



JOINT-STOCK FINANCIAL CORPORATION  
**SISTEMA**

Approved  
by the Board of Directors  
of Sistema PJSFC  
on June 27, 2020

Minutes No 06-20  
dtd July 10, 2020.

## Sustainability Policy of Sistema PJSFC

### A systematic approach to sustainability

This policy is a public document and defines the approaches of Sistema PJSFC ("the Corporation" or "Sistema") to sustainability and responsible investment. The Corporation aims to build a competitive and sustainable business that meets the principles of social and environmental responsibility, and creates value for shareholders and a wide range of stakeholders in the long term.

A responsible approach at all stages of investment and asset ownership involves taking into account not only traditional financial and operational aspects but also the material environmental, social and governance (ESG) factors.

The main approaches and principles in the area of sustainability and responsible investment are determined by this Policy, the [Corporate Governance Code](#), the [Code of Ethics](#), the Risk Management Policy, the [Anticorruption Policy](#), the [Charity Policy](#) and other internal regulations based on them.

### *Scope*

This Policy applies to Sistema PJSFC and is recommended for adoption and compliance by Sistema Group companies ("the Group Companies") regardless of their activity profile or geography.

The Corporation, within the established corporate governance procedures will contribute to:

- compliance with high standards of corporate governance and corporate responsibility principles, including enhancing energy efficiency and sustainability awareness,
- improvement of management approaches and performance indicators in the area of sustainable development,
- minimisation of negative and increasing positive impact of activities through innovation, services, products, interaction and investments in local communities.

The Corporation will strive with due diligence to ensure that the Group Companies adhere to comparable corporate responsibility principles in their activities and will make reasonable efforts to encourage them to consider introducing relevant principles into their activities.

The Corporation expects that suppliers, contractors and other business partners of the Group Companies will also adhere to high standards of corporate responsibility in their activities.

## *Guiding corporate responsibility principles*

- **Risk management.** Consideration of environmental, social and governance risks and opportunities when developing and implementing strategy, assessing investment opportunities and developing the Group Companies.
- **Integrity and transparency.** The Corporation refines its management structures, policies and procedures to ensure compliance with applicable laws and good business practices. The Corporation also discloses material information about itself and its activities, including public non-financial reporting, thus enabling stakeholders to properly oversee its activities.
- **Respect for human rights.** The Corporation promotes inclusivity and diversity, ensures equal opportunities, prevention of child and forced labour, protection of personal data, respect for labour and other fundamental human rights.
- **Ethics, loyalty and honesty** in relations with partners, counterparties, and personnel. The Corporation develops and strictly observes its own Code of Ethics and provides comprehensive support to the development of business ethics in the Group Companies.
- **Employee care.** The Corporation seeks to provide its employees with decent and safe working conditions and fair compensation. It shall develop and implement programmes designed to create conditions for enhancing qualifications and education, expand the scope of health insurance, develop sports, culture, volunteering, and charity opportunities, and promote other social activities for the benefit of its employees.
- **Focused allocation of financial and intellectual resources on promoting innovation** and developing businesses in industries that can bring substantial social, economic and technological benefits to the regions and local communities in which the Corporation operates.
- **Respect for the environment.** The Corporation seeks to ensure responsible resource management and environmental safety of production processes, products and services in the Group Companies.
- **Investment in socially impactful projects and programmes** through the Sistema Charitable Foundation and the charitable activities of Sistema Group Companies.

## Key ESG areas as a continuation of the investment strategy

Material sustainability and responsible investment areas are determined on the basis of social and environmental impact of activities analysis, assessment of risks and opportunities, stakeholder interests, and compliance with the priorities of social and economic development of regions of operations and the UN Sustainable Development Goals.

Sistema identifies three key areas, which development is promoted through its investment activities and where it can have a significant positive impact and create value for stakeholders:

- **Accessibility and quality** of products and services
- **Wellbeing** of employees, customers and local communities
- **Smart**, efficient and safe **environment**

These areas are a natural continuation of the investment strategy and are based on the best corporate governance practices, well-functioning internal processes aimed at improving operational efficiency, innovation and synergies within the Sistema Group.

<b>Investment strategy</b>	<b>Accessibility and Quality</b> <ul style="list-style-type: none"> <li>• Access to products, services and information</li> <li>• Customer experience</li> <li>• Product stewardship</li> </ul>
	<b>Wellbeing</b> <ul style="list-style-type: none"> <li>• Human capital</li> <li>• Health and Safety</li> <li>• Data privacy and security</li> </ul>
	<b>Smart Environment</b> <ul style="list-style-type: none"> <li>• Smart homes, cities and production</li> <li>• Operational eco-efficiency</li> <li>• Energy and Climate change</li> </ul>
<b>Governance and Synergies</b> <ul style="list-style-type: none"> <li>• Business ethics</li> <li>• Human Rights and Stakeholder engagement</li> <li>• Risk management</li> <li>• Innovation management</li> <li>• Sustainable supply chain</li> </ul>	

## *Responsible investment and asset management*

All key investment projects are subject to examination under Sistema's multi-stage investment process.

Potential investment ideas are elaborated by divisions of managing partners within their investment portfolios, pass approval by the Strategy and Development Complex, the Finance Complex, the Corporate Governance and Legal Matters Complex, and then are submitted for consideration by the Expert Council on investments under the Finance and Investment Committee. If the investment idea involves the use of innovative technologies or is a project with a high scientific capacity, then before the Expert Council, the investment idea is also considered at the Scientific and Technical Council under the President of the Corporation.

The Expert Council approves the launch of the idea implementation if it matches the portfolio strategy and the investment criteria of the Corporation, prepares recommendations to improve the quality of an investment idea elaboration, as well as allocates, if necessary, seed funding for its development. If approved by the Expert Council, the project is developed by the divisions of the managing partners and then submitted to the Committee on Finance and Investments.

The Finance and Investment Committee reviews the Corporation's investment projects and approves financial models, business plans, realisation timelines, KPIs as well as monitoring results of investment projects. The Committee's approval is required for further consideration of a project by the Management Board and/or the Board of Directors of the Corporation.

In addition to financial analysis and industry analysis that underlie decision-making for each project, such components as management quality, staffing, compliance, state of production base, infrastructure and technology, related legal and social obligations, and environmental and reputational risks are also considered depending on specific features, industry and region of a project. A comprehensive analysis of investment projects is also carried out from the perspective of social, ethical, economic, medical consequences of investing with the greatest possible horizon of foresight. External consultants are also involved in a comprehensive assessment.

A preliminary assessment of ESG risks of an investment target is used to determine the need for further assessment, its volume and depth, depending on the materiality of identified risks. For the purposes of this Policy, material risks are risks that, according to the Corporation's assessment, can have a significant impact on the organisation's ability to create and maintain shareholder, environmental and social value for itself and its stakeholders.

As part of further engagement, Sistema can contribute, through established corporate governance procedures and governance bodies of the Group Companies, to bringing the governance systems in line with the corporate responsibility principles and addressing the identified ESG risks as part of corporate risk management systems.

To enhance the corporate governance practices, the Corporation is committed to:

- promoting uniform corporate governance and business ethics principles in the Group Companies;
- involving the Group Companies in the regular strategic planning cycle, setting common goals for and coordinating the management of key sustainability areas the Group Companies;
- forming a corporate culture based on the corporate responsibility principles;
- encouraging innovation and improving operational efficiency;
- supporting engagement between the Group Companies.

## Governance structure

Sustainability is an integral element of the Corporation's corporate governance and culture. Sustainability aspects material for the corporation are managed at both strategic and functional levels, and the key principles and approaches are transmitted to the Group Companies through Managing Partners and the members of boards of directors. The implementation of these objectives is carried out through the following governance bodies of the Corporation (as well as services, committees, divisions).

<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>- Governs the activities of the Corporation and is responsible for strategic planning, determination of investment principles and criteria, and assessment of the management's efficiency.</li> </ul>
<b>Investor Relations and Dividend Policy Committee</b>	<p>Responsible for:</p> <ul style="list-style-type: none"> <li>- sustainability in general and preliminary definition of the Corporation's position in the area,</li> <li>- considering the strategy of the corporate charitable foundation,</li> <li>- maintaining effective relations with the financial community and public authorities,</li> <li>- protecting the rights and interests of shareholders of the Corporation.</li> </ul>
<b>Nomination, Remuneration and Corporate Governance Committee</b>	<p>Responsible for:</p> <ul style="list-style-type: none"> <li>- promoting the development of an effective corporate governance system that meets international standards in the Corporation and Group Companies,</li> <li>- assisting in the development and the implementation monitoring of the HR strategy of the Corporation,</li> <li>- developing the motivation and remuneration policy of the Corporation employees,</li> <li>- promoting the corporate culture development.</li> </ul>
<b>Strategy Committee</b>	<p>Responsible for:</p> <ul style="list-style-type: none"> <li>- the preliminary approval of the strategy and strategic goals of the Corporation,</li> <li>- consideration of mergers and acquisitions and major investment projects.</li> </ul>
<b>Ethics and Control Committee</b>	<p>Responsible for:</p> <ul style="list-style-type: none"> <li>- ensuring an effective system of economic and corporate security,</li> <li>- monitoring compliance with the requirements of the Code of Ethics of the Corporation,</li> <li>- assisting in the functioning of the system for combating corruption and fraud, as well as other abuses related to violation of applicable law in the Group Companies,</li> <li>- monitoring the effectiveness of the functioning of the grievance system on potential violations in the Corporation's activities (jointly with the Audit, Finance and Risk Committee).</li> </ul>

<b>Audit, Finance and Risk Committee</b>	<p>Responsible for:</p> <ul style="list-style-type: none"> <li>- assessing the risk management system,</li> <li>- preliminary assessment of transactions submitted for consideration by the Board of Directors,</li> <li>- monitoring the effectiveness of the functioning of the grievance system on potential violations in the Corporation's activities (jointly with the Ethics and Control Committee).</li> </ul>
<b>President and the Management Board</b>	<ul style="list-style-type: none"> <li>- Manage day-to-day operations of the Corporation in order to achieve its strategic goals.</li> <li>- Determine the methods and ways to implement the Corporation's development strategy, prepare development plans, and determine and monitor the execution of the investment process.</li> </ul>
<b>Finance Complex</b>	<p>Responsible for:</p> <ul style="list-style-type: none"> <li>- implementation of the defined sustainability position,</li> <li>- its communication to investors,</li> <li>- development of the sustainability management system,</li> <li>- functioning of the risk management system, including management of sustainability risks,</li> <li>- coordination of the Sistema Group's sustainability activities,</li> <li>- public non-financial reporting.</li> </ul>
<b>GR Department</b>	<p>Responsible for:</p> <ul style="list-style-type: none"> <li>- corporate social responsibility,</li> <li>- sharing information about the Corporation's sustainability activities through the media and social networks;</li> <li>- regional policy,</li> <li>- charitable activities.</li> </ul>
<b>Other divisions</b>	<ul style="list-style-type: none"> <li>- Responsible for certain sustainability aspects (corporate governance, ethics, risks, HR management, etc) and interaction with stakeholders within their competence.</li> </ul>
<b>Managing Partners</b>	<p>Responsible for:</p> <ul style="list-style-type: none"> <li>- implementing the investment strategy regarding the Group Companies,</li> <li>- organising shareholder governance and transmitting key governance principles and approaches,</li> <li>- forming effective management teams in assets,</li> <li>- organising projects synergistic with other Group Companies.</li> </ul>
<b>Sistema Charitable Foundation</b>	<ul style="list-style-type: none"> <li>- An integrator and enlightener of social projects and charitable initiatives of Sistema and the Group Companies.</li> <li>- Invests in the development of education and professional development, supports cultural and awareness raising projects, provides social assistance, creating a platform for the implementation and promotion of the Group Companies' systematic charitable activities.</li> </ul>

If necessary, cross-functional working groups are created in the Corporation to develop common approaches to managing the key sustainability aspects.

## *Monitoring, reporting and communications*

Sistema considers the availability of information about the Corporation's activities and its financial and non-financial results as an important element of stakeholder engagement.

The Corporation regularly discloses information on its sustainability activities and seeks to increase the openness and transparency of the Group Companies. Among other things, the Corporation acting in accordance with established corporate governance procedures:

- monitors through the boards of directors the implementation of development strategies and the effectiveness of governance systems and reporting processes;
- ensures the implementation and functioning of the risk management system;
- develops various channels for stakeholder engagement and discloses the results of operations in non-financial reporting.

## *Commitment to continuous improvement*

Sistema is a participant of the UN Global Compact aimed at promoting shared values and responsible business practices, and to the Social Charter of the Russian Business, a set of fundamental principles of responsible business practices adopted by the Russian Union of Industrialists and Entrepreneurs.

As part of its sustainability and responsible investment management, the Corporation also uses as reference such recognised international documents and standards as:

- Human rights conventions and declarations of the United Nations (UN) and the International Labour Organisation;
- The UN Sustainable Development Goals;
- The UN Guiding Principles on Business and Human Rights;
- OECD guidelines for multinational enterprises;
- Principles for responsible investment (PRI);
- Performance Standards of the International Finance Corporation;
- GRI and SASB sustainability reporting standards.

This policy is subject to regular evaluation and, if necessary, updating in accordance with the priorities of the Corporation and the Group Companies, as well as stakeholder expectations.

### *Additional information*

The corporate website provides more information on:

- the Corporation's approach to sustainable development: <https://sistema.com/sustainable-development>,
- current corporate governance structure: <https://sistema.com/about/corpmanage>,
- investment strategy: <https://sistema.com/about/investment-strategy>.

If you have any questions, please contact us at [ir@sistema.ru](mailto:ir@sistema.ru).