020 have been recalculated to a more uniform perimeter. Data is provided for MTS, Segezha Group, Steppe AgroHolding, Sitronics Group, Cosmos Hotel Group and RZ Agro.  
3 Others (incl. Cosmos Hotel Group, Sitronics Group and RZ Agro).

12.7 THSD T OF CO<sub>2</sub>EQ  
IN METHANE EMISSIONS IN 2021<sup>8</sup>

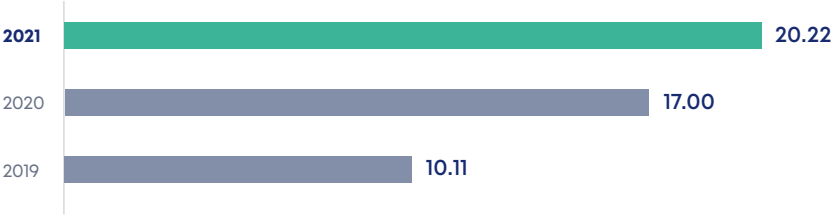
1.01 M T OF CO<sub>2</sub>EQ  
INDIRECT GREENHOUSE GAS EMISSIONS

GRI 103-3 GRI 305-2  
UNCTAD B.3.2

Since 2020, Sistema has been disclosing climate data through the leading international carbon reporting platform CDP. In 2021, the Corporation was included in the top 10 out of 33 Russian companies, with a score of B (“Management”).

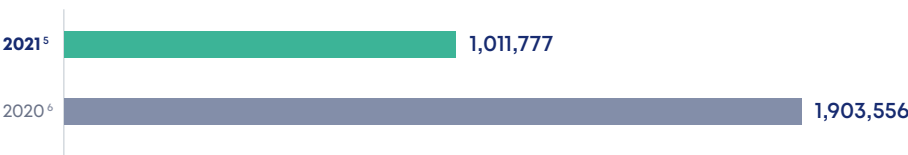
4 Indirect greenhouse gas emissions are calculated using the market valuation method due to the fact that contracts for the supply of electricity in 2020-2021 did not contain attributes of greenhouse gas emissions.  
5 Data is provided for MTS, Segezha Group, Steppe AgroHolding, BPGC, Cosmos Hotel Group, Sitronics Group and RZ Agro.  
6 Data is provided for MTS, Segezha Group, Medsi, Etalon Group, Binnopharm Group, Sistema and RZ Agro.  
7 Others (incl. Steppe AgroHolding, Sitronics Group, Sistema, Aeromax and Elektrozavod).  
8 Data is provided for MTS, Steppe AgroHolding and RZ Agro. The global warming potential value for methane is set to 28 according to the IPCC Fifth Assessment Report: Climate Change 2014 (AR5).

Ratio of GHG Emissions to the Consumption of Fuel and Energy Resources, t/thsd GJ

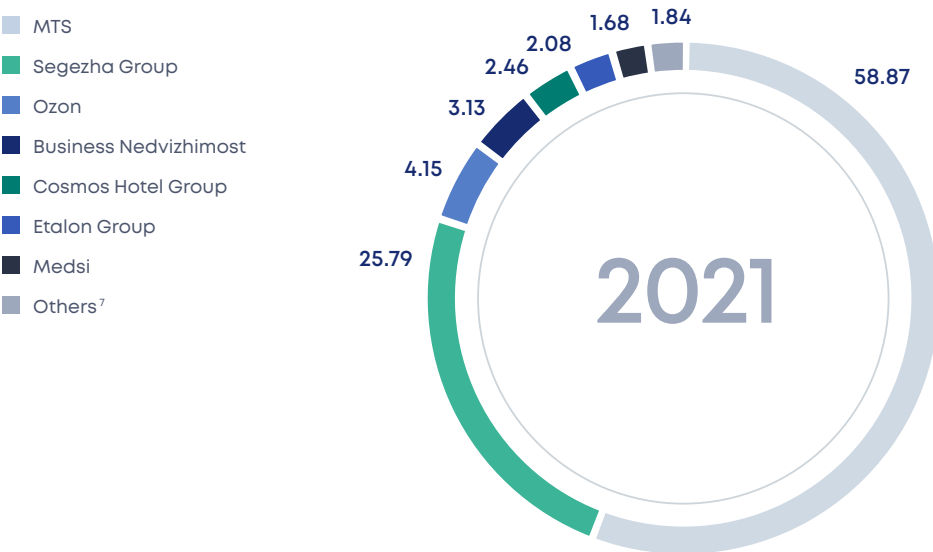


In 2021, indirect greenhouse gas emissions<sup>4</sup> of portfolio assets were calculated for 2021 and 2020. In 2021, indirect emissions amounted to 1.01 m t of CO<sub>2</sub>. The decrease in indirect greenhouse gas emissions in 2021 compared to 2020 is due to a significant reduction in electricity consumption by MTS.

Indirect GHG Emissions (Scope 2), t of CO<sub>2</sub>eq



Sistema Group’s Indirect GHG Emissions in 2021 by Company, %





# ENERGY MANAGEMENT

GRI 103-1

GRI 103-2

With a view to improving the operational efficiency of the Group’s business, all companies of Sistema Group work hard to reduce the energy intensity of their operations: they introduce energy saving technologies, start using more energy-efficient and eco-friendly types of fuel.

The Group companies have adopted regulations that govern their approaches and goals in the area of management of energy resources and enhancement of energy efficiency, for example:

- Energy saving and energy efficiency programme for 2016–2023 adopted by LLC Bashkirenergo (part of BPGC)
- Energy saving and energy efficiency programme for 2021–2026 adopted by LLC BGC (part of BPGC)
- Energy saving and energy efficiency strategy introduced by MTS and regional energy saving and energy efficiency programmes
- Segezha Group's long-term environmental security strategy for 2021–2025

Moreover, the enterprises of the Group’s portfolio companies are undergoing the certification of their energy management systems under ISO 50001.

## Energy Consumption and Enhancement of Energy Efficiency

GRI 302-4

54

GJ/  
M RUB

OF SISTEMA GROUP'S  
CONSOLIDATED REVENUE —  
THE ENERGY INTENSITY IN 2021

In 2021, the total consumption of fuel and energy resources was almost unchanged. Energy intensity across Sistema Group stood at 54.55 GJ/RUB m, which is 12.9 % lower than in 2020.

The Group companies are using different types of fuel and energy sources with thermal power accounting for about 3.6% of the total consumption, electric power for 24.3%, and fuels (boiler, furnace, and motor types) for 72.1%.

GRI 302-1

	2021 <sup>1</sup>	2020 <sup>2</sup>	2019
Electric power	10,633,819	12,209,870	10,362,549
Thermal power	1,594,162	10,259,420	9,530,125
Fuel	31,539,325	20,862,339	63,944,071
TOTAL	43,767,306	43,331,629	83,836,744

Segezha Group is the leader in energy consumption due to the specific nature of its business, the growing scale of production and availability of own boiler units.

56%

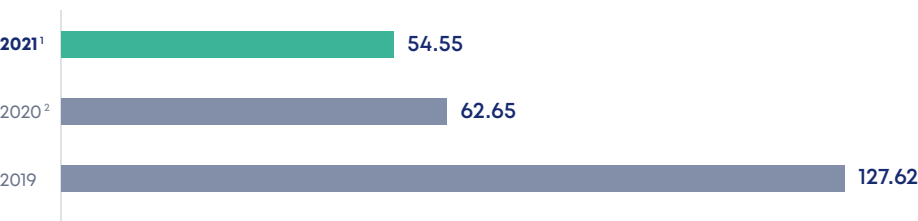
THE SHARE OF BIOFUEL  
CONSUMPTION OF TOTAL ENERGY  
CONSUMPTION IN 2021

Fuel Consumption by the Group Companies by Type of Fuel, %	
Renewable energy sources (biofuel)	56.07
Diesel and fuel oil	23.53
Natural gas	18.19
Petroleum	1.86
Boiler and furnace fuel	0.3
Other renewable energy sources <sup>3</sup>	0.03
Other types of fuel	0.01

<sup>1</sup> Net of Concept Group (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).  
<sup>2</sup> Net of Koncel (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).  
<sup>3</sup> Other renewable energy sources include own generation of geothermal power, solar power, wind power and hydropower.

GRI 302-3

Energy Intensity, GJ/RUB m of Sistema Group's Consolidated Revenue



The Group companies regularly implement measures aimed at improving the energy efficiency of production and the reliability of power supply.

In 2021, **Segezha Group**, as part of the energy efficiency programme at its Segezha Pulp and Paper Mill, took measures to reduce energy consumption for lighting production facilities, which resulted in electricity consumption decreasing by 4,394 MWh at six facilities of the mill.

In 2021, **LLC Bashkirenergo** continued its programme to install environmentally friendly electrical equipment: vacuum 10 kV 3,150 A switches that have replaced obsolete oil circuit breakers. Vacuum circuit breakers are more environmentally friendly, explosion- and fire-proof, which increases the reliability of energy supplies to customers and also reduces the potential environmental risks of negative impact on the environment.

**MTS** operates a network of 14 data centres that work around the clock and consume large amounts of electricity that powers the servers themselves and the industrial air coolers. In 2021, the company took a number of measures to improve energy efficiency in data centres, including the launch of automatic control of engineering systems, the introduction of modern energy-saving equipment and the modernisation of ventilation systems.



For more information on the energy efficiency of MTS data centres, see MTS Sustainability Report for 2021.

Use of Renewable Energy Sources

UNCTAD B.5.1 > UNCTAD B.5.2

The Group companies are increasing the proportion of energy they consume from renewable sources, which leads to a reduction in their carbon footprint.

In December 2021, **Steppe AgroHolding** received its first I-REC certificate, which confirms the consumption of 100 MWh of electricity from renewable energy sources. This became possible due to the transition of one of Steppe's dairy farms to the consumption of electricity supplied by a small hydroelectric power plant in the Republic of Bashkortostan. Increasing the share of renewable energy sources is part of Steppe's comprehensive programme aimed at reducing the carbon footprint in the agricultural industry.

At the beginning of 2021, a **Segezha Packaging** plant in Denmark, which produces paper packaging, completely switched its production to wind energy. Also in 2021, Segezha Group's Lesosibirsk WP No 1 completed the design of a 40 MW thermal power plant intended for burning bark and wood waste generated

<sup>1</sup> Net of Concept Group (in accordance with the consolidation perimeter for 2021, given at the beginning of the section).  
<sup>2</sup> Net of Sistema, Koncel and RZ Agro (in accordance with the consolidation perimeter for 2020, given at the beginning of the section).



during the sawmilling process. This project will reduce electricity consumption by 10%, ensuring the full utilisation of bark.

In early 2021, **MTS** equipped two base stations in the Astrakhan region with solar panels. The peak power of solar panels at each of the stations exceeds 10 kW. MTS also equipped base stations with solar panels in hard-to-reach areas of Krasnodar Krai, where base stations cannot be connected to power lines.

In addition, **MTS** deployed a digital infrastructure for wind farms in Stavropol Krai in 2021. The company laid more than 22 km of fibre optic networks, which ensured the stability of data exchange with an automated system responsible for the rotation of the blades and process analysis.

In 2021, **Sistema** signed a cooperation agreement with the Institute of Problems of Chemical Physics of the Russian Academy of Sciences to set up a national hydrogen energy R&D centre.

Charging Stations

The Group companies contribute to the expansion of the charging infrastructure for the development of electric vehicles in Russia.

Within Sistema Group, the main contribution to the development of the charging infrastructure is made by **Sitronics Group**. In 2021, the company completed the creation of a pilot charging infrastructure in Moscow, with 12 charging stations installed. Sitronics Group also installed a charging station at the Strigino International Airport in Nizhny Novgorod, which made it possible to launch a regular electric bus service to the airport. In the reporting year, Sitronics Group also presented a project to install charging stations for electric vehicles at 16 hotels of Cosmos Hotel Group. Implementation of projects for the installation of charging stations is also planned in St Petersburg and Nizhny Novgorod. In the next few years, Sitronics Group expects to control up to 30% of the Russian charging infrastructure market.

In 2021, **BPGC** opened three new charging stations with a capacity of 60 kW each in Ufa. Vehicles are charged in mode 4 with DC, which reduces the charging time to 20 minutes, depending on the battery capacity. In the future, it is planned to develop the EV infrastructure in Bashkortostan with an emphasis on fast-charging stations.

THREE BASE STATIONS IN THE KRASNODAR TERRITORY ARE SOLAR POWERED

Generated power

5.7 kW

Tuapse district, northwest of the Chilipsi Railway Station, southeastern slope of Mount Lysaya

6.1 kW

Krasnodar Territory, Gelendzhik, Markothtsky Ridge, MTS OJSC tower

6.7 kW

Krasnodar Territory, Krasnoarmeysky District, the village of Staronizhesteblievskaya, 63 Stepnaya Str





# SOCIAL AND ECONOMIC DEVELOPMENT OF REGIONS

## The UN Global Compact Principles

01

Businesses should support and respect the protection of internationally proclaimed human rights

02

Businesses should make sure that they are not complicit in human rights abuses

131.5 BN RUB

IN TAX PAYMENTS TO BUDGETS OF ALL LEVELS

1.85 BN RUB

IN SOCIAL INVESTMENTS IN COMMUNITIES<sup>1</sup>

17 AGREEMENTS

WITH RUSSIAN REGIONS

<sup>1</sup> Including financing of private charity and social projects of Sistema and its portfolio companies, financing of programmes and operational expenditures of Sistema Charitable Foundation (SCF), and donations made by Sistema and portfolio companies to SCF.





GRI 103-3

Sistema Group Companies' Awards in 2021



**MTS** received an award from the Donors Forum's Leaders of Corporate Charity project in the category "Best corporate programme of social investments in the context of sustainable development and business strategy"



ЛУЧШИЕ СОЦИАЛЬНЫЕ  
ПРОЕКТЫ РОССИИ

**MTS** won Russia's Best Social Projects award in the Corporate Projects category for its project "Day of MTS at regional employment centres"



INTERNATIONAL COMMUNICATION AWARDS

**MTS** was a two-time winner at the international Proba Awards 2021, given for achievements in the communications sphere. It received the Creative Grand Prix and first prize in the Territory Promotion category



The United Nations named **MTS's** social programme **Generation M** one of the best global practices for achievement of five UN Sustainable Development Goals: Good Health and Well-being, Quality Education, Reduced Inequality, Sustainable Cities and Communities and Partnerships to Achieve the Goals



**Segezha Group** topped the ESG rating of socially responsible companies compiled by the AK&M news agency in the Pulp&Paper Industry and Timber Processing category



**Segezha Group** was a winner in the Investments in Regions category of the Russian national award Investment Leaders 2021 for its charitable project "Walking Around Segezha"



A project of **Segezha Group** won the Regional Investor 2021 contest at the 5th annual regional contest of investment projects



СКОЛКОВО  
Московская школа управления

The Moscow School of Management Skolkovo mentions **Segezha Group** as a positive example in its research "Gold standard of impact: best cases and practices of changing social impact of businesses"



**Steppe AgroHolding** won the Socially Responsible Initiative category of the Agricultural Investor 2021 award for its support to the underprivileged and purchase of protection equipment and disinfectants for hospitals



**Sistema Charitable Foundation** received four stars (the highest possible number) in the ranking of Russian charitable organisations compiled by non-profits with support from the Presidential Grant Foundation



ЛУЧШИЕ СОЦИАЛЬНЫЕ  
ПРОЕКТЫ РОССИИ

**Sistema Charitable Foundation** won the Development of Volunteering category of the award Russia's Best Social Projects 2021 for its national campaign #RememberTogether



Общественная палата  
Российской Федерации  
и ее члены и члены семьи



АССОЦИАЦИЯ  
МЕНЕДЖЕРОВ

**Sistema Charitable Foundation** received an award of honour from the Civic Chamber for Development of Economy and Corporate Social Responsibility and the Russian Managers' Association for its contribution to the national projects Education and Culture



The project of an education cluster in Kostroma created by **Sistema Charitable Foundation** together with the government development corporation VEB.RF was named among the best Russian practices at the national contest of regional vocational training clusters



Lift to the Future, a flagship project of **Sistema Charitable Foundation**, was included in the UN's official SDG Good Practices



**Sistema Charitable Foundation** was ranked among the top 15 charities for partnership potential and the top 10 for transparency in the ranking of corporate and private charitable organisations prepared by RAEX



# SUPPORT TO REGIONS AND SOCIAL AND CHARITY PROJECTS

GRI 103-1

17

AGREEMENTS  
with Russian regions

Sistema's portfolio companies are active in almost all regions of Russia, as well as in several foreign locations. Contribution to social and economic development of regions of operation is an important part of the Corporation's social agenda, aimed at long-term sustainable business development and taking into account interests of all stakeholders. Therefore, companies across the Group engage in social and charitable projects seeking to make a difference, develop reliable social infrastructure and promote science, education, and culture in the communities where they operate.

## Social and Economic Partnership with Regions

GRI 103-2

GRI 203-2

GRI 413-1

In its dealings with local governments across the country, Sistema is invariably committed to mutually beneficial socio-economic partnerships. At the end of 2021, Sistema had 17 agreements with regions of operation.

All of the agreements pursued in 2021 were aimed at creating favourable economic, investment and social conditions in locations crucial to Sistema's business. The technology upgrades, efficiency enhancements and business scaling they entail will translate into larger tax revenues and attractive paying jobs.

### Key Agreements with Local Administrations as of 31 December 2021

GROUP COMPANIES	OTHER REGIONS
Sistema	<div><div></div>The Republic of Karelia</div> <div><div></div>Arkhangelsk, Vologda, Irkutsk, Kemerovo, Kirov, Kostroma, Kurgan, Nizhny Novgorod, Novosibirsk, Omsk, Samara, Tyumen and Yaroslavl regions</div> <div><div></div>Krasnoyarsk, Primorye and Stavropol territories</div>
Sistema Charitable Foundation	<div><div></div>Republic of Altay, Republic of Bashkortostan</div> <div><div></div>Kostroma and Rostov regions</div>
MTS	<div><div></div>Republics of Adygeya, Buryatia, Dagestan, Ingushetia, Kalmykia, Karachay-Cherkesia, Komi, Tatarstan, Sakha (Yakutia)</div> <div><div></div>Kamchatka, Krasnoyarsk, Perm and Primorye territories</div> <div><div></div>Amur, Voronezh, Kaliningrad, Kaluga, Kostroma, Leningrad, Lipetsk, Moscow, Nizhny Novgorod, Novosibirsk, Orenburg, Rostov, Ryazan, Samara, Tyumen, Pskov, Sakhalin and Sverdlovsk regions</div> <div><div></div>Khanty-Mansi Autonomous District</div> <div><div></div>Moscow Agency of Innovations</div>
Segezha Group	<div><div></div>Republic of Karelia</div> <div><div></div>Krasnoyarsk territory</div> <div><div></div>Arkhangelsk, Vologda, Kirov, Kostroma, Omsk, Rostov, Sakhalin and Tver regions</div> <div><div></div>Ministry of Economic Development of the Russian Federation</div>
Etalon Group	<div><div></div>Omsk region</div>
Steppe AgroHolding	<div><div></div>Stavropol territory</div> <div><div></div>Rostov region</div>
BPGC	<div><div></div>Bashkortostan's Ministry of Education</div>
Medsi	<div><div></div>Republics of Karelia, Sakha (Yakutia) and Tatarstan</div> <div><div></div>Nenets Autonomous District</div> <div><div></div>Republic of Karelia's Healthcare Ministry,</div> <div><div></div>St Petersburg city administration, Ministry of Economic Development of the Russian Federation, Republic of Udmurtia Ministry of Health</div>
Sitronics Group	<div><div></div>Republic of Ingushetia</div> <div><div></div>Novosibirsk and Samara region</div> <div><div></div>Kaluga</div>
Ozon	<div><div></div>Samara region</div>
Cosmos Hotel Group	<div><div></div>Kemerovo region</div>





# Priorities of Sistema's Regional Development in 2022

Construction of residential properties

Construction of infrastructure

Development of the hotel business

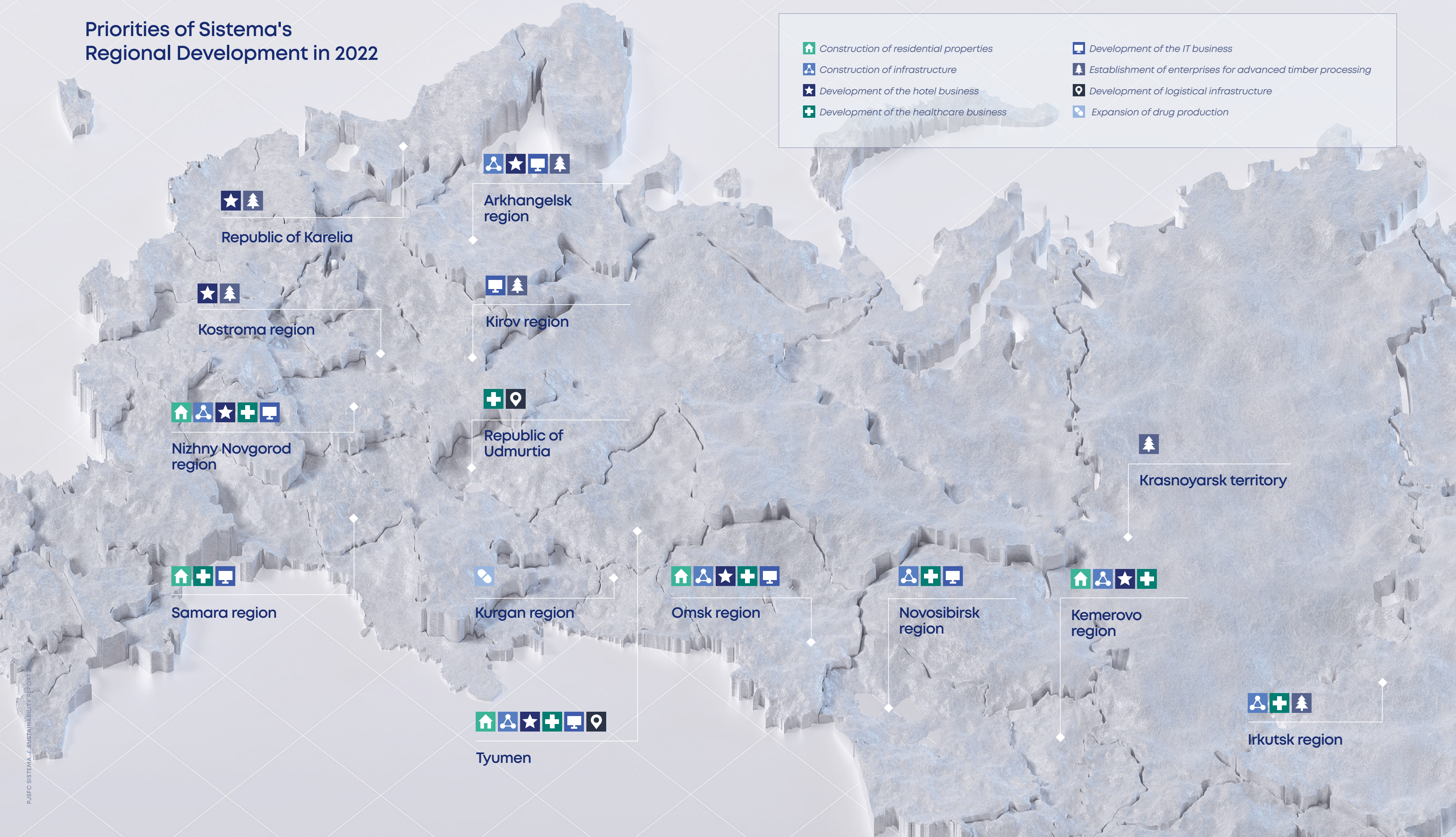
Development of the healthcare business

Development of the IT business

Establishment of enterprises for advanced timber processing

Development of logistical infrastructure

Expansion of drug production





TAX MANAGEMENT



30+<sup>BN</sup>  
RUB

THE SOCIAL SECURITY  
CONTRIBUTIONS IN 2021

Sistema Group is among the largest taxpayers in Russia. In 2021, the Group's total tax payments (both federal and local) grew by 9.6% year-on-year, to RUB 131.5 bn, of which RUB 30 bn (23.85%) went towards the Russian Pension Fund and health/social insurance.

0.63%

SAVED IN TOTAL TAXES  
across the Group in 2021 thanks  
to the use of tax benefits

Sistema Group's Tax Payments to Russian Budget in 2021 by Tax Type, %



80%

THE TAX PAYMENTS  
of MTS, Segezha Group and BPGC

The largest taxpayers in Sistema Group are **MTS, Segezha Group and BPGC**, whose aggregate tax payments in 2021 accounted for 80% of the Group's total taxes. Sistema rigorously abides by the Russian tax legislation and received no tax claims in 2021.

Companies across Sistema Group use tax benefits and special tax treatments to develop their businesses locally. This is especially relevant to companies operating in the industries and regions of particular strategic importance to the state.



131.5<sup>BN</sup>  
RUB

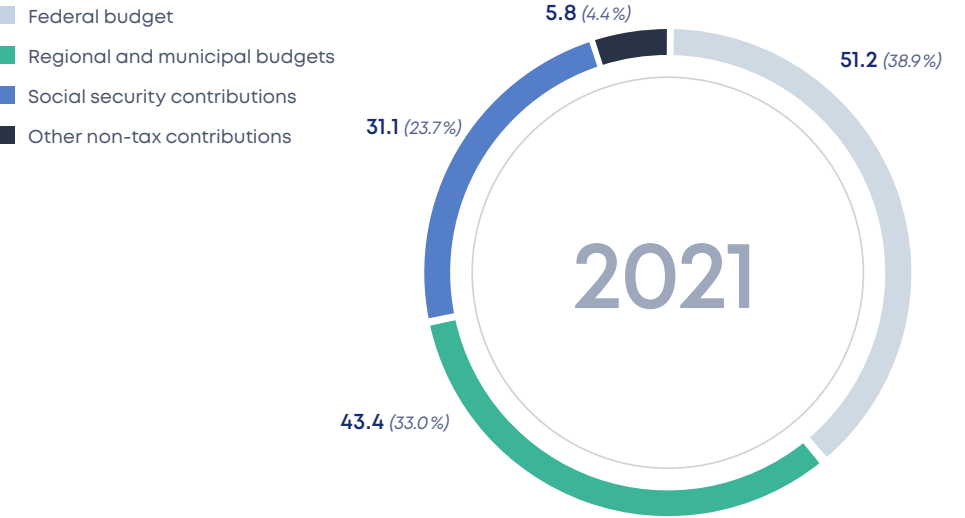
THE TOTAL AMOUNT OF TAX  
PAYMENTS TO THE RUSSIAN  
BUDGET

GRI 201-4

22.5<sup>BN</sup>  
RUB

THE NON-TAX CHARGES  
TO RUSSIAN PENSION FUND

Sistema Group's Tax Payments to the Russian Budget in 2021, RUB bn



Sistema Group's Tax Payments to the Russian Budget, RUB bn

INDICATOR	2021	2020	2019
Payments to the budgets of all levels and to off-budget funds	131.5	118.9	125.2
Tax payments to the federal and regional budgets (including other non-tax contributions)	100.4	92.9	97.8
Social security contributions	31.1	25.9	27.4

Governmental Support by type, %

	2021	2020	2019
Reduced income tax rate	48.51	21.11	54.61
Property tax exemption	38.96	74.26	25.53
Reduced rates of social security contributions	12.19	4.18	19.67
Land/lease tax relief	0.34	0.46	0.19

Non-Tax Charges in 2021, RUB bn

Russian Pension Fund	22.52
Mandatory Health Insurance Fund	6.43
Social Insurance Fund	2.15
TOTAL	31.10

33%

OF ALL TAX PAYMENTS  
made by Group companies  
in 2021 went toward regional  
budgets

Sistema Group's Tax Payments to Federal and Regional Budgets in 2021, %	
Federal budget	54.12
Moscow	22.46
Moscow region	2.66
Republic of Karelia	2.12
St Petersburg	1.80
Republic of Bashkortostan	1.70
Krasnodar territory	1.25
Kirov region	1.17
Nizhny Novgorod region	1.07
Krasnoyarsk territory	0.98
Rostov region	0.98
Vologda region	0.81
Others	8.88

Sistema Group's Tax Payments by the Group Companies in 2021,%

	FEDERAL AND REGIONAL TAXES COMBINED	SOCIAL SECURITY CONTRIBUTIONS
MTS	73.3	48.6
Segezha Group	3.4	10.3
Sistema	3.4	8.2
BPGC	3.3	4.1
Sitronics Group	2.0	2.2
Medsi	1.8	9.2
Binnopharm Group	1.8	1.3
Steppe AgroHolding	1.8	3.7
Business Nedvizhimost	1.5	0.6
Others, including non- consolidated companies¹	7.7	11.8

Tax Payments in All Jurisdictions, RUB bn

	2021	2020	%
TOTAL	149.1	134.4	100

GRI 207-4

¹ The amounts are pro rata to ownership interests.

78.6%

THE RATIO OF TAX PAYMENTS  
TO INVESTMENTS

Ratio of Tax Payments to Capital Investments of Sistema Group

	2021	2020	2019
Tax payments, RUB bn	131.5	118.9	125.2
Investments of the Group, RUB bn	167.2	127.8	117.6
Ratio of tax payments to investments, %	78.6	93.0	106.6

INCREASING ECONOMIC ACTIVITY IN REGIONS OF OPERATION

Sistema's portfolio companies consistently expand their operations and increase product output, thus creating new jobs and stimulating economic activity in regions of operation.

In 2021, **Segezha Group's** subsidiary, Segezha Pulp&Paper Mill, completed a large-scale investment project in the area of forest management in Karelia worth RUB 14.6 bn. The investment enabled it to expand its operations, upgrade production and create over 150 new jobs. Segezha Group also completed the construction of a plywood mill in Galich, the Kostroma region. Investment in the project amounted to RUB 10 bn. It optimised utilisation of the region's resources and created more than 600 new jobs. In order to provide employees for the mill, Segezha Group launched an educational project in the Kostroma region.

**Segezha Group** continued upgrade of its existing production sites. In November 2021, it commissioned a new high-tech pellet plant at the Sokol PPM with an annual capacity of 65,000 tonnes. The plant created about 20 new jobs. In the reporting year, Segezha Group announced plans to build a pellet plant with a capacity of 30,000 tonnes at its Onega Woodworking Plant in the Arkhangelsk region, investing RUB 4.8 bn.

In 2021, Segezha Group signed a number of agreements on construction of new enterprises.

- ▶ Trilateral agreement with the Russian Ministry of Economic Development and the government of Karelia on construction of a new PPM in Segezha, Segezha West. Implementation of the project investment in which will amount to RUB 178 bn will create about 700 new jobs and will ensure processing of pulpwood and import substitution with a high added value.
- ▶ Agreement with the government of the Tver region on a paper packaging plant. The new enterprise will increase the company's paper packaging capacity by 18% and create over 100 new jobs. Due to the project, the Tver region will give Segezha Group the status of a resident of the Borovlevo 3 innovation and industrial park.
- ▶ Agreement with the government of the Omsk region on construction of a new high-tech plywood mill. The project will create 650 new jobs, the mill's capacity will reach 20,000 cu m of plywood per year, the mill will have a closed production cycle and will ensure full wood processing with minimal impact on the environment.

14.6 BN  
RUB

THE INVESTMENTS IN A  
LARGE-SCALE INVESTMENT  
PROJECT IN THE AREA OF FOREST  
MANAGEMENT IN KARELIA

4.8 BN  
RUB

THE INVESTMENTS IN  
A NEW HIGH-TECH PELLET  
PLANT AT THE SOKOL PPM

178 BN  
RUB

THE INVESTMENTS IN A  
CONSTRUCTION OF A NEW  
PULP&PAPER MILL IN SEGEZHA



7.3 BN RUB

THE INVESTMENTS IN A CONSTRUCTION OF A NEW LOGISTICS CENTRE

In 2021, Ozon Nevinnomyssk announced plans to build a logistics centre, which will contribute to the social and economic development of the town of Nevinnomyssk and create over 1,500 new jobs. The company will invest RUB 4.4 bn to construct a 86,600 sq m centre. **Ozon** also announced creation of a logistics centre in Chapayevsk. It will simplify logistics for local entrepreneurs and enable them to roll out their business abroad faster. The company will invest a total of RUB 7.3 bn and create 3,400 new jobs.

The Group companies also carry out projects aimed at supporting local businesses. In 2021, **Ozon** and the My Business entrepreneurs' support centre launched a free education programme for entrepreneurs in Tver titled "Ozon. Start. Businessmen." First-time entrepreneurs learned how to start selling their products on the marketplace. In addition to practical skills and knowledge about Ozon's functioning, some project participants received initial capital for their businesses.

GRI 204-1 UNCTAD A.4.1

Procurement from Local Suppliers and SMEs in 2021, %<sup>1</sup>

Average share of procurement from SMEs	57.86
Average share of procurement from local suppliers	63.54

IMPROVING URBAN ENVIRONMENT

Sistema Group companies pay significant attention to the development of the urban environment and upgrade of infrastructure to create comfortable and safe living conditions for residents in regions of operation.

In 2021, **Segezha Group** allocated over RUB 167 m for social investments in Segezha. The money was used for repairs of major roads, a skiing centre and an art school, as well as for other city improvement projects. Segezha Group also provided RUB 1.1 m for improvements in the town of Yartsevo, the Krasnoyarsk territory, the home of the biggest logging enterprise of Lesosibirsk Woodworking Plant No 1. Segezha Group co-financed the building of a playground and landscaping of a poplar park. The company also invested over RUB 2 m in construction of sports infrastructure in the town of Onega. Segezha's urban design projects Segezha Family Park (in Karelia) and Blue Lake City of Galich (in the Kostroma region) each scooped a win at the 5th national contest of small-town landscaping

projects held in 2021. As a result, the two one-company towns will receive federal financing for implementation of the projects.

2021 was the third successive year when **Segezha Group** organised a competition of social projects titled Good Forests of Segezha Group in towns that are homes of its biggest assets: Lesosibirsk (the Krasnoyarsk territory), Segezha (the Republic of Karelia), Onega (the Arkhangelsk region) and Sokol and Vologda (both in the Vologda region). The contest is aimed at the social and economic development of communities where the company operates and the fostering of environmental consciousness. Applications could be submitted in three categories: Environment, Public Spaces and Development. The total amount of grants awarded to winners was RUB 3.2 m.

1 Data is provided for Etalon Group, Speppe AgroHolding, BPGC, Business Nedvizhimost, Sitronics Group, Aeromax, Concept Group.

In 2021, **Etalon Group** continued implementation of housing construction and landscaping projects. In Moscow, Etalon Group is carrying out a comprehensive development project at ZIL-Yug: it has 109 hectares to build residential buildings and all the necessary infrastructure — underground passages, a cultural centre, healthcare and educational facilities and boulevards. In St Petersburg, the company is building a residential district with infrastructure for family recreation, kindergartens and schools. In the reporting year, Etalon Group signed an agreement with the regional authorities of Kemerovo and Novokuznetsk on construction of over 400,000 sq m of housing, which will be a contribution to the national project "Housing and Urban Environment."

In 2021, **Medsi** and VEB.RF signed a memorandum on strategic cooperation in construction and operation of healthcare facilities in regions. Investment in the project will

exceed RUB 6bn. The programme provides for construction of three primary care clinics and one in-patient clinic in the Kemerovo and Nizhny Novgorod regions and in the Khanty-Mansi Autonomous Area — Yugra.

In 2021, **MTS** supported renovation of historical buildings as part of Tom Sawyer Fest, a volunteer festival for restoration of historical environment in Russian regions. In the reporting year, the festival's volunteers performed restoration work in Stavropol, Samara and the Lipetsk region. Also in 2021, MTS announced plans to establish a chain of concert venues in large Russian cities. The company was in talks on acquiring or leasing venues for 2,000-4,000 people. MTS intends to open about ten venues in the near term and later to open one in each city with a population of 1 m people.

DEVELOPMENT OF TOURISM

Sistema Group companies carry out initiatives aimed at unlocking the tourist potential of Russian regions.

In 2021, **Cosmos Hotel Group** and JSC Corporation Tourism. RF signed a cooperation agreement in order to carry out large hotel construction projects in the middle price segment. Tourism.RF will co-finance more than ten projects. Investment in hotel construction will total RUB 30 bn. Hotels will be built in economic centres of Russia and also in Segezha, Galich and Tobolsk.

In 2021, **MTS** and the Tourist and Information Centre of the Primorye territory signed an agreement on cooperation in the area of geoanalytics in order to organise a convenient tourist navigation system. The telecom operator also signed an agreement with the Rostov region's Tourism and Business Communications Agency on use of big data for analysing the internal tourist flow.

In 2021, **MTS** launched MTS.Region — an analytical big data-based digital platform — in the Khanty-Mansi Autonomous Area, the Primorye territory and Rostov region. The platform identifies the key tourist attractions and helps to plan seasonal routes. In cooperation with the governments of the Vologda and Kaliningrad regions, MTS developed tourist websites with information about the sights, entertainment and gastronomic attractions of the regions. The service is free and available to subscribers of all mobile operators.

**MTS** is contributing a lot to the digitalisation of the tourist industry in various regions of Russia. In 2021, it provided network coverage along the routes of trains and commuter

trains on the coast of the Krasnodar territory where there had been no internet access and increased the speed of 4G internet across the coastal area of the Lazorevsky district, which is more than 100 km long. In December 2021, by the start of the winter holiday season, MTS installed a new LTE base station near an alpine skiing resort in the Orenburg region. It also completed the first stage of modernisation of the 4G network in the Republic of Altay, which made it possible to increase the average network speed by 50% by the start of the summer tourist season.

**MTS** is also developing mobile audio guides for tourists in order to expand access to cultural and historical attractions. In 2021, the operator offered mobile guides for the Lazorevsky district of the Krasnodar territory, for the towns of Vyazma and Buzuluk, for the sights of Bashkortostan and a guide along the Krugobaiakalskaya railway in the Irkutsk region that was developed together with Russian Railways. Online excursions can be found in mobile applications and are available free of charge to subscribers of all Russian mobile operators.

**Segezha Group** is participating in the development of the tourist cluster "Veliky Ustyug: the fairytale capital of Russia" as part of the national project "Tourism and Hospitality Industry". Segezha Group designed a new palace for Father Frost near Veliky Ustyug. It will be made of CLT panels that the company started producing in February 2021 and will be designed so as to receive a higher tourist traffic. The project will be completed by 2030.



# Social Investments and Charity

GRI 103-2 UNCTAD A.3.2

Sistema Group's main social investment vehicle for more than 15 years now is Sistema Charitable Foundation (SCF), which manages group-wide philanthropy projects.



For more information on the approach to charity work management, see *Sistema's Charity Policy*

1.5 BN RUB

WAS SPENT BY SISTEMA GROUP IN DIRECT SOCIAL INVESTMENT IN 2021,

which equals 0.19% of the Group's total consolidated revenue and 0.6% of adjusted OIBDA

In addition to projects pursued by SCF, companies across the Group have their own charity and relief projects addressing specific pressing needs and challenges of local communities. The Corporation uses a broad range of tools for implementing social programmes, providing financial, in-kind and non-financial support to stakeholders, always aiming to use investment funds to best social effect.

The Group companies continuously perfect their internal regulations in order to enhance their management of charitable activities. In 2021, **Segezha Group** updated its Charity Policy. The new document lists the areas of charity work based on research of the social and economic situation in regions. In 2021 Ozon approved Charity Policy, which set out the principles and rules for implementing charitable initiatives in the company.

GRI 203-1

Direct Social Investments across Sistema Group, RUB m

	2021	2020 <sup>1</sup>	2019
Total social investment from:	1,579.9	1,307.7	1,096.6
Sistema Charitable Foundation <sup>22</sup>	354.5	211.01	239.4
Group companies <sup>3</sup>	1,225.4	1,096.6	857.2

85+ THSD

PARTICIPANTS OF CHARITABLE PROGRAMMES IN 2021

Financing of Social and Charitable Activities at Sistema Group in 2021, %

- Projects of portfolio companies
- Programmes of Sistema Charitable Foundation



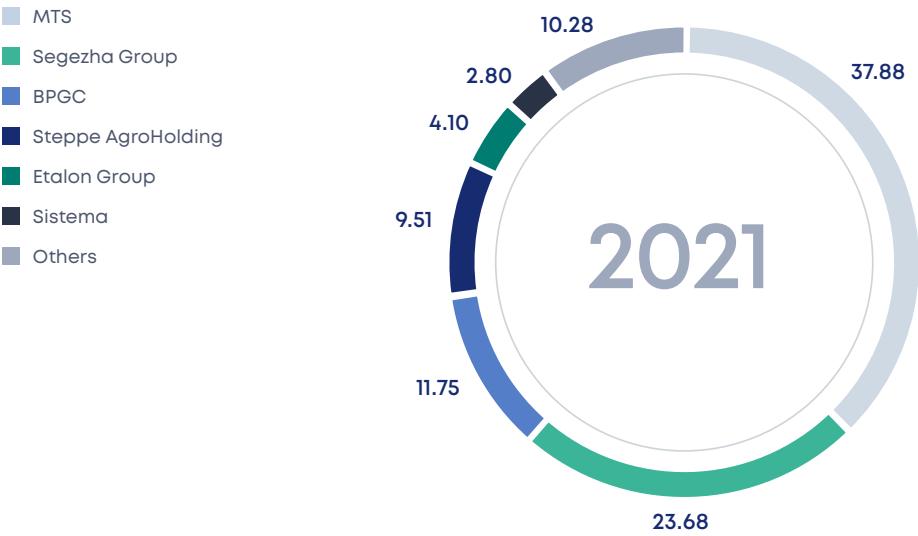
6.5%

OF THE TOTAL HEADCOUNT OF SISTEMA GROUP WERE VOLUNTEERS IN 2021

Structure of Expenditures Related Charitable and Social Programmes in 2021, %<sup>4</sup>

Contributions to other charities	31.98
Individual support of employees, their families, and retirees, including combating the COVID-19	26.70
CSR	17.43
Contributions to SCF	15.14
Culture and arts	3.46
Sports and healthy lifestyles	2.64
Social support programmes for children and veterans	1.59
Religious organisations	1.06

Contributions to the Group's Consolidated Charitable Budget in 2021, %<sup>4</sup>



<sup>1</sup> 2020 numbers are adjusted.  
<sup>2</sup> Net of SCF's operating expenses.  
<sup>3</sup> Net of contributions to SCF.  
<sup>4</sup> Including contributions to SCF.



GRI 103-3

SCF's Main Projects of 2021

PROJECT	RESULTS	DESCRIPTION
Education and technology		
Lift to the Future	<div>▶ 16 regions</div> <div>▶ 80+ online courses</div> <div>▶ 35,000+ completions</div>	Russian national programme for career guidance and training
Social projects		
Sistema Fests	<div>▶ 3 festivals</div> <div>▶ 5,000+ participants</div> <div>▶ 50,000+ online viewers</div>	Social and cultural festivals aimed at improving the quality of living and social activity in regions of operation
Sistema in Support of Good Cause	<div>▶ RUB 2 m — amount of grants provided</div> <div>▶ 23 regions</div> <div>▶ 69 applications</div> <div>▶ 8 companies</div> <div>▶ 11 winners</div>	A contest offering grants to best volunteer initiatives of Sistema Group employees
Charity race #ZaLes	<div>▶ 1,000 participants</div> <div>▶ 85 regions</div> <div>▶ RUB 500,000+ allocated for tree planting</div>	A nation-wide charity race to promote respect to the environment
#RememberTogether campaign	<div>▶ 3,000+ war veterans received greetings</div> <div>▶ 900 volunteers</div> <div>▶ 30 cities</div>	A nation-wide corporate campaign on the Victory Day
Outreach & Culture		
Cultural Weekend	<div>▶ 4,000+ participants</div> <div>▶ 5 regions</div>	A nation-wide outreach project, offering free entrance to the best regional museums
Support to projects of the Russian Museum	<div>▶ 270,000 participants of online events</div> <div>▶ 5,900 participants of offline events</div>	
Development of charity		
#LiftWithoutFailure	<div>▶ 10 regions</div> <div>▶ 150 beneficiaries</div>	Help with university admissions for orphans and underprivileged children

218.6<sup>M</sup> RUB

WAS CONTRIBUTED BY GROUP COMPANIES TO SCF IN 2021 FOR GENERAL CORPORATE INITIATIVES

405.7<sup>M</sup> RUB

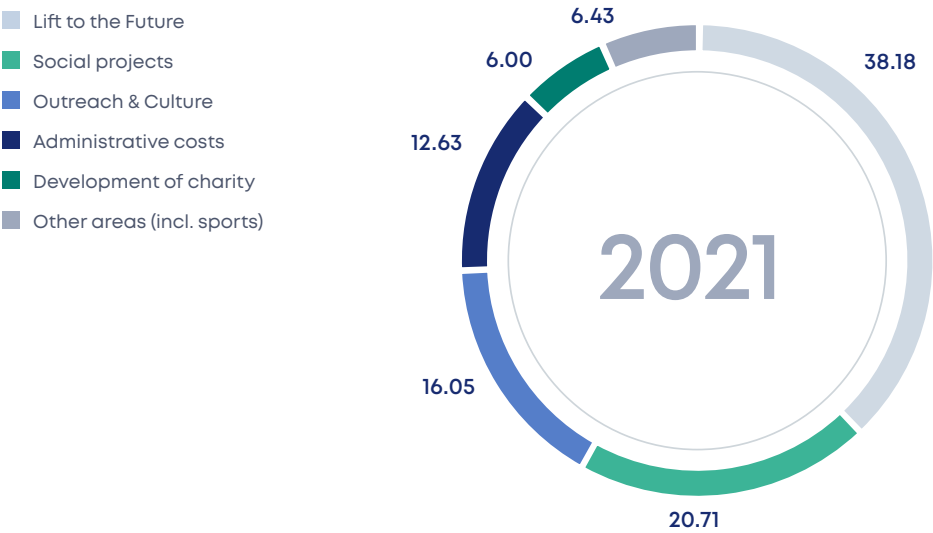
WAS SPENT ON FINANCING SCF PROGRAMMES IN 2021<sup>1</sup>



For more information on charitable work and its results, see SCF's Annual Report for 2021 or its official website.

1 Administrative costs included.

SCF's Expenditures in 2021, %



SCF's Donations to Funds and Other Non-profits, %

TYPE OF DONATION	2021	2020	2019
Donations to funds	18.2	8.7	18.2
Donations to other non-profits	23.7	41.3	23.7

Grants Issued by Sistema Charitable Foundation, RUB m

	2021	2020	2019
To individuals			
Number of individual beneficiaries	10	6	32
Amount issued, RUB thsd	1,797	488	25,894

SUPPORT TO CULTURAL INSTITUTIONS AND EVENTS

Sistema's portfolio companies support cultural institutions, helping to raise the population's interest in cultural legacy and intellectual and cultural entertainment.

In 2021, **MTS** provided internet coverage at four museums in the Yaroslavl region and at the composer Sergey Rakhmaninov's estate museum in Bashkortostan. High-speed communication channels will enable the museums to carry out digital education programmes, organise live streaming and interactive expositions and to launch a virtual tour guide.

Also, in 2021, **MTS** supported organisation of the 12th Moscow international biennale "Fashion and Style in Photography" at the Multimedia Art Museum. MTS plans to invest in 20-30 theatre productions in the next few years. The company signed a cooperation agreement with the Mossovet Theatre, under which its subsidiary, MTS Entertainment, will organise the theatre's tour and sponsor new productions. The average amount of investments in one production of this scale is estimated at RUB 30-50 m.

In 2021, **Segezha Group** helped to restore the architectural and ethnographic museum Semenkovo in the Vologda region, donating 74 cu m of sawn timber and over 30 cu m of hand-sawn pine logs with a total worth of RUB 1.36 m. Segezha Group also donated 130 cu m of sawn timber to the Kizhi museum in the Republic of Karelia. It will be used to restore wooden buildings of the museum.

**Sitronics KT**<sup>1</sup> organised a multimedia installation at the World Ocean Museum in Kaliningrad to create a more realistic exposition with participation effect. The new equipment of the holographic cinema will make educational content more attractive by immersing viewers in the atmosphere of the film.

1.36<sup>M</sup>  
RUB  
WAS SPENT ON MATERIALS  
FOR THE MUSEUM RESTORATION  
BY SEGEZHA GROUP

1 A subsidiary of Sitronics Group.

SUPPORT FOR THE UNDERPRIVILEGED

Among Sistema's many charity focuses is the support of people with special needs. The Group companies work hard to create the right conditions for both employees and other people to take part in charity initiatives and know that their effort is indeed efficient and relevant.

In 2021, **Sistema Charitable Foundation** and its partner foundation Volunteers to Help Orphans presented #LiftWithoutFailure, a platform that is part of the Lift to the Future programme. The platform was created to collect money to pay for additional education of orphaned children and allows each donor to find out who he or she supports. The project was included in the UN's SDG Good Practices as meeting four Sustainable Development Goals: Quality Education, Decent Work & Economic Growth, Gender Equality, and Reduced Inequalities.

On the International Children's Day in June 2021, children of the Kumertau orphanage, which is a home for children aged 4-12, received gifts from the employees of **BPGC** and **Bashkirenergo**: bicycles, push scooters, gear for outdoor sports, learning games and sweets. Before that, BPGC had funded improvements in the building where the orphanage is situated.

In 2021, **Medsi** employees organised medical check-up for 48 war veterans and their family members under the cooperation agreement with the Moscow regional organisation Brothers-in-Arms. After the check-up, 21 patients received highly qualified medical help, including surgeries, to an aggregate amount of RUB 3 m. In 2021, volunteers from among Medsi's doctors organised check-up of seniors at the Maloderbetovsky nursing home. All patients that needed medical help were later treated at Medsi clinics. The doctors also donated hygiene products and equipment, including seven specialised electric beds, to the nursing home.

The Cosmos Collection Izumrudny Les hotel of **Cosmos Hotel Group** held a second event of the System of Sunny Smiles project at its safari park, organising excursions and various activities for special needs children.

In autumn 2021, **MTS** supported organisation of four inclusive excursions in Krasnodar, which enabled visually and hearing-impaired people, mentally disabled and other special needs persons to learn about modern art and architecture and about their home city. Some events were translated into sign language.

In November 2021, the National Arts Museum of Belarus, supported by **MTS**, opened the TECHNOcolour exhibition of works of blind artists. Their paintings were created using a special mobile application and a colour recognition device that enable the visually impaired to understand colour through music and learn to paint this way. The technology is based on the idea of associating sounds with a particular colour. Project participants learned the technique at classes organised with MTS's support.



CHARITABLE CAMPAIGNS AND EVENTS FOR CHILDREN

200

FREE CREATIVE MASTER CLASSES  
AND CONTESTS WERE POSTED  
ON THE GENERATION M ONLINE  
PLATFORM

GRI 103-3

In 2021, MTS's charitable project  
Generation M was included in  
the United Nations' SDG Good  
Practices.

Sistema Group consistently invests in charitable projects for children, seeking to create equal development opportunities and a favourable teaching and creative environment for the younger generation.

In 2021, **MTS** continued implementing its Generation M charitable project. Over 200 free creative master classes and contests were posted on the Generation M online platform; a free photo art workshop for school students was organised in Samara. Also, MTS and the Moscow Zoo launched an online educational course for school children on preservation of rare animals. In Perm, the operator organised an exhibition for children, MTS Robotic Station, where visitors could see the latest examples of robotics and participate in development of new technologies. MTS converts all activity on the project's online platform into money and donates it for treatment of seriously ill children.

In 2021, **Sistema Charitable Foundation** organised a series of Sistema Fests — social and cultural festivals — in the Republic of Altay and the Kostroma and Kurgan regions. The events included master classes, workshops, excursions, film screenings and exhibitions seeking to provide career guidance for young people and teach them about the cultural legacy of their regions and modern art.

In April 2021, **Sistema Charitable Foundation** held a charitable cinema forum for children, Film Magic, organising free screenings of Russian films for young viewers. On 1 June 2021, SCF supported the annual charitable festival for large families and orphaned children, I Believe in 32nd May. It also supported the Detsky Kinomay charitable campaign in Smolensk and Kolomna, which included concerts and master classes for children with prominent artists.

REMEMBRANCE

2,000+

WAR VETERANS ACROSS  
THE COUNTRY WERE REACHED  
OUT TO THANKS TO THE  
#REMEMBERTOGETHER  
CAMPAIGN

Preservation of memories about the Great Patriotic War is one of the key focuses for Sistema. Companies across the Group organise many educational and creative initiatives dedicated to the War and involving volunteers.

From 24 April till 22 June 2021, Sistema Group companies organised the #RememberTogether campaign devoted to the Victory Day in almost all regions of their operation. The campaign reached out to more than 2,000 war veterans across the country who received personal greetings from the Group's volunteers. The 1,500 volunteers participating in the campaign beautified the territory of military and historical museums, prepared creative programmes for war veterans, organised concerts and delivered gifts.

**MTS** organised a Victory Day concert for war veterans in Moscow and gave them blankets and food baskets. Veterans living in other regions could watch an online concert, Songs of the War Years. In addition, MTS has a special tariff plan, Victory, for war veterans. They can use mobile services for one rouble per month.

Volunteers from **Segezha Group** gave pharmacy certificates to war veterans in Segezha, Kirov, Onega, Galich, Sokol and other towns and also organised Victory Day celebrations.

**Sistema Charitable Foundation** organised a volunteer clean-up at the Lenino-Snegiri military and historical museum. Over 70 volunteers from Sistema Group companies helped to beautify the war memorial.

# RESPONSE TO COVID-19 IN 2021

SASB HC-BP-240a.1

In 2021, Sistema Group companies continued fighting the spread of the new Coronavirus infection: targeted help was provided to 12 Russian regions and there was invested RUB 1.7 bn as part of the #COUNTRYWITHOUTVIRUS project.

12  
TARGETED HELP WAS PROVIDED  
TO 12 RUSSIAN REGIONS

1.7<sup>BN</sup>  
RUB  
WAS SPENT AS PART OF THE  
#COUNTRYWITHOUTVIRUS  
PROJECT

30+  
COMPANIES-PARTNERS,  
including 12 Sistema Group companies

- In 2021, the following measures were taken to ensure uninterrupted processes during the COVID-19 epidemic:
- ▶ Weekly PCR tests for employees of Sistema and companies servicing the Corporation's offices
  - ▶ Providing masks, respirators and other personal protection equipment to employees and guests at the Group's offices
  - ▶ Installing sanitizers and Dezar devices<sup>1</sup> in conference rooms and corridors
  - ▶ Installing thermal cameras at office entrances to control temperature of arriving employees and visitors
  - ▶ Developing and regularly circulating an instruction for employees on what to do if they have signs of a respiratory infection or are diagnosed with COVID-19

The Health Professionals' Support Centre (hereinafter, "the Centre") that was established by Sistema and **Medsi** to protect and sustain the health, performance in the workplace and motivation of medical staff continued functioning in 2021. In 2021, the Centre continued its large-scale social campaign #CountryWithoutVirus, which enabled Sistema to consolidate activities of its assets through the project's operator, **Sistema Charitable Foundation**.

The Country Without Virus online platform, which was created with **MTS's** assistance, also continued functioning. The platform allows legal entities and individuals to make monetary and in-kind (goods, services) donations.

Businesses involved in providing information and communication services or selling basic goods made sizeable investments in protecting their employees instrumental for the delivery of goods and services, order processing, fulfilment, etc. from the infection.

1 Aclosed-type UV air flow cleaner — recirculator.





## Production of Vaccines and Drugs

Sistema increased investments in the pharma sector and expanded capacity for manufacturing state-of-the-art drugs, many of which are considered vital and essential or are included in COVID-19 treatment and prevention protocols.

**Binnopharm Group** became the first company in the world to organise the trial testing and industrial production of a registered coronavirus vaccine, Sputnik V (a project done in cooperation with the Russian Direct Investment Fund and the Gamaleya Research Institute of Epidemiology and Microbiology).

In 2021, **Binnopharm Group** tripled the capsule production capacity of its Alium plant in Obolensk, the Moscow region, to 15 m packs per year. This enabled the company to ramp up the manufacturing of drugs for prevention and treatment of COVID-19 and for rehabilitation of patients recovering from the coronavirus. In future, Binnopharm plans to increase the output of medications of other pharmacological classes.

**Binnopharm Group** also registered and produced the first 100 kg of levofloxacin hemihydrate, the main active component of Levofloxacin, an antibiotic included in COVID-19 treatment protocols. By the end of 2021, production of the antibiotic was localised at the facility in Obolensk, the Moscow region.

In the reporting year, **Sistema Biotech**<sup>1</sup> received permission of the Moscow city healthcare department for clinical testing of its genetic test for predicting severity of

coronavirus cases at Moscow hospitals. The test will enable doctors to accurately predict the probability of dangerous complications or death of COVID-19 patients and select personalised treatment, which will reduce the work load of hospitals' intensive care units and death rates.

At the beginning of 2021, **Binnopharm Group** and the Indian pharma company Glenmark agreed to localise the production of the antiviral drug Favipiravir (which is used for the treatment of COVID-19, among other deceases) at Binnopharm's production facilities. This will help to meet the high demand for COVID-19 drugs.

In 2021, **Binnopharm Group** also signed a strategic partnership agreement with the German company Sartorius, one of the world's leaders in manufacturing of equipment for the biopharmaceutical industry. The agreement provides for joint projects to organise production of biotech drugs, including COVID-19 vaccines. Active cooperation between Binnopharm Group and Sartorius began in 2019 when they worked on a project to scale up production of Sputnik V.

## Vaccination of Employees and Stakeholders

Sistema took unprecedented measures to protect its employees and people in the regions of its operation from the new coronavirus threat.

In 2021, **Segezha Group** organised a campaign to vaccinate employees in the Krasnoyarsk territory from COVID-19. Notably, voluntary vaccination, available as part of obligatory medical insurance, was organised for employees of Lesosibirsky Woodworking Plant No 1. For employees' convenience, vaccination stations were organised at the plant so that people could get vaccinated on the job.

In April 2021, Cosmos Travel, which is part of **Cosmos Hotel** Group, started offering COVID-19 vaccination packages for Russians living abroad. They included accommodation,

transportation and accompanying the customer to a vaccination centre. **Meds**i was Cosmos Travel's partner in the project.

In June 2021, **Meds**i teamed up with Yandex to organise off-site vaccination stations for drivers and delivery persons. Vaccination with Sputnik V, a Russian two-component vaccine, was free of charge.

## Treatment and Rehabilitation

In 2021, **Meds**i continued providing assistance with COVID-19 treatment. SmartMed, a telemedicine platform and application for online consultations with doctors, which was launched by Medsi in April 2018, became especially relevant during the pandemic: by the end of 2021, demand for its services grew by more than 300% and a total of 35,000 consultations were provided. SmartMed enabled people across the nation to get remote advice from Medsi's best doctors (with patients free to choose between video and messenger chat formats), get help in understanding lab reports, plan which examinations to take and how to adjust treatment.

In July 2021, doctors of **Meds**i's clinical hospital in Otradnoye, the Moscow region, started cooperating with colleagues from large Indian clinics on COVID-19 treatment. Russian doctors held several video conference calls to exchange opinions with their Indian colleagues on the treatment of severe coronavirus cases. Indian doctors talked about the successful experience of early use of high-flow oxygen for patients with early signs of respiratory failure to prevent severe breathing disorders. Medsi plans to further develop cooperation with Indian clinics to discuss complicated cases and treatment protocols.

1 An innovative biotech company in Sistema's portfolio.



## Upgrade of Medical Facilities

One of the key focuses for Sistema Group during the COVID-19 pandemic was upgrade of medical facilities in order to provide high-quality services to patients.

In 2021, **MTS** deployed a smart video surveillance system in the red zone of the COVID-19 hospital in Vladivostok. Cameras with a face recognition function installed at the entrance to the area keep count of admitted patients and control the time of initial exam before admission. The system helped to speed up the examination and admission process.

In 2021, **Segezha Group** financed acquisition of medical equipment for and major repairs at hospitals in Karelia, the Krasnoyarsk territory and Arkhangelsk region to a total amount of RUB 4 m. This increased the quality of diagnostics at the medical institutions.

Also in 2021, **Sistema Charitable Foundation** repaired and refurbished break rooms for doctors at the territorial emergency medicine and ambulance centre in Yefremov, the Tula region, as part of its initiative #CountryWithoutVirus. The ambulance centre in Yefremov services districts with a total population of over 80,000 people. The amount spent on the project exceeded RUB 2.5 m; it came from private donations.

## Outreach and Charity during the Pandemic

In 2021, Sistema Group companies focused on organising campaigns designed to increase awareness of the public and Group employees about the coronavirus and efficient protection measures.

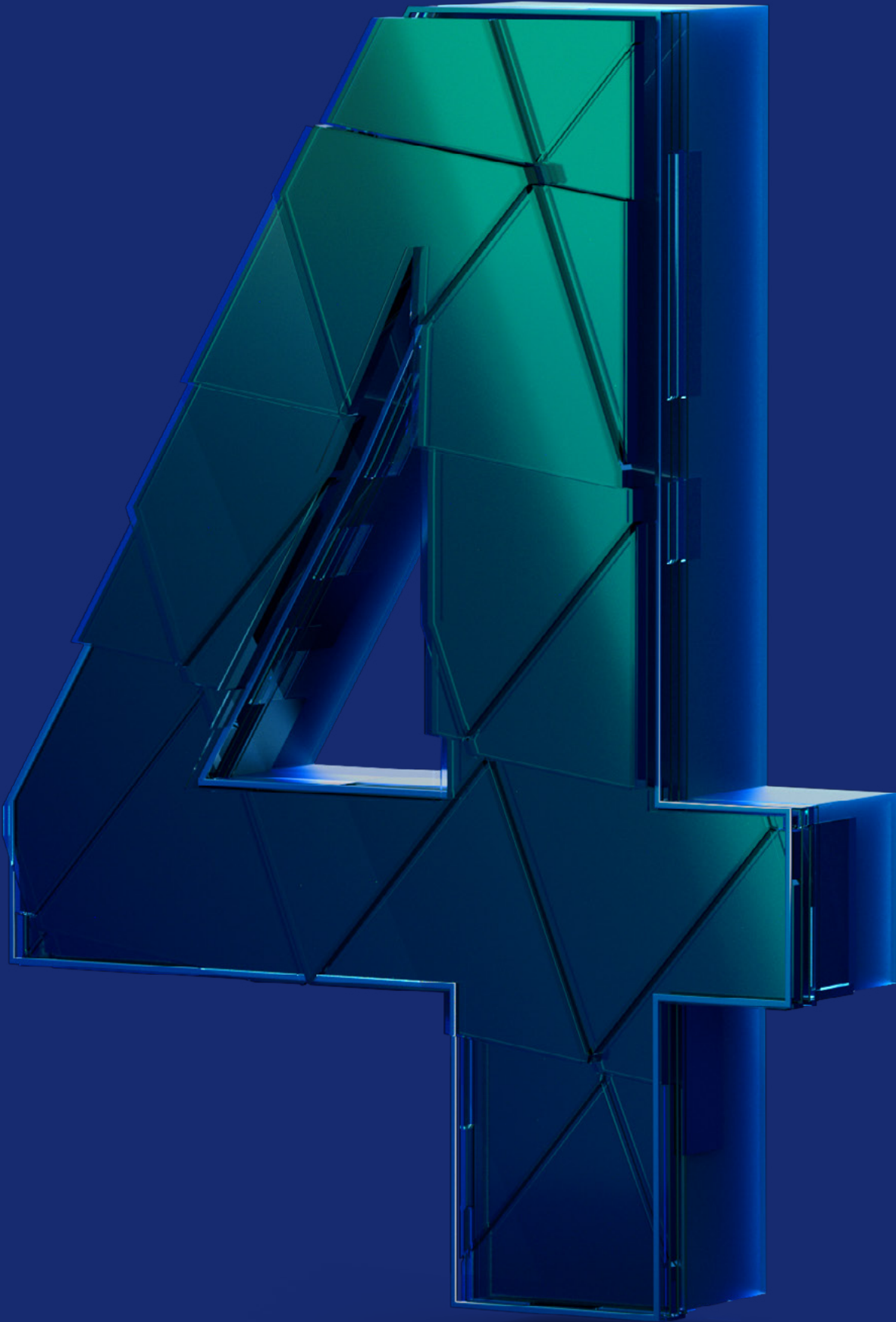
In 2021, **Sistema Charitable Foundation** helped to run a campaign in support of health professionals titled Please Breathe! Videos telling about doctors and nurses that saved lives during the pandemic were presented at charitable performances of Rosgostsirk's circuses in 11 cities of Russia.

**Sistema Charitable Foundation** continued organising a series of webinars on pros and cons of vaccination. The first such webinar was held in June 2021 was attended by more than 1,000 employees of the Group. A poll taken before the webinar showed that 52% of the employees either had already got the shot or were planning to do it soon. In July 2021, Medsi organised a webinar on the same topic at the office of Ozon, with Medsi experts answering the most frequent questions about vaccination. A similar webinar was held at the office of Sitronics Group in October.

In July 2021, **Sistema Charitable Foundation** with a partner donated 5,000 bottles of water to the Vinogradov hospital in Moscow which opened a COVID-19 treatment centre with 238 beds and another 36 beds in intensive care for patients with the coronavirus infection. Quality drinking water is a primary need of both patients and health professionals during the intense time of the pandemic.







# ANNEX

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# ANNEX 1. ABOUT THE REPORT



Committed to the practice of annual disclosures of non-financial corporate information, Sistema hereby presents its ninth Sustainability Report. Since 2014, reports have been published annually, and the previous report, for 2020, was published in Q4 2021.

The purpose of this Report is to inform a broad range of interested parties of the principles, goals, results and plans of Sistema in the area of sustainability and corporate responsibility.

**The Corporation has prepared this Report in accordance with the GRI Standards: Core option. The Report has been prepared in compliance with:**

- ▶ The UN Global Compact;
- ▶ The framework of International Integrated Reporting Council (IIRC) used to describe the business model with respect to capital concept;
- ▶ UNCTAD’s Guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals;
- ▶ Recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD) and the Carbon Disclosure Project (CDP);
- ▶ Indicators of the Sustainability Accounting Standards Board (SASB);
- ▶ ESG indicators of the World Economic Forum (WEF);
- ▶ The Social Charter of the Russian Business;
- ▶ The basic efficiency metrics and the indices “Responsibility and Transparency” and “Sustainable Development Vector” developed by the Russian Union of Industrialists and Entrepreneurs (RUIE);

- ▶ Russian and global non-financial reporting practices of comparable companies (investment groups and conglomerates), as well as inquiries from the investment community and recommendations of ESG analysts regarding the Corporation's non-financial disclosures;
- ▶ ESG rating of sustainable corporate governance (Non-Profit Partnership AKR Da-Strategy, Russian Regional Integrated Reporting Network, University of Perugia (Italy));
- ▶ Recommendations issued by the Non-Financial Reporting Board of the Russian Union of Industrialists and Entrepreneurs (RUIE) following the public verification of Sistema’s 2020 Sustainability Report.

The preparation of annual non-financial reports is governed by the order by Sistema's President that determines members of the cross-functional working group charged with the preparation of the report and the procedures that apply to such preparation. To streamline the practices, the Corporation is planning to develop and roll out across the Group a corporate standard for disclosure of non-financial information.

The Group's key assets also publish their own non-financial reporting. More detailed information on management approaches and social and environmental projects is provided by MTS, Segezha Group, BPGC, Etalon Group and Sistema Charitable Foundation.

## Materiality Assessment Process

19

MATERIAL TOPICS  
were determined  
by the working group

In 2021, material aspects for disclosure were determined by surveying the internal and external stakeholders. In order to determine the materiality of topics for stakeholders, a survey of 37 people was conducted, including 14 representatives of external stakeholders and 26 representatives of Sistema Group (senior executives and employees of Group companies).

The materiality assessment process resulted in the identification of 17 most material topics in the area of sustainability for disclosure in the Report, which are located in the matrix above the cut-off axis. The working group also decided to include 2 additional topics in the list of material topics, which are disclosed in this Report as well (bold in the matrix), namely:

▶ **18. CLIMATE CHANGE**  
(INCLUDING GREENHOUSE GAS EMISSIONS)

▶ **19. ENERGY MANAGEMENT**

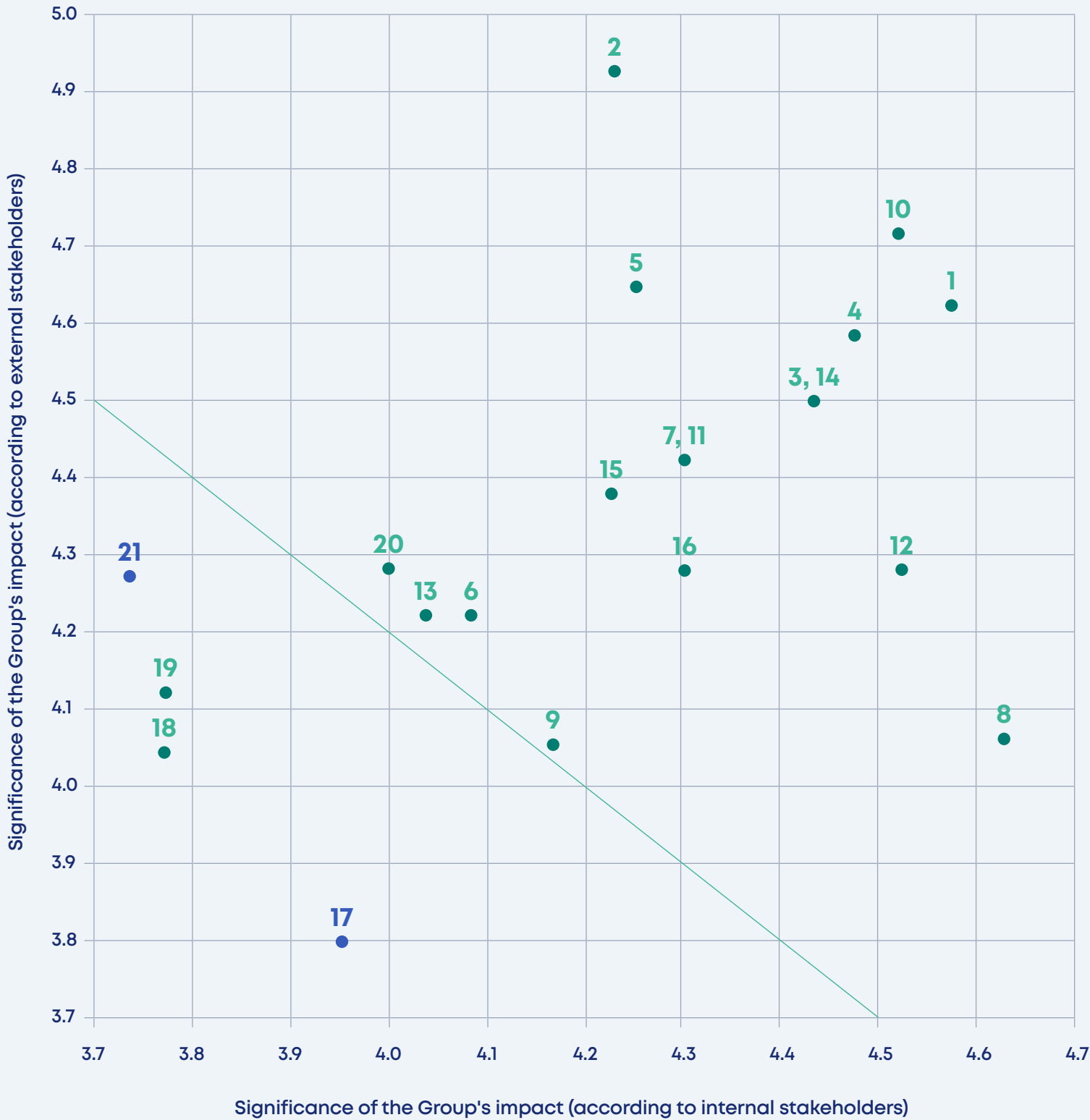
### Structure of Respondents in the Materiality Assessment Process

Sistema's staff	51.37%
Shareholders, investors, analysts	10.81%
Business and professional associations	10.81%
Management of the Corporation and Sistema Group companies	10.81%
Business partners	2.70%
Customers, consumers, clients	2.70%
Academic community	2.70%
Non-profit social organisations and charities	2.70%
Environmental non-profits	2.70%
Mass media	2.70%



GRI 102-44

Materiality Matrix<sup>1</sup>



<sup>1</sup> Today, there is no established practice for a methodically accurate and precise definition of materiality in accordance with the new standards GRI SRS 2021. Therefore, Sistema PJSFC, jointly with the Non-Profit Partnership AKR Da-Strategy, proposes that materiality should be determined through a matrix with division into the internal and external stakeholders of the Group. This technique was used in this Report for assessing the performance of GRI SRS 2021.

GRI 102-44

Full List of Topics<sup>2</sup>

MATERIAL TOPIC		CORRESPONDING GRI TOPIC
Economy		
1	Economic and operational performance	► GRI 201: Economic performance
2	Responsible investment	► GRI 102: General Disclosures
3	Investing in infrastructure development and production upgrades, contribution to the nation's technological leadership	► GRI 203: Indirect Economic Impacts
4	Compliance with legislation and compliance with national and international standards, including industry standards	► GRI 307: Environmental Compliance ► GRI 419: Socioeconomic Compliance
5	Consumer and customer relations	► GRI 416: Customer Health and Safety
6	Import substitution and contribution to the development of production localisation	► GRI 204: Procurement Practices ► GRI 308: Supplier Environmental Assessment ► GRI 414: Supplier Social Assessment
Corporate Governance		
7	Tax payments and risks (amount of taxes and levies, tax risk management, company's taxation policy).	► GRI 207: Taxes
8	Ethical business conduct	► GRI 102: General Disclosures ► GRI 205: Anti-Corruption ► GRI 415: Public Policy
9	Responsible supply chain	► GRI 102: General Disclosures ► GRI 204: Procurement Practices ► GRI 308: Supplier Environmental Assessment ► GRI 414: Supplier Social Assessment
10	Sustainable corporate governance	► GRI 102: General Disclosures
Society		
11	Sistema and the Group companies as attractive employers	► GRI 102: General Disclosures ► GRI 202: Market Presence ► GRI 401: Employment ► GRI 402: Labour/Management Relations
12	Labour rights and employment	► GRI 405: Diversity and Equal Opportunity ► GRI 406: Non-Discrimination ► GRI 407: Freedom of Association and Collective Bargaining ► GRI 412: Human Rights Assessment
13	Meeting the need for qualified personnel	► GRI 404: Training and Education
14	Employee health and safety	► GRI 403: Occupational Health and Safety

<sup>2</sup> Non-material topics are in italics.

MATERIAL TOPIC		CORRESPONDING GRI TOPIC
15	Confidentiality and personal data protection	<div>▶ <b>GRI 412:</b> Human Rights Assessment</div> <div>▶ <b>GRI 418:</b> Customer Privacy</div>
16	Charity and social investment	<div>▶ <b>GRI 203:</b> Indirect Economic Impacts</div> <div>▶ <b>GRI 413:</b> Local Communities</div>
17	<i>Combating the COVID-19 Pandemic<sup>1</sup></i>	—
Environment		
18	Climate change (including greenhouse gas emissions)	▶ <b>GRI 305:</b> Emissions
19	Energy management	▶ <b>GRI 302:</b> Energy
20	Operational eco-efficiency (water use, effluents and waste, emissions, biodiversity conservation and reforestation)	<div>▶ <b>GRI 303:</b> Water</div> <div>▶ <b>GRI 305:</b> Emissions</div> <div>▶ <b>GRI 306:</b> Waste</div> <div>▶ <b>GRI 304:</b> Biodiversity</div>
21	<i>Products, services and technologies that enable customers to reduce their environmental footprint<sup>1</sup></i>	—

1 Non-material topics are in italics.

## Report Boundaries

### GRI 102-46

This Report covers Sistema PJSC and its key portfolio companies, broadly in line with the perimeter of the Corporation's consolidated financial statements, with clarifications given in case of any consolidation differences.

When data for the Group is disclosed, this Report specifies the perimeter of indicators and information on restatements/recalculation of indicators and changes in the consolidation perimeter.

#### Number of GRI Disclosures

	2021	2020	2019	2018
General disclosures	47	47	47	47
Topics (aspects)	19	16	17	27
GRI standards	50	49	46	37

### GRI 102-48

A number of indicators disclosed in the previous non-financial reports of the Corporation were restated following a retrospective adjustment resulting from changes in the calculation perimeter of the corresponding indicators, as well as adjustment of data collection methods and elimination of previous technical inaccuracies:

- ▶ Direct greenhouse gas emissions (Scope 1)
- ▶ GHG emissions intensity
- ▶ Ratio of GHG emissions to consumption of fuel and energy resources
- ▶ Direct social investments across the Group

### GRI 102-56

Sistema's 2021 Sustainability Report has received external assurance from the Non-Financial Reporting Board of the Russian Union of Industrialists and Entrepreneurs. We will consider the recommendations and comments received from the assurance provider during the preparation of our future reports.





Boundaries of Information Provision by the Portfolio Companies on GRI Topics

MATERIAL TOPICS		SISTEMA	MTS	OZON	SEGEZHA GROUP	ETALON GROUP	MEDSI	STEPPE AGROHOLDING	BINNOPHARM GROUP	BPGC	BUSINESS NEDVIZHIMOST	COSMOS HOTEL GROUP	SITRONICS	OTHER ASSETS	FUNDS
1	Economic and operational performance	+	+	+	+	+	+	+	+	+	+	+	+	+	+
2	Responsible investment	+	+		+	+									+
3	Investing in infrastructure development and production upgrades, contribution to the nation's technological leadership	+	+	+	+	+	+	+	+	+		+	+		+
4	Compliance with legislation and compliance with national and international standards, including industry standards	+		+	+	+	+	+		+	+		+	+	
5	Consumer and customer relations		+	+	+	+	+		+	+		+	+		
6	Import substitution and contribution to the development of production localisation		+	+	+	+		+							
7	Tax payments and risks (amount of taxes and levies, tax risk management, company's taxation policy).	+	+	+	+	+	+	+	+	+	+	+	+	+	+
8	Ethical business conduct	+	+							+					
9	Responsible supply chain	+	+	+	+	+				+			+		
10	Sustainable corporate governance	+	+		+	+				+					
11	Sistema and the Group companies as attractive employers	+			+										
12	Labour rights and employment	+	+												
13	Meeting the need for qualified personnel	+	+		+	+			+				+		+
14	Employee health and safety		+		+	+		+		+			+		
15	Confidentiality and personal data protection	+	+	+	+										
16	Charity and social investment	+	+	+	+	+	+	+	+	+	+	+	+	+	+
18	Climate change (including greenhouse gas emissions)	+	+	+	+	+	+	+		+	+	+	+	+	
19	Energy management	+	+	+	+	+	+	+		+	+	+	+	+	
20	Operational eco-efficiency (water use, effluents and waste, emissions, biodiversity conservation, and reforestation)	+	+	+	+	+	+	+		+	+	+	+	+	

# Consideration of Recommendations Received from the Non-Financial Reporting Board of the Russian Union of Industrialists and Entrepreneurs regarding Sistema's 2021 Sustainability Report

EXCERPT FROM THE RECOMMENDATIONS OF THE NON-FINANCIAL REPORTING BOARD OF THE RUIE	CONSIDERATION AND FULFILMENT OF RECOMMENDATIONS IN THE 2021 REPORT
Recommendations were made to unify the boundaries of disclosure, to provide clearer explanations for materiality limits and to provide more detail for defining the materiality of topics relating to specific assets.	<b>Partially taken into account.</b> Indicator disclosure passports were developed as part of unification
Recommendations were made to clearly indicate the period for which the Company is making a report and to focus on providing information for the specified reporting period.	<b>Partially taken into account.</b>
It was recommended to move the publication dates of the annual report and the sustainability report closer to each other.	<b>Not taken into account.</b> Will be taken into account in the next reporting cycles
It was recommended to set target indicators for the medium term in accordance with the period specified in the strategic documents of the Corporation.	<b>Not taken into account.</b> The Corporation's target indicators and benchmarks are being developed
It was recommended to determine targets for all significant sustainability areas and present the achieved results in the context of the set targets.	<b>Not taken into account.</b> The Corporation's target indicators and benchmarks are being developed
The next report should provide information on the implementation of a unified coordinated charitable programme of the Corporation and provide more coverage of the methodology used for assessing the effectiveness of social and charitable activities.	<b>Taken into account</b> <ul style="list-style-type: none"><li>▶ See Social and economic development of regions section of this Report</li><li>▶ and SCF's 2021 Annual Report</li></ul>
The next reports should provide more information about the Corporation's digital transformation.	<b>Taken into account.</b> <ul style="list-style-type: none"><li>▶ See Innovation Management. Digitalisation section</li></ul>
Using a uniform approach to dynamic indicators and providing relevant data for at least 3 years. Providing detailed explanations for any sharp fluctuations in resulting indicators.	<b>Taken into account</b>
It was recommended that in addition to the data on relevant assets covered in the reporting year, changes in environmental indicators within comparable reporting segments should be reported.	<b>Not taken into account.</b> There are difficulties with the consolidation of data along a single perimeter, in connection that a part of the information is presented only for the reporting period
It was recommended to provide a statement on Sistema's stance with regard to the ratio of the key sustainability terms that are used in the Corporation's non-financial reporting.	<b>Taken into account.</b> <ul style="list-style-type: none"><li>▶ See Key Areas of Sustainability</li><li>▶ and Sustainability governance structure sections</li><li>▶ and Sustainability Policy</li></ul>
It was recommended to use references with page numbers to the reporting standards used.	<b>Taken into account</b>
It was recommended to extend the practice of holding public events when preparing for reporting cycles and include information about the questions and proposals received by the Corporation from stakeholders.	<b>Not taken into account.</b> Will be taken into account in the next reporting cycles
It was recommended to extend the analysis of issues in the sustainability area in order to make reports more balanced and present the Corporation's priority tasks in this area in more specific context.	<b>Taken into account.</b> <ul style="list-style-type: none"><li>▶ Customer experience section (Ozon case)</li></ul>

# Certificate of Public Assurance for 2021 Sistema PJSFC Sustainability Report







# ANNEX 2.

# STANDARDS

# COMPLIANCE INDEX

GRI 102-55

GRI Index

INDICATOR	SUBSECTION/COMMENT	PAGE
GRI 101. FOUNDATION 2016	▶ The Report is compliant with the sustainability reporting principles	—
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102-1	Name of the organisation ▶ Business Overview	8
102-2	Activities, brands, products and services ▶ Business Overview	14
102-3	Location of headquarters ▶ Moscow, Russia	—
102-4	Location of operations ▶ Business Overview	14
102-5	Ownership and legal form ▶ Business Overview	8
102-6	Markets served ▶ Business Overview	14
102-7	Scale of the organisation ▶ Business Overview	10
102-8	Information on employees and other workers ▶ Business Overview ▶ Human Capital	22 110
102-9	Supply chain ▶ Sustainable Supply Chain. Localisation and Import Substitution	98
102-10	Significant changes to the organisation and its supply chain ▶ For details on the sale and acquisition of assets, see <a href="#">the 2021 Annual Report</a> of Sistema PJSC, Key Events of 2021 section	—
102-11	Precautionary Principle or approach ▶ <i>As a precautionary principle, Sistema aims to avoid any harm to the environment and preserve natural resources. The Corporation performs assessments of environmental risks and takes necessary steps to prevent and mitigate adverse impact on the natural ecosystem and potential risks to the Corporation.</i>	—
102-12	External initiatives ▶ Participation in International and Industry Initiatives	48
102-13	Membership of associations ▶ Participation in International and Industry Initiatives ▶ Climate Change	48 193
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102-17	Mechanisms for advice and concerns about ethics ▶ Ethics and Anticorruption Efforts	82
Governance		
102-18	Governance structure ▶ Participation in International and Industry Initiatives	36
102-20	Executive-level responsibility for economic, environmental, and social topics ▶ Sustainability Management Structure	67
102-21	Consulting stakeholders on economic, environmental and social topics ▶ Sistema's Sustainability Report for 2020, Risk Management section	—
102-22	Composition of the highest governance body and its committees ▶ Sistema's Annual Report for 2021	—
102-23	Chair of the highest governance body ▶ Participation in International and Industry Initiatives	36
102-24	Nominating and selecting the highest governance body ▶ Sistema's Annual Report for 2021 ▶ Corporate Governance Code	—
102-25	Conflicts of interest ▶ Ethics and Anticorruption Efforts ▶ Code of Ethics ▶ Corporate Governance Code	81
102-26	Role of highest governance body in setting purpose, values and strategy ▶ Sustainability Management Structure	67
102-27	Collective knowledge of highest governance body ▶ Sistema's Annual Report for 2021	—
102-28	Evaluating the highest governance body's performance ▶ Sistema's Annual Report for 2021	—
102-32	Highest governance body's role in sustainability reporting ▶ Sustainability Management Structure	67

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102-40	List of stakeholder groups	<a href="#">▶ Human Rights and Stakeholders' Engagement</a>	76
102-41	Collective bargaining agreements	<a href="#">▶ Human Capital</a>	120
102-42	Identifying and selecting stakeholders	<a href="#">▶ Human Rights and Stakeholders' Engagement</a>	74
102-43	Approach to stakeholder engagement	<a href="#">▶ Human Rights and Stakeholders' Engagement</a>	76
102-44	Key topics and concerns raised	<a href="#">▶ Participation in International and Industry Initiatives</a>	39
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GRI 203: INDIRECT ECONOMIC IMPACTS 2016			
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GRI 103	Management Approach 2016	▶ Sustainable Supply Chain. Localisation and Import Substitution	97-103
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205-3	Confirmed incidents of corruption and actions taken	▶ Ethics and Anticorruption Efforts	86
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GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016		
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*In accordance with Article 74 of the Labour Code of the Russian Federation (changes in organisational or technological working conditions) and Article 75 of the Labour Code (in cases of change of organisation property ownership, change of jurisdiction of an organisation and restructuring of organisation), the minimum period for notices to employees and their elected representatives about any significant changes in business activities that may significantly affect them is two months.*

INDICATOR	SUBSECTION/COMMENT	PAGE
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GRI 103	Management Approach 2016	72-78
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GRI 416: CUSTOMER HEALTH AND SAFETY 2016		
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416-1	Assessment of the health and safety impacts of product and service categories	152-153
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INDICATOR	SUBSECTION/COMMENT		PAGE
GRI 418: CUSTOMER PRIVACY 2016			
GRI 103	Management Approach 2016	▶ Human Rights and Stakeholders' Engagement	72-78
		▶ Confidentiality and Personal Data Protection	138-141
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	▶ Confidentiality and Personal Data Protection	138-141
GRI 419: SOCIOECONOMIC COMPLIANCE 2016			
GRI 103	Management Approach 2016	▶ Human Rights and Stakeholders' Engagement	72-78
419-1	Non-compliance with laws and regulations in the social and economic area	▶ Ethics and Anticorruption Efforts	79-89

SASB Index

TOPIC	INDICATOR	CODE	SECTION	PAGE
Asset Management and Custody Activities				
Employee Diversity and Inclusion	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	FN-AC-330a.1	▶ Participation in International and Industry Initiatives ▶ Human Capital	37, 41  112-113
Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies	FN-AC-410a.2	▶ Responsible Investment Strategy and Approaches	26
Business ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	FN-AC-510a.1	▶ Ethics and Anticorruption Efforts	88
Biotechnology & Pharmaceuticals				
Access to Medicines	Description of actions and initiatives to promote access to health care products for priority diseases and in priority countries as defined by the Access to Medicine Index	HC-BP-240a.1	▶ Innovation Management. Digitalisation ▶ Access to Products, Services and Information ▶ Customer Experience ▶ Response to COVID-19 in 2021	93-94  146-147  150  222
Forestry Management				
Ecosystem Services & Impact	Area of forestland certified to a third-party forest management standard, percentage certified to each standard	RR-FM-160a.1	▶ Product Stewardship	152
	Description of approach to optimizing opportunities from ecosystem services provided by forestlands	RR-FM-160a.4	▶ Operational Environmental Efficiency	182
Climate Change Adaptation	Description of strategy to manage opportunities for and risks to forest management and timber production presented by climate change	RR-FM-450a.1	▶ Climate Change	191
Telecommunication Services				
Data Privacy	Description of policies and practices relating to behavioral advertising and customer privacy	TC-TL-220a.1	▶ Confidentiality and Personal Data Protection	138
Data Security	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of customers affected	TC-TL-230a.1	▶ Confidentiality and Personal Data Protection	138
	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards	TC-TL-230a.2	▶ Confidentiality and Personal Data Protection	140

TOPIC	INDICATOR	CODE	SECTION	PAGE
Product End-of-life Management	(1) Materials recovered through take back programs, percentage of recovered materials that were (2) reused, (3) recycled, and (4) landfilled	TC-TL-440a.1	► Operational Environmental Efficiency	181
Agricultural Products				
Greenhouse Gas Emissions	Gross global Scope 1 emissions	FB-AG-110a.1	► Climate Change	194
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	FB-AG-110a.2	► Climate Change	191
Water Management	(1) Total water withdrawn	FB-AG-140a.1	► <i>The Group companies do not operate in water-stressed areas.</i>	—
Electric Utilities & Power Generators				
Grid Resiliency	(1) System Average Interruption Duration Index (SAIDI), (2) System Average Interruption Frequency Index (SAIFI)	IF-EU-550a.2	► <i>Since 2015, SAIDI (duration of interruptions) in the grids of BPGC's subsidiaries in Bashkortostan fell from 1,919 to 1,098, and SAIFI (frequency of interruptions) from 2,650 to 0,964.</i>	—

Compliance with the UN Global Compact Principles

AREAS	UN GLOBAL COMPACT PRINCIPLES	GRI INDICATOR	SECTION	PAGE
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	Businesses should make sure that they are not complicit in human rights abuses		► Human Rights and Stakeholders' Engagement	72-78
			► Well-being	106
Labour relations	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	102-41 407-1	► Human Rights and Stakeholders' Engagement	72-79
	Businesses should uphold the elimination of all forms of forced and compulsory labour	412-1	► Human Capital	110-129
	Businesses should uphold the effective abolition of child labour	412-1		
	Businesses should uphold the elimination of discrimination in respect of employment and occupation	406-1		
Environment	Businesses should support a precautionary approach to environmental challenges	102-11	► Participation in International and Industry Initiatives.	34-45
			► Operational Environmental Efficiency	170-189
			► Climate Change	190-195
			► Energy Management	196-199
	Businesses should undertake initiatives to promote greater environmental responsibility	102-12 102-13	► Participation in International and Industry Initiatives	48-51
			► Climate Change	190-195
	Businesses should encourage the development and diffusion of environmentally friendly technologies	302-4 307-1	► Energy Management	196-199
			► Key Areas of Sustainability	55-64
			► Operational Environmental Efficiency	170-189
			► Climate Change	190-195
Anti-corruption activities	Businesses should work against corruption in all its forms, including extortion and bribery	205-2 205-3 419-1	► Ethics and Anticorruption Efforts	79-89



UNCTAD Indicators<sup>1</sup>

INDICATOR	SECTION/COMMENT	PAGE
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A.2.1: Taxes and other payments to the Government	► Key Areas of Sustainability	60, 64
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A.3.2: Community investment	► Key Areas of Sustainability	60
	► Support to Regions and Social and Charity Projects	214
A.3.3: Total expenditures on research and development	► Innovation Management. Digitalisation	92
A.4.1: Percentage of local procurement	► Sustainable Supply Chain. Localisation and Import Substitution	100
	► Support to Regions and Social and Charity Projects	212
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B.1.3: Water stress	► Operational Environmental Efficiency	176
B.2.3: Hazardous waste	► Operational Environmental Efficiency	180
B.3.1: Greenhouse gas emissions (scope 1)	► Climate Change (The indicator is calculated in relation to revenue)	194
B.3.2: Greenhouse gas emissions (scope 2)	► Climate Change	195
B.5.1: Renewable energy	► Energy Management	198
B.5.2: Energy efficiency	► Energy Management (The indicator is calculated in relation to revenue)	198
Social area		
C.1.1: Proportion of women in managerial positions	► Human Capital	113
C.2.1: Average hours of training per year per employee	► Key Areas of Sustainability	61
C.4.1: Percentage of employees covered by collective agreements	► Human Capital	120
Institutional area		
D.1.1: Number of board meetings and attendance rate	► Participation in International and Industry Initiatives	36
D.1.2: Number and percentage of women board members	► Key Areas of Sustainability	37
	► Participation in International and Industry Initiatives	61
	► Human Capital	113
D.1.4: Number of meetings of audit committee	► Sistema's Annual Report for 2021	
D.1.5: Compensation: total compensation per board member	► Sistema's Annual Report for 2021	
D.2.1: Amount of fines paid or payable due to settlements	► Ethics and Anticorruption Efforts	64
	► Key Areas of Sustainability	86

1 [https://unctad.org/system/files/official-document/diae2019d1\\_en.pdf](https://unctad.org/system/files/official-document/diae2019d1_en.pdf)



TCFD Indicators

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b) Management's role in assessing and managing climate-related risks and opportunities	► Climate Change	191
Strategy		
b) The impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	► Climate Change	191
Risk management		
a) The organisation's processes for identifying and assessing climate-related risks	► Participation in International and Industry Initiatives	43
b) The organisation's processes for managing climate-related risks	► Participation in International and Industry Initiatives	43
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) Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	► Climate Change	194

WEF Indicators<sup>1</sup>

TOPIC	INDICATOR	GRI INDICATOR	SECTION	PAGE
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	Remuneration		▶ Human Capital	110-129
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	Protected ethics advice and reporting mechanisms			
Risk and opportunity oversight	Integrating risk and opportunity into business process	102-15	▶ Participation in International and Industry Initiatives	99-103
			▶ Sistema's Annual Report for 2021	
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Climate Change	Greenhouse Gas (GHG) emissions	305-1 305-2	▶ Climate Change	190-195
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Nature loss	Land use and ecological sensitivity	304-1	▶ Operational Environmental Efficiency	170-189
Freshwater availability	Water consumption and withdrawal in water-stressed areas		▶ The Group companies do not operate in water-stressed areas.	—
Air pollution	Air pollution	305-7	▶ Operational Environmental Efficiency	170-189
Solid waste	Single-use plastics		▶ Operational Environmental Efficiency	170-189
Resource availability	Resource circularity		▶ Operational Environmental Efficiency	170-189

1 [https://www3.weforum.org/docs/WEF\\_IBC\\_Measuring\\_Stakeholder\\_Capitalism\\_Report\\_2020.pdf](https://www3.weforum.org/docs/WEF_IBC_Measuring_Stakeholder_Capitalism_Report_2020.pdf)

TOPIC	INDICATOR	GRI INDICATOR	SECTION	PAGE
People				
Dignity and equality	Diversity and inclusion	405-1	▶ Business Overview ▶ Corporate governance ▶ Human Capital	8-23 34-45 110-129
	Pay equality	405-2	▶ Key Areas of Sustainability	55-64
	Wage level	202-1	▶ Business Overview ▶ Human Capital	8-23 110-129
	Pay gap (2)	102-38	▶ Human Capital	110-129
	Risk for incidents of child, forced or compulsory labour		▶ Incidents of forced and child labour or related risks were not identified.	—
	Discrimination and harassment incidents and the total amount of monetary losses		▶ No incidents of discrimination were registered in 2021.	—
	Freedom of association and collective bargaining at risk	407-1	▶ No operations or suppliers in which the right to freedom of association and collective bargaining may be at risk were identified.	—
	Human rights review, grievance impact & modern slavery		▶ Human Rights and Stakeholders' Engagement	72-78
	Living wage		▶ Human Capital	110-129
	Health and well-being	Health and Safety	403-6 403-9	▶ Business Overview ▶ Human Capital ▶ Health and Safety
Well-being			▶ Health and Safety	130-137
Skills for the future		Training provided	404-1	▶ Key Areas of Sustainability
Prosperity				
Employment and wealth generation	Absolute number and rate of employment	401-1	▶ Human Capital	110-129
	Economic contribution	202-1 201-4	▶ Business Overview ▶ Support to Regions and Social and Charity Projects	8-23 204-221
	Financial investment contribution		▶ Responsible Investment Strategy and Approaches	24-33
	Infrastructure investments and services supported	203-1	▶ Responsible Investment Strategy and Approaches	24-33
			▶ Innovation Management. Digitalisation ▶ Smart Homes, Cities and Industries ▶ Support to Regions and Social and Charity Projects	90-98 158-169 204-221



TOPIC	INDICATOR	GRI INDICATOR	SECTION	PAGE
Employment and wealth generation	Significant indirect economic impacts	203-2	▶ Key Areas of Sustainability	55-64
			▶ Innovation Management. Digitalisation	90-98
			▶ Support to Regions and Social and Charity Projects	204-221
Innovation of better products and services	Total R&D expenses		▶ Innovation Management. Digitalisation	90-98
Community and social vitality	Total tax paid	201-1	▶ Business Overview	8-23
			▶ Support to Regions and Social and Charity Projects	204-221
	Additional tax remitted	201-1	▶ Business Overview	8-23
			▶ Support to Regions and Social and Charity Projects	204-221
	Total tax paid by country for significant locations	201-1	▶ Business Overview	8-23
			▶ Support to Regions and Social and Charity Projects	204-221
	Total social investment		▶ Business Overview	8-23
			▶ Support to Regions and Social and Charity Projects	204-221

# ANNEX 3.

## LINKS TO ADDITIONAL INFORMATION



Sistema's official website

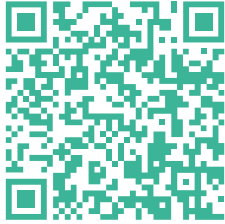


Sistema's Annual Report for 2021

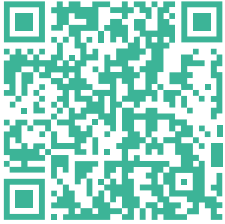


Sistema's Sustainability Report for 2020

### Key documents



Code of Ethics



Corporate Governance Code



Sustainability Policy



Corporate Social Responsibility Policy



Anticorruption Policy



Environmental Policy

Key documents



Human Rights Policy



Terms of reference of the Strategy and Sustainability Committee



Terms of reference of the Audit, Finance and Risk Committee



Terms of reference of the Nomination, Remuneration and Corporate Governance Committee



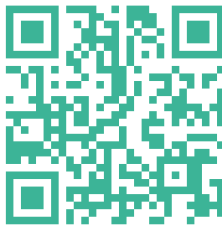
Other corporate documents

Documents of portfolio companies

Sistema Charitable Foundation



Official website

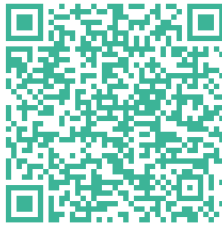


Annual reports

MTS



Official website



Annual reports

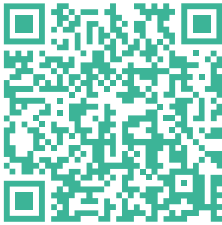


Documents of portfolio companies

Etalon Group



Official website



Annual reports

Segezha Group



Official website



Annual reports

Medsi



Official website

Steppe AgroHolding



Official website

Ozon



Official website

Binnopharm Group



Official website



Documents  
of portfolio  
companies

Business  
Nedvizhimost



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Cosmos  
Hotel Group



Official website

Sitronics  
Group



Official website

BPGC



Official website



Annual reports

Concept Group



Official website

East-West United Bank



Official website



Annual reports

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