

# **Annual Sustainability Report 2020**





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# Message from CEO





## Message from CEO

2020 has been a year of ups and downs, which brought new perspectives to **Bakcell Group** while we witnessed major events both globally and regionally, from an ongoing global COVID-19 pandemic to the Patriotic War when Azerbaijan celebrated a historic victory restoring its territorial integrity. In the face of a difficult year, we are proud that we have stayed true to our purpose of using our expertise to do good and follow a sustainable track, despite facing obstacles due to the external factors including restrictions caused by pandemic-related lockdowns.

We are proudly presenting our third Sustainability Report discussing our performance results and milestones, as well as challenges we faced in 2020.

As we publish this Report, the world is still struggling with the COVID-19 pandemic, although businesses and national economies, including Azerbaijan, experience a relative post-pandemic growth. It was particularly important for us to continue supporting our customers, employees and the broader range of stakeholders through the challenging times of 2020, and we believe our teams were successful in avoiding disruptions, whilst continuing to work with full commitment and dedication.

As digital and smart technologies continue to transform the world and remote work becomes the new norm, we continue working with our partners to contribute to a sustainable economy, environment, and society. Our ultimate goal is accelerating the digitalization of other industries and serving the needs of consumers for a fully connected world.

In 2020, we reinforced our strategy of prioritizing customer retention through our “volume to value” approach and continued investing into the resilience and accessibility of our network. Thanks to our tailored approach towards our clients, we managed to improve our performance results in the reporting year. We also observed a higher customer satisfaction rate, NPS score and improved churn rate in 2020.

We uphold our responsibilities as a corporate citizen, and work closely with the customers, employees, local communities, and industry partners to create a healthy and harmonious ecosystem. Our commitment to integrity and strong business ethics is embodied in the trust which our stakeholders place in us. In 2020, we updated a number of our existing policies and developed a new range of policies from Supplier Code of Conduct to Diversity and Inclusiveness Policy, ensuring responsible practices are firmly incorporated into the way we run our business. In 2020, we also developed our first overarching Sustainability Policy which states our overall commitments and our approach to sustainability in line with the UN Sustainable Development Goals (SDG) and international best practice. The Policy sets a development pathway for the Group, setting the tone for our future programmes, projects, products, and services. These changes were also essential for strengthening our sustainability management, harmonization of our governance with the highest ethical standards, and validation of our stakeholders' trust.

The impact we have on communities, as well as providing support to vulnerable social groups, tackling climate change and accelerating youth development are all key areas of our focus. Decreasing our negative environmental impact and increasing our positive societal contributions have always been the yardsticks for our business. To make our energy consumption more sustainable, we launched a pilot project at our base stations while simultaneously assessing the potential for applying a low-energy consumption pattern to our other technical facilities. We also executed various initiatives to support the local communities that had suffered losses during the Patriotic War, as well as vulnerable social groups affected by the pandemic.

During the last two years that I have been leading **Bakcell Group**, the dedication and hard work of our teams that I have witnessed have been exemplary. In 2020, we launched “FLEXcellence” project to ease our people’s transition to remote work given the new normality of the pandemic, and we plan to stick to it in the post-pandemic era, too. “FLEXcellence” helped us to maintain our employee engagement at high levels even during those times when communication for us and our partners was limited. As a result, we observed improved life-work balance, better team collaboration, and employee satisfaction.

I believe that the impressive results we achieved even in the face of unfavourable conditions of 2020 reflect the quality of teamwork, leadership, and outstanding people across our Group. I am proud that despite all the challenges, we remained committed to a sense of common welfare. I am thankful to each and every one of our employees for their resilience that is essential for ensuring **Bakcell Group’s** continued success. This has been a particularly challenging year for all of us. Despite that, our achievements prove how strong and stable we are in our pursuit of sustained growth.

**Rainer Rathgeber**

Chief Executive Officer of Bakcell Group



A hand holding a pen points to a document. The document features a bar chart with three bars of increasing height. To the right of the chart, the text 'Share value' is visible. The entire image is overlaid with a semi-transparent red filter.

# About this report

- 
- A hand is pointing at a bar chart on a document. The bar chart has 10 bars of increasing height. A pie chart is visible in the background. The text is overlaid on the bottom right of the image.
- 1.1 Reporting Scope and boundaries
  - 1.2 Materiality review
  - 1.3 Disclaimer
  - 1.4 Your feedback

# 1. About this report

## 1.1 Reporting scope and boundaries

This Report is the third Sustainability Report of **Bakcell Group**, providing information about the economic, social, and environmental performance of Bakcell and its subsidiaries. Unless otherwise stated, the Report covers the period from January 1 to December 31, 2020, and provides information about Bakcell, AzerTelecom, and Azerconnect, that is the largest shared service provider of the Company. The remaining entities are outside the scope of this Report due to their smaller scale of operations.

Our Report was prepared with reference to the “Core” option of Global Reporting Initiative (GRI) Standards. The main purpose of this Report is to communicate the economic, social, and environmental impact caused by our activities to our stakeholders to convey accountability and transparency. Our Annual Sustainability Reports are publicly available both in Azerbaijani and English languages on our corporate website.

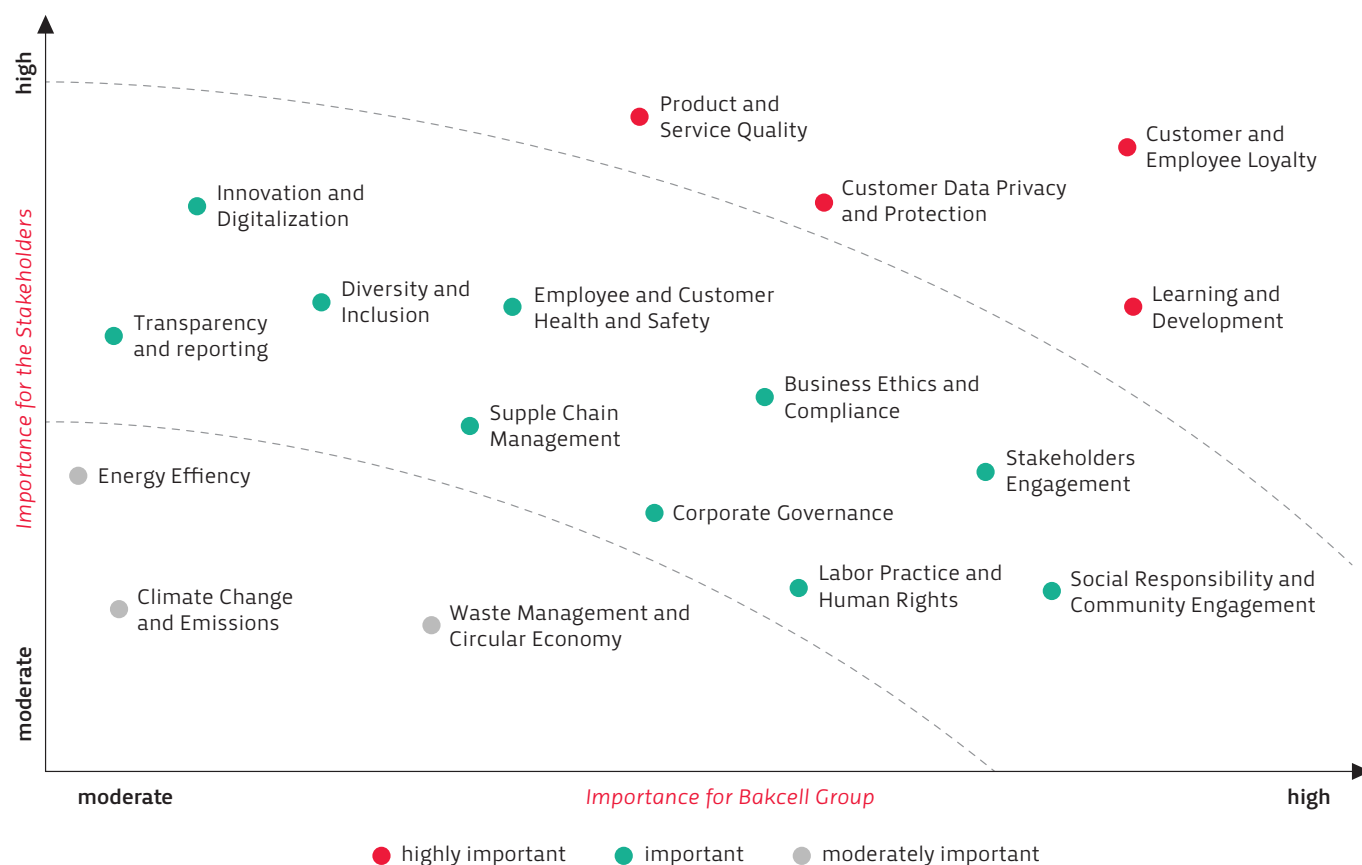
To ensure the accuracy, transparency, and reliability of data provided in this Report, we engaged an external assurance provider to perform an independent limited assurance of the selected sustainability indicators as given on page 86.








## 1.2 Materiality review












We apply the principle of materiality in assessing what information should be included in our Sustainability Report. Materiality matrix is developed by considering a combination of factors that include our strategy and vision, risks and opportunities, feedback from stakeholders, legal requirements, macro and micro trends, international sustainability frameworks, and value creation model. This Report focuses particularly on those issues, opportunities, and challenges that impact our ability to be a sustainable business that consistently minimizes the erosion of value for all stakeholders.

Aiming to promote the sustainable development of our country and economy, we constantly seek ways to contribute to the relevant Sustainable Development Goals (SDGs) introduced by the UN and to maximize the value we deliver to our stakeholders. We continuously monitor our performance results and achievements with regard to the SDGs and identify potential areas for further improvement.



**Figure 01** **Material matrix****Table 01** **Material topics**

Material Topics	Relevant SDGs	Boundaries	Initiatives implemented in 2020
Product and service quality	  	Broader community	<b>For details, see:</b> Section 3.4 Our Commitment to Maximizing Client Experience
Customer data privacy and protection	  	Broader value chain	<b>For details, see:</b> Section 4. Our ethics-driven approach to data governance
Customer and employee loyalty	   	Broader community	<b>For details, see:</b> Section 3.4 Our Commitment to Maximizing Client Experience and Section 5.5 Employee Motivation and Satisfaction
Learning and development	   	Broader community	<b>For details, see:</b> Section 5.3 Training and Development
Innovation and digitalization	  	Broader community	<b>For details, see:</b> Section 3.3 Digitalization and Innovation
Employee and customer health and safety	  	Broader value chain	<b>For details, see:</b> Section 5.6 Employee Health and Safety

Business ethics and compliance		Internal	<b>For details, see:</b> <i>Section 2.5 Responsible and Ethical Business Management</i>
Transparency and reporting		Broader value chain	<b>For details, see:</b> <i>Section 2.5 Responsible and Ethical Business Management</i>
Stakeholder engagement		Broader community	<b>For details, see:</b> <i>Section 6.1 Our Relationships with Stakeholders</i>
Social responsibility and community engagement		Broader community	<b>For details, see:</b> <i>Section 6 Creating Shared Value</i>
Supply chain management		Broader value chain	<b>For details, see:</b> <i>Section 7 Responsible Supply Chain Management</i>
Diversity and inclusion		Broader community	<b>For details, see:</b> <i>Section 3.4.2 Accessibility and Inclusion and Section 5.2 Equal Opportunities Inclusiveness and Diversity</i>
Corporate governance		Internal	<b>For details, see:</b> <i>Section 2.4 Corporate Governance</i>
Climate change and emissions		Broader value chain	<b>For details, see:</b> <i>Section 8.2 Energy Consumption and GHG Emissions</i>
Labor practice and human rights		Internal	<b>For details, see:</b> <i>Section 2.5 Responsible and Ethical Business Management</i>
Waste management and Circular economy		Broader value chain	<b>For details, see:</b> <i>Section 8.4 Waste Management</i>
Energy efficiency		Internal	<b>For details, see:</b> <i>Section 8.2 Energy Consumption and GHG Emissions</i>



1 NO POVERTY



8 DECENT WORK AND ECONOMIC GROWTH



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



2 GOOD HEALTH AND WELL-BEING



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



13 CLIMATE ACTION



3 QUALITY EDUCATION



10 REDUCED INEQUALITIES



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



4 GENDER EQUALITY



11 SUSTAINABLE CITIES AND COMMUNITIES



17 PARTNERSHIPS FOR THE GOALS

## 1.3 Disclaimer

Bakcell has taken a substantial effort to verify the accuracy of the information presented in this report, which includes forward-looking statements. Forward-looking statements are declarations of the events that are expected to happen in the future and are not factual. They represent an opinion of the senior management of Bakcell about the upcoming state of affairs based on their current expectations and beliefs.

Various issues arising due to the uncertainties associated with forward-looking statements include, but are not limited to: changes to reporting landscape and the interpretations, applications, and practices subject thereto as they apply to past, present, and future periods; domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political risks; and the effects of both current and future litigation.

No responsibility can be attributed to Bakcell to update forward-looking statements presented in this Report and thus cannot be held accountable for any loss or damage arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits, or consequential loss or damage.

During the current reporting period, approach and methodology to calculation of selected indicators listed below were reconsidered due to constant improvement of the Group's internal reporting system. As a result, disclosures for previous reporting periods were also recalculated in accordance with new approach/methodology for the sake of consistency:

- Number of Base Transceiver Stations (BTS)
- Total number of customers
- Number of countries with 4G international roaming service
- Employee turnover rate
- Share of local suppliers
- Electricity and fuel consumption
- GHG emissions
- Water consumption

Explanatory notes were provided throughout the Report to inform the readers on applied changes in the scope or methodology.

## 1.4 Your feedback

We are open to any suggestions and appreciate any input that would help us improve our reporting, thereby we are fully committed to listening to our stakeholders and we welcome feedback on this Report and any aspect of our sustainability performance. Please address your feedback or suggestions to [Suheyilal@bakcell.com](mailto:Suheyilal@bakcell.com).

# Corporate Purpose





2.1 About Bakcell Group  
2.2 Group overview  
2.3 Our value chain  
2.4 Corporate Governance  
2.5 Responsible and Ethical Business  
Management  
2.6 Risk and Business Continuity

## 2. Corporate Purpose

### 2.1 About Bakcell Group

#### Our mission, vision, and purpose

We are a telecommunications company connecting millions of people and thousands of organizations of all sizes. We are optimistic about how technology and connectivity can contribute to the future and improve people's lives. We recognize and accept responsibility for the impact that our business generates, and our aim is to make a positive difference within the environment and communities we are operating in. Through our business, we aspire to contribute to a digital society that enhances socio-economic progress, embraces everyone, and does not come at a cost to our planet.

#### Our aspirations

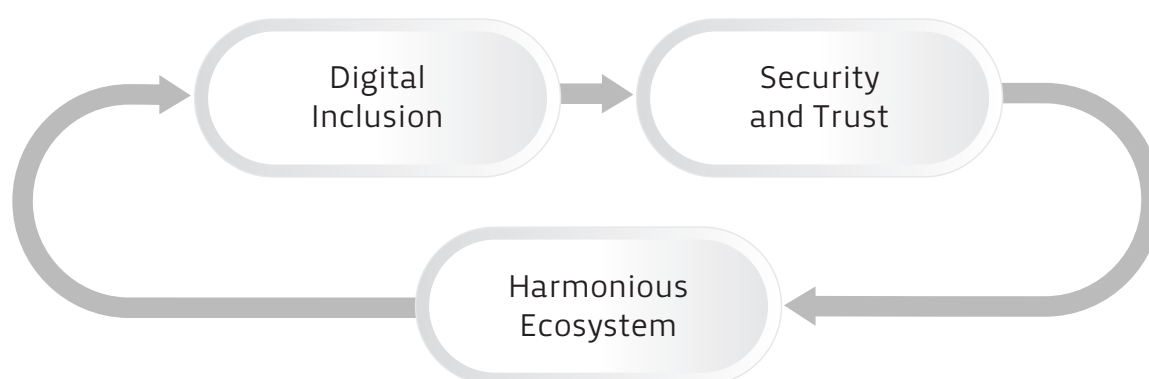
- Being a leader in customer satisfaction as an objective reflection of quality and value we deliver
- Being a top employer in our industry by attracting and retaining the best talent
- Spearheading the profitability based on a strong performance that enables us to invest in new products, services, and people

Our vision and mission ultimately focus on digitalization available for everyone, everywhere, and any-time. By connecting people and businesses, we are building a world that enables everyone's voice to be heard.

**Figure 02** Bakcell Group's mission and vision



Our strategy, which has evolved throughout 2019 and 2020, prioritizes agile and sustainable transformation reflecting the trends and forecasts in the telecommunications sector. In 2020, **Bakcell Group** approved its first overarching Sustainability Policy, which states the Group's overall commitment and approach to sustainability in line with the UN Sustainable Development Goals (SDGs) and international best practice. As an overarching internal document, it sets the development pathway for the Group by shaping the tone for our future programmes, projects, products, and services.

**Figure 03** Strategic priorities of Bakcell Group

We know that connectivity is transforming how we live and work, and we aspire to build a digital future that works for everyone. Being in line with our strategy, we have formulated three pillars that represent the kind of world that we want to live in. These pillars represent our offer to society and the conditions that need to be in place for the telecommunications sector and the economy as a whole to thrive.

### Digital inclusion

We believe that the opportunities that arise with digitalization should be accessible to all and are committed to ensuring that the vulnerable are not left behind on the journey towards a digital future. Through our business, we work to bridge the gaps that exist and help communities to contribute equally and fully to society. Our ultimate goal is to bring digital technologies to everyone, every home, and every organization.

### Security and trust

Security underpins our commitment to protecting our customers with reliable connections and keeping their data safe. Cybersecurity and data privacy are therefore of paramount importance to us, and we remain open and transparent regarding this matter. We continually invest our resources to boost our capacity and practices, build resiliency, develop trustworthy and high-quality products, and support stable network operations and business continuity.

### Harmonious ecosystem

We focus on a critically important interface of digital inclusion, security, and trust, that has far-reaching ramifications for the society, economy, and the environment. Propelled particularly by digitization, connectivity, and new modes of collaboration, be it at work or during leisure time, our goal is to reshape the core structures of the economy, enabling new ways of addressing serious societal and environmental challenges.

Our mission and vision, our purpose and strategy, as well as our business model and business conduct as a responsible corporate citizen, are based on four pivotal values, which are reflected in every step we take and every decision we make.

As we expand into new markets, recruit new talents and face new challenges, these values guide our people in the decisions and actions they take every day.



**Figure 04** Corporate values of Bakcell Group

## Our partnerships

**Bakcell Group** successfully builds business partnerships with different private and public institutions from a wide range of industries and sectors. Our partnerships offer diverse viewpoints which take on our ambitions and motivate a holistic and long-term development. The following table sums up our key strategic partnerships and shows what has been achieved as a result of these partnerships:

**Table 02** Partnerships

Partner	Who they are	Partnership outcomes
Ministry of Education/ AzEduNet	A governmental body in charge of the education system	Around 700 general educational institutions located in remote villages were provided with internet access and other network services.
ASAN	State Agency for Public Service and Social Innovations under the President of the Republic of Azerbaijan that provides services to be rendered by the state entities in a uniform and coordinated manner.	<p>Bakcell Group cooperates with ASAN by implementing different projects, such as:</p> <ul style="list-style-type: none"> <li>• CSR projects to support vulnerable groups;</li> <li>• Free of charge SMS permission process to ensure quick responses to inquiries of citizens, submitted through the “System for issuance and monitoring of permissions during the special quarantine regime”;</li> <li>• Support to “ASAN Mobile Signature,” etc.</li> </ul>
Premium Bank	Premium banking and financial services provider in Azerbaijan	Joint activities for expanding the existing partnership between the parties, as well as running joint projects in various areas.



Microsoft	American multinational technology company specializing in computer software and consumer electronics	This partnership enables AzerTelecom to provide advanced ICT solutions, such as Azure, Microsoft 365, and Microsoft Teams.
Alibaba Group	Chinese multinational technology company specializing in e-commerce, retail, internet, and technology	Upcoming cooperation in cloud services within the framework of Azerbaijan Digital Hub project.
ENGINEET	Internet services provider	Implementation of the Safe Internet project, as well as development of the Internet Filtering Service to provide safe browsing for children and young adults.
TrendMicro	Cybersecurity and defense	AzerTelecom cooperates with the Azerbaijan Digital Hub for cybersecurity purposes
Symantec	Cybersecurity software and service	AzerTelecom cooperates with the Azerbaijan Digital Hub for cybersecurity purposes
ESET	IT security company providing anti-virus and firewall products	AzerTelecom cooperates with the Azerbaijan Digital Hub for cybersecurity purposes
Quest	IT administration services provider	AzerTelecom cooperates with the Azerbaijan Digital Hub for cybersecurity purposes
One Identity	A Quest Software business that helps organizations establish an identity-centric security strategy	AzerTelecom cooperates with the Azerbaijan Digital Hub for cybersecurity purposes

Our scale and impact allow us to stimulate positive transformation in relevant areas of expertise. We value our memberships and associations as an important resource for spreading know-how, industry practices, and trends, as well as collaborating in policy development. Our GSMA (GSM Association) membership has been active since 1997, while we have been regional collaborators and participants in various forums. We are members of the American Chamber of Commerce in Azerbaijan and the German-Azerbaijani Chamber of Commerce.

## 2.2 Group overview

**Bakcell Group** consists of six entities, all operating in the information technologies and telecommunications industry and providing a wide range of telecommunications services both to B2C and B2B clients. **Bakcell Group** is part of NEQSOL Holding, a diversified group of companies operating across the different industries and countries.

### Bakcell

Bakcell, the parent company of **Bakcell Group** was incorporated as a Limited Liability Company in 1996 by the Ministry of Justice of Azerbaijan. Bakcell was the first company to provide mobile communications services in Azerbaijan. As a leader in innovation and one of the largest investors in the non-oil sector of

the economy of Azerbaijan, Bakcell provides a wide range of high-quality modern telecommunications services to more than 2,6 million customers.

### Azerconnect

Azerconnect is a telecommunications, ICT, and high-tech solutions service provider operating in full compliance with international standards. One of the main priorities of the company, which employs almost 1,400 professionals, is to bring the most successful global experiences and optimal solutions in the area of ICT to Azerbaijan. The provision of modern and fair employment opportunities, as well as a high-class service and customer experience, are among the main advantages of the company. Azerconnect currently delivers various services to companies operating in the technologies and telecommunications sectors.

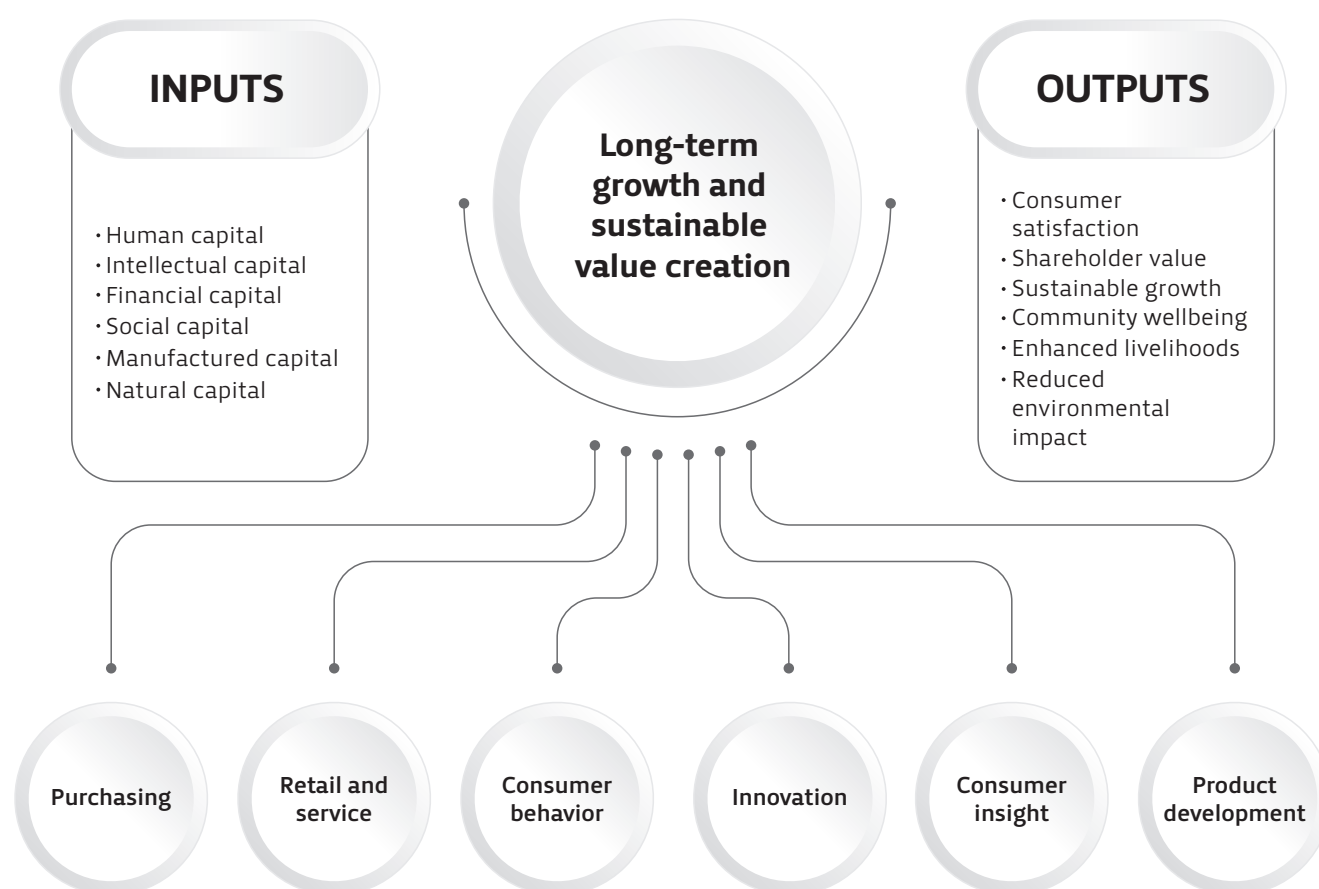
### AzerTelecom

AzerTelecom is the internet backbone provider connecting Azerbaijan to the Global Internet Network. Established in 2008, the company provides the country with high-quality internet and other telecommunications services. AzerTelecom owns a sustainable and diversified local and international network. The company's local fiber-optic cable network covers all major regions and cities of Azerbaijan, including the Nakhchivan Autonomous Republic. The international network of AzerTelecom is connected to international destinations across various directions and has the capacity to be connected to all major international telecommunications hubs.

## 2.3 Our value chain

We recognize the crucial role we play in enhancing connectivity which in its turn accelerates economic activity and ensures sustainable growth and development. A strong commitment to our purpose helps us follow our strategy and execute decision-making, bringing an optimal balance between long-term value and short-term results. We always strive to create long-term shared value across our value chain through increased efficiency, quality, and performance, as well as by acting responsibly towards our customers, business partners, employees, and the wider group of stakeholders.

Our value chain model demonstrates how we apply the inputs to create common value for our business, our stakeholders, and the communities in general. The graph below demonstrates how we interpret each of our capital inputs and how we strive to universally adopt a “beyond-financial-gain” approach. **Bakcell Group** considers the non-financial data more than just an afterthought – we recognize the non-financial data as an essential management tool, one that provides us with a better picture of our role in the world and supports us in making informed decisions. We believe that properly collected and utilized non-financial data highlight new commercial opportunities that might otherwise be overlooked. We are proud of the fact that our non-financial disclosures have become an integral part of our reporting practice.

**Figure 05** Bakcell Group's value chain

### Bakcell Group Awards\*

**2019** – “Azerbaijan’s Fastest Mobile Network” 2019 by Ookla®,

**2019** – First “National CSR 2018” award in Azerbaijan

**2019** – “Most Successful CSR Project” award in the “Support for young entrepreneurs” nomination

**2020** – Digital Silk Way project with the participation of **Bakcell Group** selected as one of the Top 5 Infrastructure Projects in Asia by the Global Strategic Infrastructure Leadership Forum (US)

**2020** – “National CSR 2019” award in Azerbaijan

## 2.4 Corporate Governance

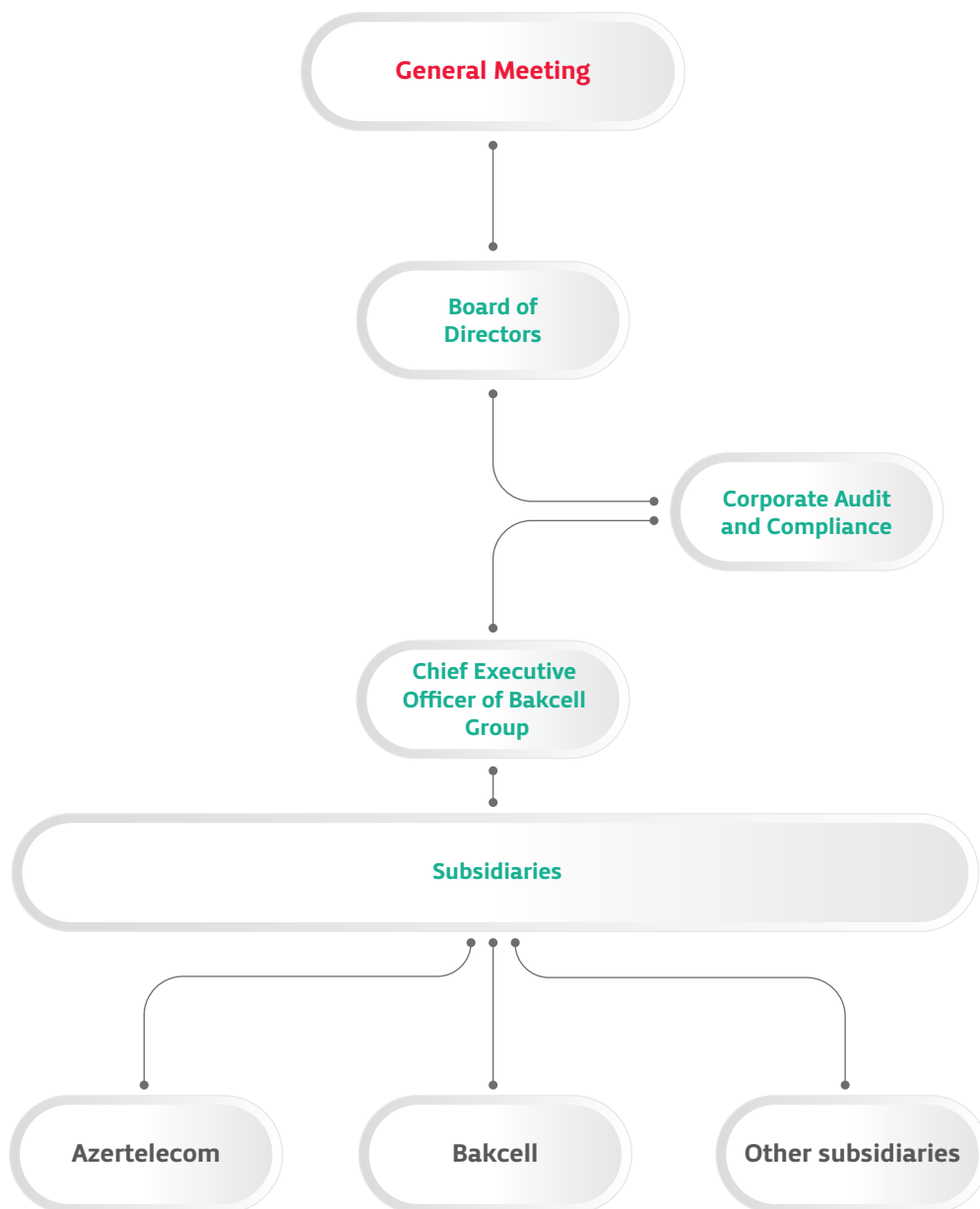
Achieving financial stability and maintaining competitive performance while prioritizing sustainability is no easy task. However, we are dedicated to upholding our values every step of the way – no matter what challenges we might face. In order to manage complex internal processes and build healthy systemic interactions between our business units, a well-built corporate governance structure must be in place.

\*Awards received during the last three years are presented

We build our corporate governance system based on robust international frameworks and standards. We are committed to creating value for our stakeholders and contributing to a wider society through corporate governance excellence. We integrate principles of responsibility and ethics to ensure that any risk of incompliance, fraud, and unlawful behavior is kept under control and minimized.

No significant changes to our corporate governance structure were made during the reporting period.

**Figure 06** *Organizational structure of Bakcell Group*



Performance management, including duties and responsibilities of the highest governing bodies of the Group are regulated by the Charter and include the following:

**Figure 07** Descriptions of governing bodies

The Board of **Bakcell Group** recognizes its role as the custodian of solid corporate governance providing continuous oversight of the Group's performance on material matters and acting as an independent check and balance to the executive team. Critical to delivering on these responsibilities is ensuring that we have a skilled and diverse Board with an appropriate mix of experience and background.

**Figure 08** CVs of Senior Executives

**Rainer Rathgeber**  
Chief Executive Officer

#### Education

University of Passau, Germany – Economic Diploma

#### Current Position

Mr. Rathgeber joined Bakcell group in 2019, and he is the Chief Executive Officer

#### Previous Experience

He has over 28 years of work experience in top management consulting and Telecom industry, such as CEP in Pakistan and Chief Commercial Officer of the group of Etisalat



### **Lothar Heinrich Andreas Pauly**

Chairman of the Board of Directors

#### **Education**

Ludwig-Maximilians-Universität München

#### **Current Position**

Lothar Heinrich Andreas Pauly is the Chairman of the Board of Directors at Bakcell

#### **Previous Experience**

Mr. Pauly has 33 years of experience in Telecommunication and Technology field. He is also Board Chairman at Deutsche Telekom, SHS Viveon in Germany, Mobiserve Holding, SQS Software Quality Systems



### **Yusif Jabbarov**

Deputy Chairman of the Board of Directors

#### **Education**

Harvard Business School – One-year executive education (PLD – Strategic Management)

Birmingham Business School – MBA degree

UNEC – Bachelor's degree in Economics and Finance

#### **Current Position**

Deputy Chairman of the Board of Directors at Bakcell

#### **Previous Experience**

Mr. Jabbarov is the CEO of NEQSOL Holding. He served as the Head of Shareholder's Office of the group of companies. He is the Member of the Boards of Directors at Nobel Oil Services and Nobel Upstream, the UK-registered oil companies



### **Richard Shearer**

Member of the Board of Directors

#### **Education**

Degree in Accounting and Finance

#### **Current Position**

Member of the Board of Directors at Bakcell since 2016

#### **Previous Experience**

Mr. Shearer held the position of the CEO of Bakcell from 2011 to 2016. He served as the Board Member at TPSA/Orange and Incumbent Telco, while also worked in Cable & Wireless, PwC between 1990-1997 and became the CEO of DiGiTelecom in Malaysia in 1997



### **Ilter Terzioglu**

Member of the Board of Directors

#### **Education**

Istanbul University – Department of Econometrics

#### **Current Position**

Member of the Board of Directors at Bakcell and different other international telecom companies abroad

#### **Previous Experience**

Mr. Terzioglu worked Ericsson since 1998, while he later joined to Turkcell Group in 2003, and became the Executive Vice President of Strategy and Finance. He also took the roles of Chief of International Business, Chief Strategic Projects Officer and Chief Operations Officer at Turkcell



**Cenk Serdar**

Member of the Board of Directors

#### Education

Wharton School - MBA degree

Bilkent University – B.S. in Industrial Engineering

#### Current Position

Member of the Board of Directors, global business leader with 20+ years of Internet and mobile experience in 30+ developed and emerging markets

#### Previous Experience

Mr. Serdar held the senior leadership roles with Saudi Telecom Group (2013-2019), Vodafone Group (2009-2013), Turkcell Group (2005-2009) and Dogus Group (1999-2004).

**Table 03** Annual total compensation ratio over the last three years

	2018	2019	2020
Ratio of annual total compensation for the Group's highest-paid individual to the median annual total compensation for all employees	79.37	44.74	44.74

**In 2020, the percentage of senior management hired from the local community is 100%<sup>1</sup>**

## 2.5 Responsible and Ethical Business Management

Recognizing the importance of conducting our business with integrity, we are fully committed to behaving ethically in everything that we do. For us, being an ethical organization is not only about complying with the law – it is an essential value, which inspires us to do the right thing. Our Board aspires to promote this value at every corner of our organization through our newly established policies and regulations. Having an ethical framework does not only benefit the society we serve but also eliminates our internal inefficiencies, contributes to enhanced financial performance, and creates long-term and sustainable growth.



## Building trust is at the core of our business strategy

We want our suppliers and employees to recognize our unwavering stance on building trust everywhere we go. We strongly believe that by building trust with our external and internal stakeholders, we will create an environment that boosts employee motivation and promotes customer loyalty by cultivating sincere communication.

Since trust is firmly embedded in what we do, we do not tolerate bribery and corruption in any shape or form. Our recent campaign against these issues demonstrates our utmost commitment to doing business responsibly. In 2020 we began working on our first **Anti-Bribery policy**, which we believe will strengthen our compliance framework even further. We expect this policy to be technically approved in early 2021.

We are also planning to receive the Anti-Bribery Management System (ABMS) certificate. We strongly believe that these steps will reinforce our compliance management structures and embed integrity at the heart of our organization.

To ensure a swift reaction to our employees' concerns, we assigned an **Ethics Officer** who is both competent and independent. By having exclusive access to the Board, the **Ethics Officer** ensures that our values are followed and respected across all levels of our organization.

Our corporate values determine how we do business at **Bakcell Group** and provide an essential framework for ethical and purposeful ways of working. To ensure that our values are clearly understood, we established a **Code of Conduct**, a company-wide policy, which helps our employees align their work with our standards. It is a mandatory policy, which affects everyone – from our suppliers and business partners to our employees. It establishes the basis of our ethical framework and implies the following principles for all parties engaged with the Group:

### Figure 09 Main points of the Code of Conduct

- Behave ethically, take pride in our actions and decisions
- Comply with the principles and rules found in our Code of Conduct
- Fulfill our legal and regulatory obligations
- Apply our business values to professional behavior and performance
- Report any unethical working practices or unsafe or inappropriate behavior in breach of our Code of Conduct

We continuously encourage our employees to abide by the Code of Conduct and provide dedicated trainings to facilitate compliance. In 2020, we began conducting training sessions for new hires. **During the reporting year, we conducted 51 dedicated Code of Conduct training sessions. We plan to increase this number in the coming years.**

Recent digitalization trends have positively affected the transparency of our operations. As many operational procedures turn digital, the essence of these operations becomes exposed to a broader audience, paving the way for an increased efficiency and transparency. Our grievance mechanism is always in place to detect breaches of our values and regulations. Our employees are free to anonymously report their concerns through dedicated channels or by contacting our Ethics Officer and the Head of Security directly.

**There were no confirmed cases of corruption during the reporting period.**

## Human Rights Management

**Bakcell Group** constantly upholds its standards related to managing and serving people through integrity. We strongly believe that respect for human rights is an essential part of any modern business and take decisive action in this direction. In 2019, we committed to creating our first Human Rights policy, and we successfully delivered on our promises in the reporting year. Our Human Rights policy outlines the purpose and principles of **Bakcell Group** when it comes to managing ethical concerns related to human rights. The purpose of this policy is to create and foster an environment where respect for human rights is regarded as a norm. Our progressive principles are set out to guide our people, both while making tough strategic decisions and during informal interactions at the workplace.

**Our core human rights principles offer an insight into our company-wide ethical framework:**

- **Conducting business with respect to everyone**
- **Complying with laws and internationally recognized frameworks**
- **Working against human rights violations**
- **Combating discrimination and cultivating inclusion**
- **Promoting respect for the values outlined in the policy**

Our people and business partners are strongly encouraged to behave in accordance with these principles. Our grievance mechanisms are set out to allow both our employees and suppliers to anonymously share their concerns related to potential breaches of our core values. We maintain a designated Ethics Officer who communicates grievance issues to employees and facilitates the settlement of active complaints. Our Disciplinary Committee actively participates in the settlement of more serious breaches.

We try our best to ensure that our essential values are embedded in everything we do. Together with our customers and employees, we continuously analyze our downfalls and blind spots and aspire to realize all our ambitions as a responsible corporate citizen.

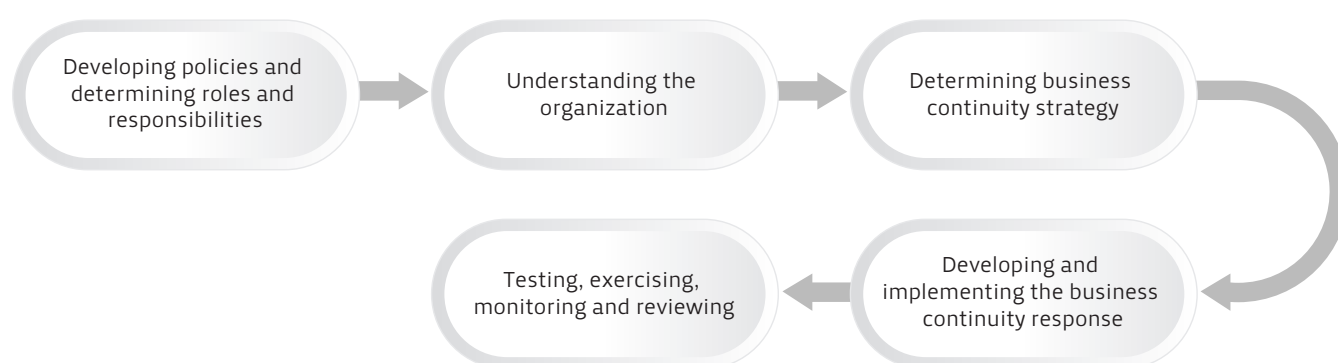
## 2.6 Risk and Business Continuity

To ensure efficient and streamlined operational flow, we implement continuous risk assessment and mitigation measures. Business Continuity Management is overseen by Business Continuity, Crisis Management and HSE department (BCCMHSE).

We understand that the effectiveness of our business continuity management processes depends on the ongoing communication between the BCCMHSE department and other functional units. Based on the information provided by the structural units, BCCMHSE department develops a Business Continuity plan, as well as Crisis and Disaster Response plan that prioritizes risks, identifies their scale and probability, and subsequently designs mitigation measures to ensure constant control of identified risks. Mitigation measures are eventually cascaded through the departments and communicated to the Executive Board.

Our BCM process follows the following lifecycle:

**Figure 10** BCM process lifecycle



To implement the best practices in business continuity management (BCM), we follow a long-term procedure of BC strategy development, which was initiated in 2016 and continues to this day. Our first steps in this direction were taken when we developed a Business Continuity policy and distributed relevant roles and responsibilities.

BCM processes mentioned above are governed primarily by the following formal procedures/regulations:

- BC Policy approved in 2016;
- Business Impact Analysis and Risk Assessment procedures approved in 2017;
- BCM Strategy development process approved in 2018;
- Crisis and Disaster Response process (2019), Business Continuity Plan approved in 2019.

In the upcoming years, we are planning to approve the BCM audit process with the help of simulations and testing.

**Table 04 Sustainability risks and opportunities of Bakcell Group**

Strategy	Risk and opportunity		Risk response
Security and trust	Risk	Cybersecurity and privacy risks may reduce demand for ICT or the adoption of ICT.	We ensure that our products and solutions are secure and user privacy is well protected from end to end.
Security and trust	Risk	Natural disasters and excessive demand for networks may cause network failure or unavailability.	We implement as per existing threats and developing as per new threats a business continuity management system to ensure network stability anytime and anywhere.
Security and trust	Opportunity	Increasing transparency will win the trust and support of the stakeholders.	We disclose information via sustainability reports, our websites, and other channels.
Digital Inclusion	Risk	The existing measures to bridge the digital divide may not meet stakeholder's expectations for a digital society.	We hold strategic discussions, redefine what bridging the digital divide means, and plan to release a digital inclusion strategy.
Digital Inclusion	Opportunity	ICT technologies can boost productivity and promote social development.	We provide customized ICT solutions for individuals and businesses.
Healthy and harmonious ecosystem	Risk	As global legal compliance is becoming more complicated, Bakcell Group is facing more challenges.	We implement an effective compliance management system, as compliance is the best safeguard against external uncertainty.
Healthy and harmonious ecosystem	Risk	Workplace hazards that impact employee health and safety continue to exist.	We implement an HSE management system to drive the attainment of health and safety goals.
Healthy and harmonious ecosystem	Risk	Suppliers are at risk of violating sustainability principles, affecting supply chain sustainability and continuity.	We incorporate sustainability requirements into procurement processes and practices.
Healthy and harmonious ecosystem	Opportunity	There are areas for improvement in community conditions where we can make more contributions.	We carry out community support programs, such as ICT talent cultivation, donations to communities, and disaster relief.
Healthy and harmonious ecosystem	Opportunity	Business growth can be driven by the improved social, economic and environmental performance of suppliers.	We intensify efforts to help suppliers improve sustainability management capabilities.

## Our BCM during COVID-19 and Patriotic War

Our risk management team was working tirelessly to manage the risks arising from the COVID-19 pandemic during the reporting year. We launched significant disinfection efforts at our main sites to ensure the safety of our employees and clients. At the time of the Patriotic War in the fall of 2020, we prepared three major risk mitigation plans to protect our data centers and regional core sites. We mobilized our mobile BTS units in case of possible disruptions arising from the damage to our transmission towers. Additionally, within just ten days, we commissioned an additional fiber optic line to our core site in Ganja. We are proud that our swift mitigation techniques allowed us to effectively manage uncertainties and overcome major obstacles appropriately.

We believe that working together with the industry to keep our operations running can be the best way to handle volatile circumstances. Thus, industry collaborations are essential in mitigating risks at the time of crisis. We are always open to external partnerships in our joint cause of making people's lives better.



# **Our Approach to Long-term Business Excellence**



3.1 2020 Industry Outlook  
3.2 Economic performance  
3.3 Digitalization and Innovation  
3.4 Our Commitment to Maximizing Client Experience

## 3. Our Approach to Long-term Business Excellence

### 3.1 2020 Industry Outlook

2020 was a year full of challenging trials for economies across the globe. The restrictions caused by the pandemic and plummeting oil prices took a toll on the stability of the businesses and created many risks and opportunities alike.

The COVID-19 pandemic has left its mark virtually on all industries globally, and telecommunications is no exception. No matter what short-term effects have been endured so far, businesses must prepare for the long-term consequences of possible future virus strains, periodic lockdowns, and the resulting disruptions in business operations.

Lockdowns and restrictions caused shifts in consumer behavior, including working arrangements as well as rising demand for digitalization around the world. The telecommunications industry, in particular, is a key element driving digitalization across all sectors of the economy. This significant responsibility comes from the industry's unique disposition to facilitate connectivity, help establish work-from-home arrangements and provide access to financial, commercial, and medical services to the people at the time of crisis.

At the same time, digitalization is accelerating the rise of mobile data users around the globe. According to the GSMA Intelligence report<sup>2</sup>, there will be around 610 million new mobile data subscribers in the world by 2025, with almost 7 million attributed to the CIS region. Such growth would make the total percentage of mobile data users surge from around 50% today to almost 61% in the next four to five years. Bringing these numbers into a holistic perspective would allow us to assume that the telecommunications industry is going to endure a fast-tracked growth in the upcoming years.

On the other hand, to cope with the crisis and potential future disruptions, as well as satisfy customer needs in a highly competitive market, an increasing number of telecommunications companies recognize that the new era requires much more than simply providing a broadband connection. In the realities of today, there is a growing demand to ensure resilient and seamless connectivity for all.

Despite benefiting from the surge in data usage in the short run, the telecommunications industry may face more significant challenges from the macroeconomic perspective. Declining economies, disrupted supply chains, and halted business development initiatives may take a toll on the future stability of the industry. In order to stay afloat, telecommunications must balance new opportunities with possible risks. Consulting and industry experts such as McKinsey, EY, and IFC shared their insights into potential risks arising for telecommunications companies in the post-pandemic world. Here, we are shortlisting the top five expected industry risks, which we think are material given our particular circumstances.



## Figure 11 Post-pandemic industry risks

### Risk 1: Failure to Ensure Infrastructure Resilience and Reach

As the world moves to the virtual way of working, the spotlight falls on the resilience and effectiveness of telecommunications networks. At the same time, internet accessibility becomes a more important issue as businesses and individuals embrace the new reality. Failure to address these issues may result in additional costs and loss of customers

### Risk 2: Failure to Scale Internal Digitization Initiatives

Deteriorating economy left many businesses with incomplete digitalization ambitions. Even if so, digitalization is still an indispensable part of the future of work. Organizations, which fail to properly scale their technological development initiatives despite current financial and economic challenges will face great hurdles in the post-pandemic world.

### Risk 3: Failure to Ensure Data Privacy and Security

As everything turns digital, customers become more aware of the importance of data privacy and cybersecurity. To maintain the trust of the public in telecom, information security issues must be properly addressed.

### Risk 4: Failure to Redesign the Workforce

The pandemic has highlighted the importance of diversity in the workplace. The revived social need in the STEM graduates creates multiple opportunities to transform the workforce into an essential technically driven movement. Failure to capture this wave may result in long-term negative consequences.

### Risk 5: Failure to Manage Customer Perceptions

With telecommunications services at the core of daily life, customer expectations become increasingly crucial. In order to excel in this competitive environment and retain clients, a customer-oriented approach is needed.

Sources: IFC, EY, McKinsey

Responding to these risks is imperative in order to sustain the long-term presence of **Bakcell Group** in the market. Thus, we take definitive measures to address threats, which we think might impair our ability to provide connectivity in the following years.

The upcoming parts of the report will showcase how we respond to some of these risks through our current and forthcoming initiatives.

## Our industry during the Patriotic War

In fall 2020, the world witnessed the Patriotic War that will be remembered in history as Azerbaijan's momentous victory. Local businesses upheld their civic duty during the war through support to soldiers and those living close to the front line.

During the active phase of the conflict, the ICT industry was responsible for maintaining a quality connection throughout the country while ensuring network security. To do our part, we transferred some of our base-transceiver stations closer to the frontline to facilitate stable connectivity in the region. Thanks to our targeted efforts, soldiers and their families were able to securely connect during the time of crisis. We were also working hard to support resilient connections during the war and implemented various security measures to defend our network from cyberattacks.

The victory of Azerbaijan has also opened up new opportunities for our networks to grow further into the liberated areas, which would allow us to expand our reach to the rest of Azerbaijan's internationally recognized borders.

### 3.2 Economic performance

Despite deteriorating economic conditions, urgent adaptation measures, and volatile consumer demands, **Bakcell Group** has demonstrated exceedingly competitive performance in the face of novel global hurdles. By artfully shifting to a more customer-oriented approach, **Bakcell Group** managed to retain a significant portion of its customers during the pandemic and increased its average revenue per user (ARPU) in 2020.

In addition to these achievements, we continued to invest in the Azerbaijan Digital Hub project, which saw its first stages implemented after the launch of the Digital Silk Way venture. Our investments into extensive broadband roll-out and quality of networks are reflected in our operational metrics while customer churn rates decreased due to our exceptional Customer Value Management (CVM) strategies. We also implemented multiple cost-cutting initiatives as a result of optimization of our sales approach, branches, and shifts to work-from-home arrangements.

In 2020, number of new subscribers decreased by almost 44% in comparison to the year before mainly due to the shift in our approach to customer retention, as opposed to acquisition of new customers.

**During the last three years, Bakcell Group invested 226 million AZN aiming to retain and further improve the Group's business processes and ultimately make long-term contribution to the country's GDP.**

### 3.3 Digitalization and Innovation

Accelerated by the pandemic, digital transformation plays an even more substantial role in our strategic motion towards modernity. This motion is fueled by the overwhelming demand arising from digital transformation across all business realms. As revolutionary technologies such as artificial intelligence and cloud systems reshape the way we do business every day, we at Bakcell are building our technological expertise in order to tackle these new challenges of the 21<sup>st</sup> century.

To accelerate digital transformation within the Group, we actively automate our core functions by integrating IT-based solutions into our operations. We can proudly state that by the end of 2020, the vast majority of our internal processes, for example, HR, customer value, and sales management, were transferred to automated platforms.

In the reporting year, we continued implementing measures to ensure the on-going enhancement of our network. Today, we are the fastest mobile internet provider in Azerbaijan. Our recent upgrade to LTE-Advanced Carrier aggregation technology allowed us to supply the country with the very best tools for enhancing digital competence. Starting from 2019 the LTE speeds can reach staggering numbers of up to 250 Mbps, which is a significant achievement for **Bakcell Group**. Bakcell is proud to be one of the few networks in the world using carrier aggregation technology and deploying LTE-Advanced technology (4.5G).

As pioneers of 4.5G technology in the region, we aspire to create even more value by expanding its coverage in the following years. This technology allows Bakcell users to watch or upload high-resolution 4K content, have instant access to entertainment, including live HD-quality sports and concerts streams, and enjoy increasingly sophisticated next-generation mobile applications.

## Patents

Our dedication towards adding value to society with our inputs into research and innovation allowed us to submit two patent applications during the reporting period. We will continue developing innovative products and services and protecting them through specified patents in order to promote awareness related to property rights in the country. Additionally, we aim to expand our patent performance and stimulate our employees to be more proactive when it comes to R&D. We believe this will make a positive impact on our internal functions as well as drive positive change in society.

**Table 05** Number of patent applications

Metrics	2018	2019	2020
Patent applications	1	2	2

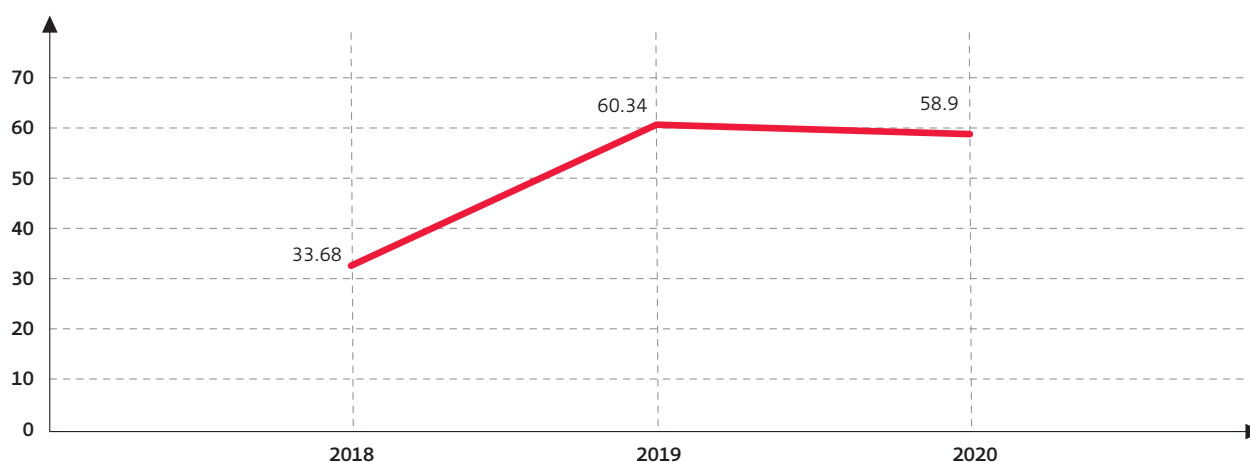
## Technological infrastructure

Our digital infrastructure is at the heart of what we do. We place paramount importance on our technological competence because it allows us to fulfill our broader mission. It brings great pride to **Bakcell Group** that by maintaining and improving our technical assets, we facilitate a connection between millions of people across Azerbaijan and beyond.

It is also true that as a result of the COVID-19 pandemic, the world has seen a rapid increase in the demand for wireless communication. Trying to meet this demand, we introduced new offerings and crafted novel user capabilities to facilitate digitalization.

Despite increased data demand, data traffic slightly decreased in 2020 as restrictions for internet use were imposed on local users to safeguard our network during the 44-day Patriotic War.

**Figure 12** Data traffic (in petabytes)



Since 2018, we have increased number of BTS and LTE stations by around 14% and 57% respectively.

**Table 06** *Number of BTS and LTE stations<sup>3</sup>*

Metrics	2018	2019	2020
Number of Base Transceiver Stations (BTS)	7,509	8,638	8,549
Number of LTE stations	1,732	2,738	2,713

In the upcoming years, we are planning to launch a new data center to guarantee we handle rising demands with enhanced quality and security.

## Azerbaijan Digital Hub

The Azerbaijan Digital hub is an ambitious endeavor designed to transform Azerbaijan into a digital center for the Caucasus, Middle East, Central Asia, and South Asia. Launched by AzerTelecom in 2019, this project aims to align the telecommunications ecosystem with the leading world standards and transform Azerbaijan into a regional exporter of digital services.

The main goals of this project are to:

- Build innovative infrastructure in accordance with sustainability principles inside and outside Azerbaijan
- Transform Baku into Internet Exchange Point
- Attract such technology giants as Google, Facebook, Netflix, Apple, Alibaba, and Amazon to the region
- Create an appropriate digital ecosystem in the country

As part of our Azerbaijan Digital Hub ambition, in 2020, Azerbaijan has partnered with Turkmenistan and Kazakhstan in an endeavor to lay a fiber optic cable along the bottom of the Caspian Sea. Trans Caspian Fiber Optic (TCFO) project will connect Baku with Turkmenistan and Kazakhstan, creating a 'Digital Silk Way' which will pave the way for European traffic to reach such countries as Uzbekistan, Afghanistan, India, and Pakistan.

This project is one of the most promising endeavors in transforming Azerbaijan into a digital leader in the region and will allow us to become the digital outpost to more than 1.8 billion people. We strongly believe that by supplying the internet for almost a quarter of the world's population, Azerbaijan will create a healthier digital ecosystem in the region, facilitate the transition to the digital economy, and build a reputational image in the international arena.

### 3.4 Our Commitment to Maximizing Client Experience

All our strategic measures are there to ensure that a great customer experience remains at the heart of what we do. We are passionate about maintaining a loyal customer base both in B2B and B2C segments. We make put extra effort into getting to know our clients by sustaining open, transparent, and regular communication. We also strive to minimize social inequalities by ensuring “no one is left behind” and everyone has equal access to our products and services. As a result, we are systematically transforming our operating model by being “digital-first” – which means we deliver a fundamentally improved customer experience while also structurally lowering our cost base.

We have increased the use of technology to communicate with existing and new customers. We are migrating from less efficient manual models and call centers to always-on digital channels of communication.

We understand that our clients, both B2B and B2C, come from various backgrounds and, therefore, have different needs. As per our new strategy focusing on quality over quantity, we use different analytical methods to ensure a tailored approach to each of our clients. This approach helps us develop and introduce products and services that would meet the individual needs and expectations of our customers. To name a few, we offer social networking packages, online work and education package, shared internet packages for the B2C segment, and different tariffs for B2B clients based on the size and nature of the organization, i.e.:

- Tariff for Small and Medium Business
- Tariff for Large Corporate
- Tariff for Public Sector

In addition to that, we are flexible and always open to discuss the demands of our clients so that they are provided with individual products and services specifically tailored for them.

#### What does it mean to be a private client of Bakcell Group?

- The fastest internet in Azerbaijan
- Self-care application My Bakcell
- Dedicated communication channels and many flexible offerings available
- Mobile sales units and delivery of sim-cards
- 24/7 call center



## What does it mean to be a corporate client of Bakcell Group?



- The fastest internet in Azerbaijan
- Self-care application My Bakcell Business
- In-person and online onboarding sessions
- On-demand support of an account manager assigned by us
- The immediate reaction to technical complaints through a dedicated account manager
- Flexibility in the selection of services such as GSM, dedicated internet, cloud solutions, bulk SMS, and server installations

## Our customers

During the year, we prioritized the high quality of services provided to our existing clients over the acquisition of new clients, which is why no major changes in our customer base were observed. The manufacturing and travel/hospitality industries have been two key sectors using our B2B products and services for the last three years.

**Table 07** Customer demographics<sup>4</sup>

Number of customers	2018	2019	2020
Total number of customers	2,684,755	2,704,905	2,593,059
Number of 2G customers	909,651	720,577	553,684
Number of 3G customers	1,286,007	1,140,160	1,214,728
Number of 4G customers	489,097	844,168	824,647

## Our Sales Network

A significant share of our sales operations is handled by our official dealers. **We have 106 dealer shops in Azerbaijan and try to create the best environment for our partners to grow their businesses.** Considering the risks posed by the COVID-19 pandemic, we introduced a new service of online order and home delivery of SIM cards.

We maintain constant communication with our dealers to identify areas of improvement. Recently, we launched our first dealer satisfaction survey. Along with collecting feedback, we provide our dealers with designated advertisement support, which allows our dealers to create an effective marketing presence.

Our ultimate aim is to incorporate transparency into our communication and partnership with dealers, as well as enhance mutual trust. We plan to fully automate communication channels with dealers for further efficiency and transparency, and we constantly communicate any changes in our strategy to ensure our dealer's performance is aligned with our corporate values.

**Table 08** *Bakcell's sales channels*

Metrics	2018	2019	2020
Number of retail stores owned	1	1	2
Dealer shops	130	116	106
Number of dealers	120	105	98
Exclusive dealers	109	96	86
Dealers shared with service centers	21	20	20
Other retail channels	0	1	3

### Customer feedback and satisfaction

We are focused on deepening our engagement with the customers to develop valuable and sustainable relationships. Hence, we are actively encouraging our customers to share feedback with us through our LiveChat, hotline, and social media accounts. We heavily invest in the quality of our services and try our best to deliver a user experience that is not like any other.

Due to the shifts in our strategic directions towards quality as opposed to quantity, we have significantly improved our performance in the realms of customer satisfaction and churn rates.

**As opposed to the results of 2019 study, our NPS increased by 156% in 2020.**

#### 3.4.1 Customer Value Management System

We integrated a CVM platform delivered by SAS to ensure a more targeted, effective, and holistic approach to managing our customer relationships. With this endeavor, we want to create an environment where our clients benefit from our relationship with them throughout the entire life cycle of them being with us. This initiative will allow us to increase customer loyalty and significantly improve retention strength. In addition, we revise our customer value management strategy each year to accommodate for the constantly changing environments. These adaptation measures help us succeed by enabling us to understand our priorities and goals and deliver the most relevant experiences to our customers.

We distinguish three major stages when it comes to managing our clients' expectations:



**Onboarding**



**Customer Base Management**



**Retention**

## Onboarding

Through the years, we noticed that our clients do not take full advantage of the many flexible service offerings available to them through our dedicated mutual partnership. To raise awareness about the way we empower our clients, we launched a new onboarding initiative starting from 2020. The ultimate purpose is to properly introduce our new clients to the way we provide services at **Bakcell Group**. Our clients may choose to attend a total of six sessions in the span of one month, which will allow them to get to know what they are truly capable of as clients of **Bakcell Group**.

## Customer Base Management

With the introduction of SAS CVM, we are now capable of meeting clients' expectations in a faster and more effective way than before. The new system allows us to automate many processes related to customer base management and optimize marketing campaigns. We use segmentation techniques to tailor our offerings for each particular client. In turn, this helps to elevate the positive experience of working with us by allowing our clients to use the services that they need the most.

To better understand customer dynamics, we have created a variety of analytical models. These models assist us in estimating customer value and satisfaction rates. We monitor such metrics as churn rate, the average revenue per user (ARPU), and customer stickiness to assess the health of our customer ecosystem and react with appropriate measures in order to maintain it. These efforts, along with our regular research studies on churn rate optimization and customer base management, allowed us to significantly reduce our churn rates and create a loyal customer base. We believe that with the introduction of the new SAS CVM system, we will accomplish even more in the coming years.

## Retention

Our retention strategies are based on reaching out and having an open conversation with our clients. Noticing a decreased client activity, we try to set the stage for honest dialogue to mitigate potential issues. We value honest feedback and are willing to continuously improve our processes in order to meet our clients' expectations.

### 3.4.2 Accessibility and Inclusion

Our commitment to enhancing connectivity across Azerbaijan is an essential manifestation of our mission, vision, and strategy. This commitment highlights the importance of fast, secure, and inclusive connection for a seamless customer experience. For this reason, we continuously investigate global trends and invest in new technologies and approaches to expand our coverage and increase the quality of our services.

The complex geographical characteristics of our country create specific difficulties for ensuring the wide accessibility of our services. However, as a Group, we work to overcome the challenges experienced in mountainous as well as highly urbanized territories.

We are proud that our 4G and 4.5G services are the fastest in the country, and their coverage is ex-



panding each year. Moreover, our sustainable and diversified fiber optic cable network covers all major regions and cities in Azerbaijan, and we plan to further increase the area of its coverage.

**Bakcell Group's network now covers 89.5% of the territory and 99.9% of the population of Azerbaijan.<sup>5</sup>**

### Network quality and durability

The events of the past year have reaffirmed the importance that governments, businesses, and communities place on high quality, reliable and affordable technology and connectivity. This is providing us with an opportunity to accelerate the pace at which we can provide new products and services to meet the increasing connectivity demands of our customers. By offering innovative services to our clients, we strive to empower other businesses in Azerbaijan to be a part of this digital movement. In line with demonstrating our ongoing commitment to digital inclusion, we will continue making our networks faster and more resilient to create a future where everybody is connected.

To ensure that we provide seamless and uninterrupted connectivity for all, we invest heavily in the quality of our network. The quality and durability are evaluated through the metrics presented in the tables below. Overall, no significant changes in operational metrics during the reporting year were observed.

**Table 09** 3G and 4G downloading rates at Bakcell

Metrics	2018	2019	2020
Average 3G Downloading Rate	2,400	2,459	2,454
Average 4G Downloading Rate	14,612	13,822	13,766

**Table 10** 2G and 3G voice accessibility at Bakcell

Metrics	2018	2019	2020
2G Voice Accessibility	98.98	99.82	99.81
3G Voice Accessibility	99.61	99.74	99.52

**Table 11** Drop call rate and data accessibility at Bakcell

Metrics	2018	2019	2020
2G Drop Call Rate	0.33	0.30	0.36
3G Drop Call Rate	0.19	0.18	0.16
Data accessibility	98.93	99.46	99.57

<sup>5</sup> The slight decrease in the percentage of network area coverage in 2020 is caused by the fact that 20% of the country's territory was liberated in 2020.

### 3.4.3 My Bakcell Application

My Bakcell is an application which empowers its users to take hold of the management of their account. It is a self-care web portal, which was launched in February 2018 on Android and iOS platforms. Every day, more and more users are joining the My Bakcell family in their shared desire to easily manage nearly all aspects of the services they receive. We prioritize the comfort of our customers; therefore, we have designed the application to be free of charge and require no usage data. Additionally, the multifaceted platform provides users with access to all available customer and subscription information and simultaneously offers them the option to check and top-up their balance and track their operations and usage history. With more than 600.000 registered users, My Bakcell was rated as a five-star application by 83% of its users.

### 3.4.4 My Bakcell Business

My Bakcell Business is a self-care web portal, which was launched in February 2019 on Android and iOS platforms specifically for our B2B customers. The platform equips our B2B customers with the ability to manage all operations and accounts, including all mobile numbers, without having to use traditional channels.

### 3.4.5 Live Chat function

The Live Chat is an endeavor launched to handle customer requests 24/7. First implemented in November 2018, this channel receives almost 210 requests a day. The service has achieved an average of 18-second First Respond Time on a monthly basis. We have integrated the loyalty program into the application to allow our customers to access all available information through the platform. Currently, we have implemented a new option to manage more than one million numbers at once and set auto-payment for mobile numbers. In the future, we are planning to provide an opportunity to purchase a new mobile number. In addition, we are considering adding functionality to restore expired, damaged, or lost mobile numbers through the application without the necessity to use manual customer service channels.

### 3.4.6 Ulduzum

Since 2013, Ulduzum remained as our most prominent loyalty program, which allows our customers to benefit from a variety of promotional services like discounts, cashback options, and networking opportunities with our growing number of partners. Customers gain access to discounts in categories ranging from health and beauty to banking and insurance. At the same time, their operations through the program can earn them additional value points from other local and international loyalty programs. Ulduzum significantly contributes to customer satisfaction across Group entities.

### 3.4.7 Roaming

Our roaming partner network grows every day, thanks to our dedication to become a leader in roaming services in the market. Today, customers can enjoy roaming internet packages in the majority of countries, which allows them to travel without the need to connect to Wi-Fi or buy a local operator's SIM card. On top of that, we have an in-flight roaming service option, and we plan to resume it once international

flights are allowed.

**Table 12** *Roaming services at Bakcell<sup>6</sup>*

Metrics	2018	2019	2020
Number of countries covered by our data roaming services	138	164	167
Number of countries with 4G international roaming service	73	87	93

<sup>6</sup>In the previous year's Report, data on 4G international roaming services were provided by partner networks. The indicators were adjusted and given by the countries in the current Report.



Our ethics-driven  
approach to data  
governance



- 
- 4.1 Data privacy and cybersecurity
  - 4.2 Cybersecurity
  - 4.3 Responsible content management

## 4. Our ethics-driven approach to data governance

### 4.1 Data privacy and cybersecurity

The world we live in today is digitalizing at speeds never seen before. While there are undeniable benefits brought by technological progress, the risks associated with the privacy and security of personal data are also increasing. Data privacy issues create a set of risks, particularly for telecommunication companies, which may damage the reputation of an organization if left unaddressed.

Our dedicated Internal and Information Security department manages all identified cybersecurity risks. It provides specialized services as a managed security service provider (MSSP) to all entities in the Group in line with the best international practices. We adhere to the recommendations of GSMA Mobile Privacy Principles and governmental requirements on data privacy. Our advanced information security regulations also apply to roaming activities and all external partnerships.

At **Bakcell Group**, we recognize our responsibility to provide the greatest level of protection and security to all our clients while serving their needs. We constantly monitor, control, and enhance our internal systems to guarantee that no risk of data loss and cyber-attacks is present in our internal operations and for the different types of clients we work with. To timely identify and mitigate deficiencies, we have been implementing quarterly penetration testing procedures to reveal potential shortcomings of our systems since 2018. Moreover, privacy and security threats are thoroughly analyzed during the design of new products and service offerings.

As a Group, we believe that the ethical approach to data management stems from a corporate culture that does not compromise when it comes to fraud. In order to cultivate a culture where digital privacy and information security are taken seriously, we organize numerous training sessions on information security and data protection. These training sessions highlight the importance of maintaining our clients' trust and creating an environment where ethical data management is an authoritative norm. In 2021, we will launch online video trainings on information security and work from home security, which will be used during new hire inductions and for general educational purposes.

**Table 13** Number of employees who attended mandatory data privacy and information security training at Bakcell

Metrics	2018	2019	2020
Number of On-Site Training Sessions	53	17	N/A <sup>7</sup>
Number of attendees	1,237	351	109

## 4.2 Cybersecurity

Positioning ourselves as a company leading digitalization in the country, we are particularly vulnerable to cyber-security risks. A recent study<sup>8</sup> of mobile network operators (MNOs) around the world conducted in 2019 revealed that:

All LTE networks possess security risks;

- 4000+ attacks hit MNOs a day;
- 75% of MNO subscribers are vulnerable to the risk of geographical tracking.
- 53% of 3G call tapping attempts were successful.

We cannot compromise the security and trust of our clients; therefore, we constantly improve our internal systems by heavily investing in and enhancing our cybersecurity competence.

Our servers are regularly targeted by cybercriminals from around the globe. Particularly during the Patriotic War in late 2020 we were prone to more attacks. To minimize the exposure of our systems to these threats, we switched to in-house data usage during the 44-day Patriotic War. Thanks to our advanced technologies, up-to-date anomaly detectors, and strong firewalls, we have protected our servers from all foreign interventions.

We plan to continue strengthening our internal systems, building a responsible corporate culture, and minimizing the skills gap in information security among our stakeholders.

## 4.3 Responsible content management

The COVID-19 pandemic has considerably increased the amount of time consumers spend surfing the internet. Given this expansion of the virtual world, it becomes more and more relevant to protect minors and young adults from questionable internet content. We are committed to contributing to the responsible management of the internet through our dedicated efforts in this direction.

In 2019, we partnered with ENGINET and organized special training sessions related to the responsible use of the internet among minors. This project aimed to raise awareness about the presence of unsafe content on the internet and provided additional guidance on possible protection measures to parents and students alike. Additionally, our “Safe Internet” package, also launched in 2019, allows parents to filter out unwanted or harmful sources from their children’s browsing histories.

In the upcoming years, we are planning to diversify our responsible content management portfolio by introducing new ways to combat cyberbullying and improve literacy among subscribers.

<sup>8</sup><https://conference.hitb.org/hitbsecconf2019ams/materials/D1T2%20-%20Bypassing%20GSMA%20Recommendations%20on%20SS7%20Networks%20-%20Kirill%20Puzankov.pdf>





**Building a positive  
working environment**



- 
- 5.1 Our Bakcell family
  - 5.2 Equal opportunities, Inclusiveness and Diversity
  - 5.3 Training and Development
  - 5.4 Working with Young Talents
  - 5.5 Employee Motivation and Satisfaction
  - 5.6 Employee Health and Safety

## 5. Building a positive working environment

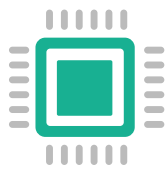
### 5.1 Our Bakcell family

It is undeniable that success and long-term sustainability in any organization, regardless of its size and scope of operations, cannot be achieved without its people. We value our team of talented and creative people and prioritize the development of favorable working conditions where each one of our employees is satisfied with their job and career development opportunities offered by **Bakcell Group**.

Throughout the years, we have been growing our Bakcell family, where equality and accountability are the top priorities. Our management approach to employment is based on dialogue and mutual benefit. We constantly strive to align our efforts with the SDGs and work hard on improving our employment records every year.

Management of human resources is conducted in line with applicable local regulations as well as leading international practice. We monitor industry practices and emerging standards to ensure all our procedures align with recent trends. Expected internal changes, including notice about dismissals, are communicated to employees in advance as specified in the Labor Code of the Azerbaijan Republic.

In 2020, we successfully continued our “Invest in People” strategy, with a particular focus on three key areas: HR Digitalization, Organizational Efficiency, and Employee Engagement.



**HR Digitalization**



**Organizational Efficiency**



**Employee Engagement**

First announced in 2019, this strategy encapsulates our devotion towards maintaining **Bakcell Group**'s established stance as a leading internet provider while improving our customer service culture and establishing an effective performance management system.

This year, our focus shifted towards the digitalization of the HR processes. Automation of most manual processes allowed for greater efficiency and productivity, as well as improved and faster decision-making with regard to employment management. Our brand-new IT-based system includes the following modules:

- Goal Setting and Performance Management
- Career Development
- Compensation and Benefits

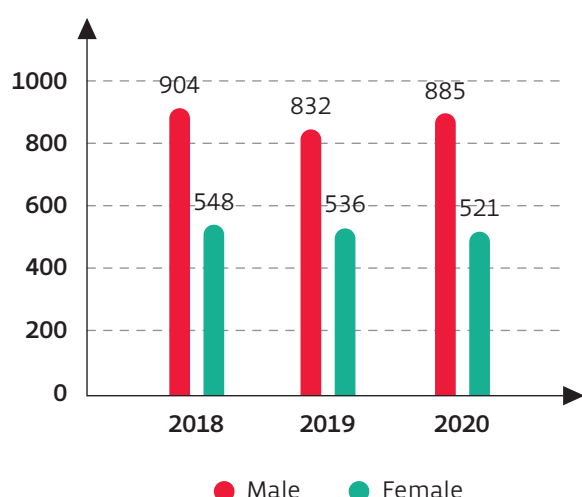
- Succession Management
- Learning Management System
- Recruiting
- Workforce Management
- HR Helpdesk

In line with our digitalization ambition, we are also developing our own AI-powered digital assistant to increase both the quality and the accuracy of employee grievance and engagement management. Additionally, we strive to contribute to employee development by introducing the latest performance management systems, job title and job description harmonization across member companies of our Group, standardized grading systems, and relevant “span of control” management schemes.

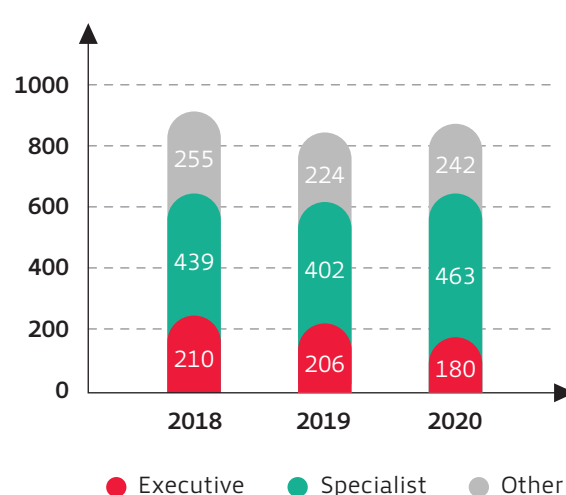
Additionally, we began acting on our employee engagement ambitions by improving our leadership practices and launching leadership development programs. When it comes to organizational improvement, we have completed several reorganization initiatives of our key departments and are planning to expand these developments further to other divisions. Along with the optimization of internal processes, we also managed to optimize our costs without damaging core service lines and the productivity of our teams.

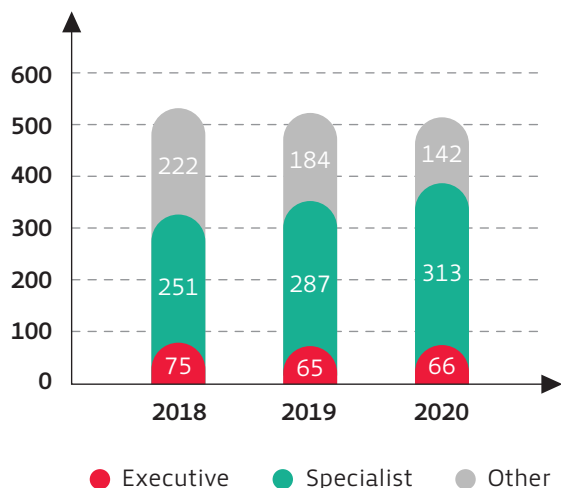
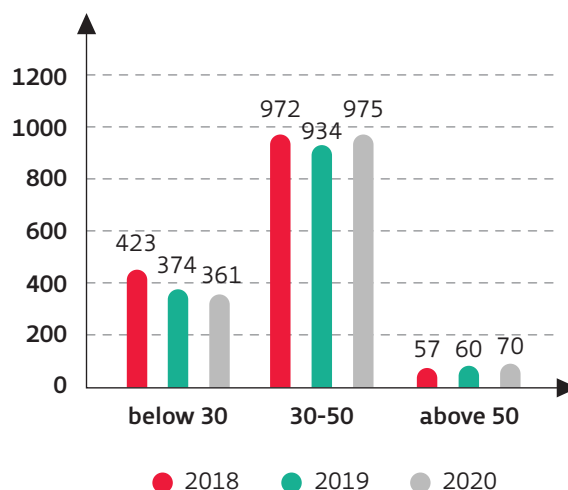
We are proud that despite the detrimental effects of a global pandemic, we made firm steps in these three essential directions by expanding our networks, piloting new performance management projects, and launching new digitalization initiatives.

**Figure 13** Number of employees by gender



**Figure 14** Employment categories by gender: Male



**Figure 15** Employment categories by gender: Female**Figure 16** Number of employees by age**Table 14** Number of new employees by age

	2018			2019			2020		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Employees Hired	207	188	17	182	70	2	153	211	7
Employees Terminated	131	168	7	163	169	6	109	214	10

**Table 15** Number of new employees by gender

	2018		2019		2020	
	men	women	men	women	men	women
Employees Hired	294	118	168	86	259	112
Employees Terminated	196	110	240	98	206	127

**Table 16** Employee turnover rate

	2018	2019	2020
Employee Turnover Rate <sup>9</sup>	16.2%	12.7%	10.7%

Despite the negative effects of the pandemic, we managed to reduce our employee turnover rate to 10.7%, which is almost 34% less than in 2018. The total number of employees, however, has remained approximately the same through the years. In addition, we managed to achieve positive trends in the number of women in specialist and executive positions, thanks to our aspiration of promoting more women into leadership. In general, around 37% of our employees today are women.

### “FLEXcellence” program and our approach to HR management during COVID-19

COVID-19 pandemic has changed the way we work in a fundamental way. As businesses were adapting to the rapidly changing market conditions, employees were facing their own challenges in establishing an office at home. Due to the country-wide quarantine in Azerbaijan announced in March 2020, all employees of **Bakcell Group** were transitioned to remote working, paving the way for new challenges and opportunities alike. Despite all the uncertainty, we

are proud that we have achieved all our goals set for 2020 amidst the most impactful pandemic of the century.

This experience has pushed us to believe that our employees can meet expectations regardless of where they work from. We, as **Bakcell Group**, are ready to embrace the new normality and give employees the independence they need to continue pushing us forward in the post-pandemic world. In 2020, we developed an initiative called **“FLEXcellence”** that we plan to further improve and apply throughout the **Bakcell Group** entities in the post-pandemic era. As part of this program, we will not require our employees to go back to how things were but will encourage them to continue working remotely from home or apply hybrid working conditions. Additionally, our commitment to flexibility manifests itself through our wide-scale implementation of digitalization of the signing and approval of our internal documentation, as well as the introduction of the shared desk tool. We continuously encourage two-way communication with our employees to identify possible challenges arising from the launch of the “FLEXcellence” program.

Our ultimate goal is to create a harmonious work environment, establish virtual corporate culture, and manage the risks of the new world. By promoting this cultural shift, we want to inspire our employees to take ownership of their own careers. We strongly believe that empowering our employees will consequently reduce the turnover rate by improving employee engagement and wellbeing.

## 5.2 Equal opportunities, Inclusiveness, and Diversity

We strongly believe that diversity is an essential component for a healthy and fully functioning corporate culture. We understand that by embracing our differences, we benefit from the overarching positive outcomes of incorporating novel and different ideas into our day-to-day operations. It gives us great pride that we empower individuals and allow them to showcase their true potential at work. It is thus both an economic and social imperative for us to truly live our values of diversity and inclusiveness. We do that through our Diversity and Inclusiveness Policy, which demonstrates our stance on D&I and represents our dedication towards adopting modern corporate values.

**Our core diversity and inclusiveness principles offer an insight into our inclusion commitments:**

- **Conducting business responsibly**
- **Complying with laws and internationally recognized frameworks**
- **Never willingly being complicit in breaches of diversity and inclusion**
- **Combating discrimination**
- **Promoting diversity and inclusiveness through our operations**

We understand that we need to identify and act on several areas of improvement when it comes to female empowerment. Nevertheless, we are confident that our gradual shift towards a more inclusive culture will allow us to improve our stance on gender balance at work. We are proud of the fact that there have been no incidents of discrimination during the reporting period.

**Table 17** *Total percentage of employees that were entitled to parental leave*

	2018	2019	2020
Disabled	35	37	33
Internally Displaced	30	26	31

**Table 18** *Ratios of standard entry level wage by gender compared to local minimum wage*

Wage	2018		2019		2020	
	men	women	men	women	men	women
Ratios of standard entry level wage by gender compared to local minimum wage	2.2	2.1	1.0	1.0	1.0	1.0

Bakcell provides flexible working conditions as well as believes that all women have a right to take the time they need for spending with their newborns. All our employees are eligible to take maternity leave in accordance with respective Azerbaijani legislation.

**Table 19** *Senior management hired from local community*

	2018	2019	2020
Percentage of employees that were entitled to parental leave	100%	100%	100%
Total number of employees that took parental leave	65	39	32
Total number of employees that returned to work in the reporting period after parental leave ended	15	25	8

## 5.3 Training and Development

We know that the sustainable growth and success of our teams are essential criteria for a rapid and effective adaptation to the ever-changing world we operate in today. Hence, we aim to maintain the required level of professionalism and skills within our teams through different training and development programs.

Each year we identify and communicate a minimum amount of training hours for every employee and closely monitor learning development status to ensure that everyone gets the chance to explore their talents and potential and develop an essential skill set for a successful career.

During the reporting period, we organized a series of coaching sessions for executives and expanded the scope of “sales through” service trainings for the members of the sales team. Moreover, we actively encourage our employees to receive international qualifications by offering full compensation for successful candidates.

In 2020, we implemented our **Succession Readiness Programme**. The goal of this programme is to prepare future leaders and thus reduce dependency on foreign experts. Within this initiative, we assign specific scores to our employees and assess their readiness to take a leadership position.

Moving to remote working during the pandemic was challenging for both our newcomers and experienced employees. Economic uncertainty, together with elevated disengagement at work, were some of the most significant obstacles to overcome. With the continuous support of our managers, their insights, and feedback, we focused on the importance of employee engagement in the workplace and are ready to turn this idea into action. In the upcoming years, we are planning to launch a new training program called “**Three Months to Master Employee Engagement**,” which will be focused on managers who want to successfully engage their teams no matter where they work from. This initiative will significantly contribute to the development of best leadership practices at **Bakcell Group**.

Due to the pandemic, our budget allocated to learning and development was not as extensive as in 2019. Despite that, we tried our best to schedule training sessions, which we believe are crucial for our success in the post-pandemic world, as efficiently as possible.

**Table 20** *Total hours spent on training*

	2018	2019	2020
Total hours spent on training	2,690	8,449	2,224

**Table 21** *Total hours of training, by category*

Total hours of training, by category	2018	2019	2020
Executive positions	1,220	2,231	197
Specialist positions	1,470	6,218	2,027

**Table 22** *Total hours of training, by gender*

Total hours of training, by gender	2018	2019	2020
Male	1,953	4,230	1,649
Female	737	4,219	575

**Table 23** *Total hours of training, by gender*

Total hours of training, by training category	2018	2019	2020
Soft skills	496	-	20
OHS induction	-	-	24
Language	20	5,801	-
Other	2,174	2,648	2,180



## Our approach to career development

We strive to ensure a fair and transparent approach to performance review and career development. For this reason, our HR management department develops and communicates an annual KPI plan to the employees. Throughout the year, our employees receive appropriate assistance to enable their achievement of personal and professional goals. We provide regular feedback, maintain an open dialogue on their career prospects, set attainable annual targets and KPIs, and conduct a fair and impartial annual performance evaluation.

Our employees are our greatest asset, and we believe that only through cultivating a culture of growth and openness will we be able to continue to succeed in our aspirations and boost employee loyalty.

### 5.4 Working with Young Talents

Just like training and development contributes to our long-term success, so does working with young individuals who are only at the beginning of their careers. By facilitating the transfer of skills from the experienced to the young, we contribute directly to the sustainable future of the telecommunications industry in Azerbaijan and the economy as a whole.

The personal and professional development of our employees is a crucial part of our performance management system. We are keen on doing our best to cultivate young talent by supporting future industry leaders and experts. Thus, we employ methodologies, which help our employees to reflect on their performance and identify areas for improvement.

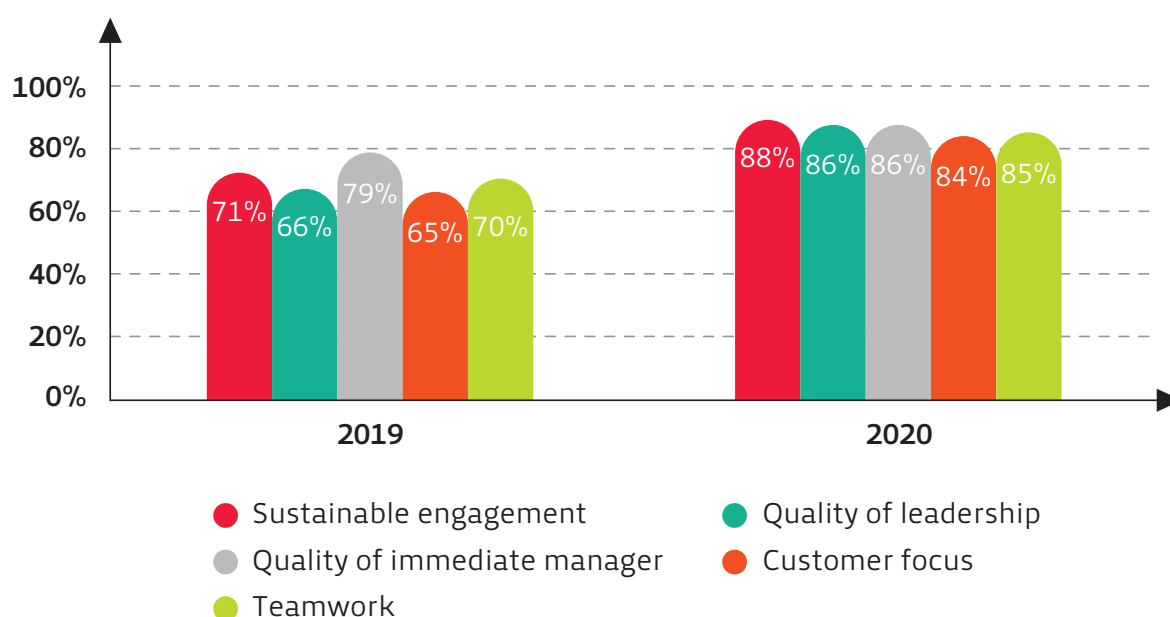
To make up for the economic tolls paid by the younger generation, we are planning to partner with the leading universities in Azerbaijan to launch our first summer internship program in 2021. We believe that these initiatives will significantly contribute to the work environment by allowing young specialists to receive the training they need to excel in the competitive realities of the post-pandemic job market.

### 5.5 Employee Motivation and Satisfaction

As new bodies of research emerge, employee engagement becomes increasingly important across many industries. Given the recent shift towards work-from-home arrangements, engaging employees remotely has become a major priority. We believe that collecting and analyzing employee feedback is an important step towards boosting employee satisfaction, loyalty, motivation, and productivity. As a result, carrying out annual surveys to investigate the wellbeing of our employees has become essential for our success as one of the leading telecommunications companies in the region. Each year, we assess the effectiveness of our employee engagement and management system by focusing on five key areas (see **Figure 17**).

Despite the impact of the pandemic, in 2020, we significantly improved our performance across all strategic metrics. According to the results of the poll, our employees positively reviewed our proactive responses in regard to the COVID-19 crisis. At the same time, they supported our sustenance endeavors during the Patriotic War. Our CSR activities, newly introduced employee benefits and programs, such as “FLEXcellence,” resulted in better employee engagement and motivation despite all the hurdles and obstacles of today.



**Figure 17** Employee wellbeing and performance metrics

We continuously maintain communication and interaction with our employees through multiple channels to ensure that their voices are heard and understood. Along with implementing a functional grievance mechanism, we also maintain an internal digital library of necessary documentation related to **Bakcell Group**. When a new document is introduced or changes are implemented, we communicate the message through our internal channels to ensure everybody is informed about the latest updates. Employees may easily access important company documents, such as policies and regulations, which helps them stay engaged at work. We welcome feedback and always aspire to create a favorable environment for the people that drive us forward.

## 5.6 Employee Health and Safety

We believe that ensuring health and safety at work is the very least we can do to provide industry-leading quality of work to the people who contribute to our success. Besides improving productivity, having health and safety at work ensures a multitude of long-term benefits, which contribute to the wellbeing of our employees. We care deeply about employee safety and thus implement a range of measures to turn it into our corporate imperative.

**In 2020, we performed HSE risk assessments at 90% of our sites.**

We manage our employee health and safety in accordance with our HSE policy, which sets forth our principles and values in that area. It was developed in accordance with all local regulations related to the health, safety, and environment of Azerbaijan, together with the support of rules and procedures derived from ISO 45001 Occupational Health and Safety, ISO 14001 Environmental Management, Occupational Health Services Convention, 1985 (No. 161), and Paris Climate Agreement. We want to ensure that our HSE guidelines are followed across our entire value chain. Thus, our HSE policy is supported by our Code of Conduct, which ensures that employees, customers, and suppliers abide by these principles.

Despite the fact that no fatal incidents and a very low number of minor accidents have occurred in the past 20 years, our commitment to increasing the health and safety of our employees is as strong as ever. In 2020, we embarked on a journey towards transforming the way we handle OHS issues at **Bakcell Group**. Our ambition to receive the ISO 45001 certification reflects our total commitment to taking proactive measures against current and potential OHS risks. As a result of our comprehensive risk assessment measures on more than 90% of all our sites, we developed detailed safety instructions and risk assessment plans for each line of high-risk operations. Moreover, in 2020, we continued resolving issues identified during the diagnostics of our OHS system by a third-party consultant. Based on these efforts, **Bakcell Group** plans to introduce new OHS-related procedures to embed health and safety in all major operations.

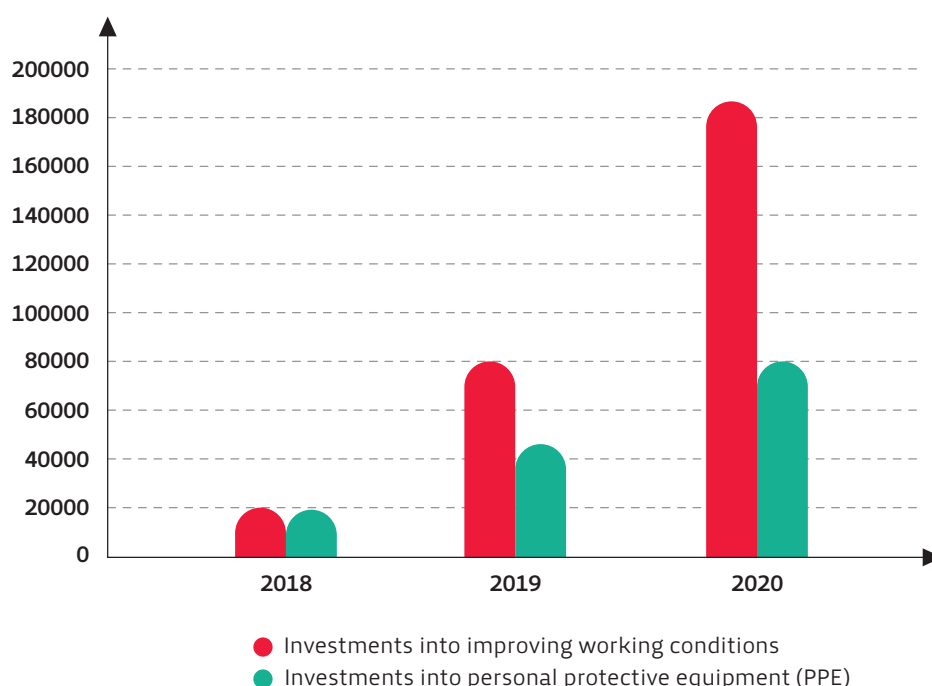
It is our standard procedure to introduce all new employees to our OHS guidelines. However, we expect all our employees, both experienced and new, to be familiar with current and future procedures. Thus, we provide dedicated training sessions to keep our employees up to date. We pay special attention to employees who work with dangerous equipment and on high-risk sites. We plan to further expand the coverage of our OHS trainings and involve more participants in the upcoming years.

**Table 24** Number of employees who received HSE training<sup>10</sup>

Year	Number of Participants	Training hours
2018	735	193
2019	817	150
2020	890	60

**In 2020 we scaled up our investments into improving working conditions by more than 66%.**

**Figure 18** Investment into improving working conditions and PPE, AZN



As a result of our comprehensive risk assessment procedures, we identified multiple areas of improvement and designed a response plan to counter identified deficiencies. As part of this plan, we scaled up our investments into strengthening internal OHS systems and procedures, as well as PPEs in 2020.

The health and wellbeing of our employees, especially during the COVID-19 pandemic, are important for **Bakcell Group**. We were one of the few companies, which immediately transitioned our employees to distant working after WHO announced the pandemic. Despite that, it was clear that not all processes could be managed from home while our dealers and official stores were struggling to keep our operations running smoothly. To protect our people during the pandemic, we have implemented a range of strict measures to mitigate the risks of infection:

- We supplied all our stores and offices with the appropriate equipment, such as hand sanitizers, masks, and gloves.
- We ensured that appropriate hand washing and physical distancing rules are adequately communicated and maintained.
- We provided our employees with a compensation of 500 AZN in case of infection.
- We launched agreements with the best hospitals in Azerbaijan to provide free COVID-19 testing services to our employees.

**In 2020 we spent a total of 406 000 AZN on managing COVID-19 related risks.**

We are proud of our achievements as a responsible employer and will be improving our OHS competence for years to come. Our next goal is to maintain our ISO 45001 certification and receive high assessments from auditors every year.

We aspire to create value for our employees through our current and upcoming initiatives and make **Bakcell Group** the employer of choice in the industry.

A close-up photograph of a hand in a dark suit jacket and white shirt, placing a single light-colored puzzle piece into a larger assembly. The background is a solid, vibrant red. The text 'Creating Shared Value' is overlaid in white, bold, sans-serif font.

# Creating Shared Value

A hand in a dark suit sleeve is shown holding a single white puzzle piece. The hand is positioned on the left side of the frame, with the thumb and index finger gripping the piece. The background is a solid, vibrant red. The lighting is soft, highlighting the texture of the suit fabric and the smooth surface of the puzzle piece.

6.1 Our Relationships with Stakeholders  
6.2 Our Management Approach to CSR  
6.3 Our CSR Project Portfolio

## 6. Creating Shared Value

### 6.1 Our Relationships with Stakeholders

Engaging regularly with our stakeholders is fundamental to the way we do business. This ensures we operate in a balanced and responsible way, both in the short and long term. We are committed to maintaining good communications and building positive relationships with all our stakeholders, as we see this as essential to strengthening our sustainable business. We strongly believe that it is this interaction that leads us to a successful presence in the market since it helps us understand emerging risks, upcoming opportunities, and rapidly changing demands.

By aligning our corporate sustainability strategy with stakeholder expectations, we set the stage for the prosperous growth of **Bakcell Group** for years to come. We view our stakeholders as an indispensable source of transparent feedback and thus strive to implement effective stakeholder engagement in our internal processes. In 2020, we approved our Stakeholder Engagement policy, which outlines the basics of how we view stakeholder engagement at **Bakcell Group** together with our purpose and goals. While creating this policy, we consulted industry-leading practitioners in this area. As a result, we developed our Stakeholder Engagement policy in accordance with the leading principles and standards such as:

- The Core Conventions of the International Labor Organization
- The OECD Guidelines for Multinational Enterprises
- Global Network Initiative Principles
- The UN Global Compact Principles
- The UN Guiding Principles on Business and Human Rights
- The UN International Covenant on Social, Economic, and Cultural Rights (ICESCR)
- The UN 2030 Agenda for Sustainable Development (Sustainable Development Goals)
- ISO 26000 Social Responsibility Standard
- ISO 27001 Global Standard on Information Security
- ISO 9001 Quality Management Standard

#### Objectives of the Stakeholder Engagement policy:

- Identify and prioritize stakeholders
- Define proper communication channels
- Develop a transparent exchange of information
- Outline the directions for implementing stakeholder engagement initiatives

## Our stakeholders:



**Customers**



**Employees**



**Suppliers**



**Local Communities**



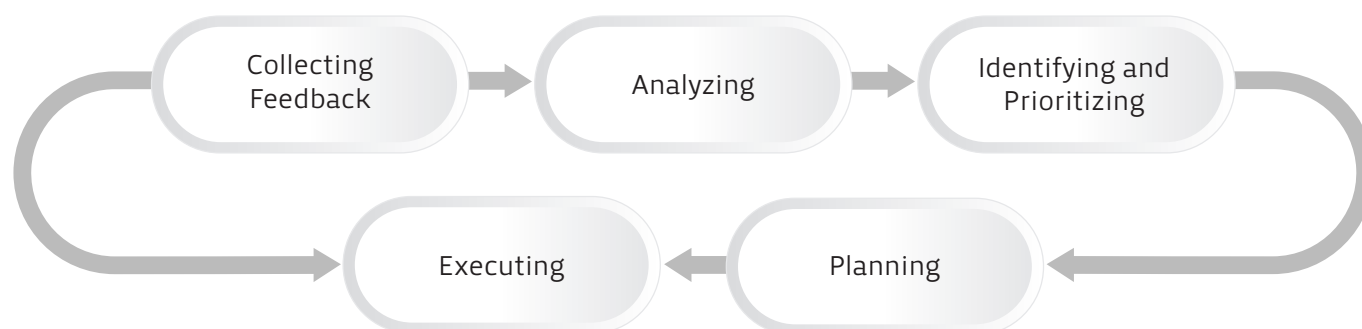
**Government and  
Financial Institutions**



**Media**

Our dedicated stakeholder engagement flow is designed as a continuous feedback loop, allowing us to regularly improve our processes through inputs from the internal and external stakeholders.

**Figure 19** *Bakcell Group's stakeholder engagement flow*



As we analyze the data on the best stakeholder engagement practices in the market, we also identify gaps and possible areas for improvement. This information coupled with the results from our materiality analysis enables us to:

- Identify and prioritize all relevant stakeholders;
- Prioritize and develop important initiatives and projects;
- Identify effective modes of communication with different stakeholder groups.

Bringing these inputs into one framework during the planning stage allows for the effective execution of our engagement strategy.

We are committed to maintaining ongoing communication with our stakeholders through multiple channels such as our website, social media publications, and meetings.



**Table 25** Stakeholder engagement at Bakcell Group

Stakeholder group	Why we engage	Engagement methods	Frequency of engagement
Government and regulatory bodies	Drafting of proposed industry legislation and regulations	Reports, meetings, seminars	On request
Customers	Development of initiatives aimed at improving our services and products  Monitoring of quantitative customer satisfaction and striving to achieve the highest possible satisfaction rate  Optimizing customer experience regularly, keeping in mind convenience and accessibility, as well as efficiency and affordability	Customer portals, customer care centers, customer surveys, dealer shops	Daily, weekly, monthly, quarterly
Suppliers and contractors	Develop and deliver new products and services  Continuously run the business  Ensure reliability and effectiveness throughout the supply chain	Supplier assessment, meetings, verbal and written correspondence	On request
Employees	Develop high-performing and productive teams  Boost employee motivation and loyalty  Minimize skills gap	Grievance mechanism, intranet portal, meetings, employee surveys	Quarterly, annually and on request when needed
NGOs	Create partnerships and contribute to a more inclusive business model and long-term value development for multiple stakeholders	CSR programs, meetings, conferences, forums, seminars, webinars	Project-based, on request
Local communities	Creating direct and indirect contributions to the prosperity and well-being of local communities  Provide economic benefits	CSR programs, meetings, conferences, forums, seminars, webinars	On request

## 6.2 Our Management Approach to CSR

We believe that it is our responsibility to embed community engagement into our strategic vision and leave a lasting positive impact on the communities we serve. Our strategy regarding corporate and social responsibility (CSR) rests on our Community Engagement Policy, which helps us understand our goals and priorities when it comes to engaging with society. Established in 2020, this policy is expected to be approved in early 2021. Additionally, we actively strive to align the course of our CSR initiatives with the SDGs and our future ambitions in order to create long-term value both for **Bakcell Group** and its stakeholders.



## Our core community engagement principles offer an insight into initiatives we care about the most:

- Narrowing the digital divide by promoting diversity and inclusion
- Empowering vulnerable groups by creating equal opportunities
- Responding with action by listening to community concerns
- Sharing knowledge and best practice by promoting education

In the transformational year of 2020, we have faced unprecedented threats impacting our business competence and strength in many different dimensions. The COVID-19 pandemic has tested our business strategy resilience, while the Patriotic War challenged the security of our networks. Despite all these constraints and complexities, we have scaled up our social investments with a special focus on the most impactful difficulties of the year.

Management of our CSR activities is carried out mainly by CEO and Public Relations and Corporate Communications department, which identify our priorities and approve investment projects. Based on the nature and targets of an initiative or a project, employees from different departments may be involved.

**Figure 20** Breakdown of responsibilities for community engagement at Bakcell Group



## 6.3 Our CSR Project Portfolio

Since 2009, we maintain our extensive portfolio of CSR projects initiated within the scope of the Bakcell Stars program. This program allows us to showcase our motivation to give back to the community, which fuels our growth into a responsible corporate citizen. We understand that through investments into society, we create an environment of inclusion where everybody, no matter their background, can reach their full potential and contribute diverse perspectives. Through the years, we have engaged in a variety of different social projects ranging from raising awareness of disability issues to contributing to female empowerment to improving vocational skills of the young to supporting brand-new innovations and startups.

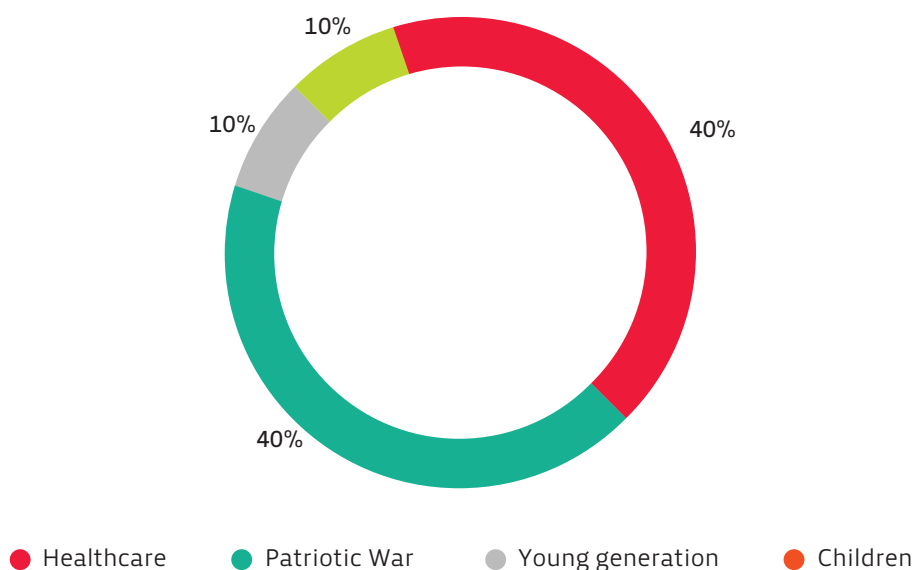
Due to the massive impact of the COVID-19 pandemic and the Patriotic War, our CSR activities in 2020

mainly focused on the mitigation of these two major issues. As a result, the dramatic increase in our social investments can be observed from the table below. Nevertheless, we still engaged in projects to support children with disabilities and the young generation in 2020.

**Table 26** Social investments of Bakcell Group

Our social investments	2018	2019	2020
Total amount of community investments, AZN	108,637	133,748	6,362,377
Product and service donations, AZN	40,000	68,000	50,000

**Figure 21** CSR focus of Bakcell Group for 2020



## Fight Against the COVID-19 Pandemic

As one of the largest businesses in the country, **Bakcell Group** bears a responsibility to adequately respond to and mitigate global threats. In 2020, we joined the large-scale movement against the COVID-19 pandemic initiated by the government of Azerbaijan.

**As part of this movement, we allocated 1.5 million AZN for the Coronavirus Response Fund.**

During the most active phase of the pandemic, we made it possible for people put under quarantine and medical personnel to be able to effortlessly connect with their loved ones. As part of this initiative, **Bakcell Group** distributed **100 AZN scratch cards to the doctors and nurses in quarantine centers and 50 AZN scratch cards to all the people who were under quarantine**. In line with our commitment to facilitate connection during the crisis, **Bakcell Group** ensured that calls to the coronavirus emergency (TABIB) hotline are free of charge for all Bakcell users.

In order to support the government's efforts aimed at providing the population with high-quality medical services, **Bakcell Group worked tirelessly to bring the latest medical solutions to Azerbaijan**. Thanks

to this effort, it became possible to purchase special medical equipment, such as ventilators, automatic fever screening tools, and more than 3000 express test kits. This equipment was delivered to the special locations in accordance with the guidance of the Operational Headquarters under the Azerbaijani Cabinet of Ministers.

We also realize that due to lockdown measures and transition to remote learning, the quality of education was severely impacted. Since not every family can afford a high-quality internet required for a seamless online learning experience, we created a variety of **budget-friendly educational packages**. These packages offer the fastest internet in the country for an affordable price.

At the same time, in order to facilitate the adaptation to new realities of online education, we partnered with **ENGINET** to launch the **“Support to Virtual Education” project** together with the support of the Ministry of Education of the Republic of Azerbaijan. This project is aimed at ensuring a high-quality virtual education process during the COVID-19 pandemic by providing necessary tools and technical assistance to educators.

COVID-19 pandemic also impacted certain groups of people who lost their regular source of income due to restrictions and lockdown measures applied to the most of small and medium enterprises as well as supporting workplaces. In order to support those who have been impacted the most, we carried out an initiative we called **“Supermarket,”** through which we supplied 650 low-income families in the Bina region with groceries and household essentials.

Due to the many initiatives conducted during the pandemic, **Bakcell Group**’s preparedness scored highest in a survey to evaluate the effectiveness of COVID-19 response among leading MNOs in the country. We were ranked as the most proactive telecommunications company among competitors as a result of our approach to managing the crisis through a variety of social engagements. We were at the top in such areas as:

- Campaigns and social activities
- Customer service quality
- Affordable and flexible services

## Support During the Patriotic War

As a result of a 44-day war on the territories of Azerbaijan, our country lost many brave compatriots who put their life on the line to defend their home. **Bakcell Group** stands with the families of soldiers and victims who lost their lives in the conflict in Karabakh and aspires to do its part to mitigate the aftermath of these tragic events. When the conflict was at its peak, **Bakcell Group**’s technology team was working hard to optimize its network and provide 24-hour monitoring to ensure high-quality and secure mobile connection throughout the country. Recently, Bakcell started providing uninterrupted mobile services in the conflict zone, thanks to brand-new mobile base stations operating in Karabakh.

In the upcoming years, **Bakcell Group**, together with relevant governmental agencies, plans to expand its high-quality mobile network by building a sustainable mobile communications infrastructure in Karabakh.

## SOS Children's Villages

In the long-standing partnership with SOS Children's Villages, we supported online education for the youth of Baku and Ganja city by providing internet and technical equipment to support the education of 24 youngsters from socially vulnerable families.

## "AgroHackathon 2020"

In a major cooperation with the Ministry of Agriculture, Agrarian Science and Innovation Center, and Azerbaijani State University of Oil and Industry, **Bakcell Group** contributed to the creation of the AgroHackathon 2020. The aim of this project was to enhance the skills of the younger generation in IT, raise awareness on the issues of sustainable resource management in agriculture and showcase the scale of many innovative opportunities available in the digitalization of the agricultural sector. Out of 50 teams, 15 were selected to compete in the final round of the competition. This program focused on cultivating innovation and creativity in young individuals through dedicated mentorship and support.

## First International Digital Economy Conference

In 2020 we supported the very first international conference on "Digital Economy: Modern Challenges and Real Opportunities" in the country, which was organized by the Azerbaijan State University of Economics (UNEC) and the Ministry of Economy of the Republic of Azerbaijan. During the conference, participants had the opportunity to network with the leaders in the area and familiarize themselves with the future trends in the industry. At the same time, **Bakcell Group** was motivated to highlight the importance of digitalization and showcase the potential opportunities for telecommunications companies in these initiatives.

## "Protect the Caspian Sea" project

To fulfill our commitment to the protection of the environment as a responsible corporation, we co-organized the environmental campaign "Protect the Caspian Sea!" within the framework of the International Coastal Cleanup Day at the beaches of Bilgah, Novkhani, Mardakan, Pirshaghi, Shikhov, Hovsan, and Sumgait. The main aim was to raise awareness on the environmental issues by cleaning beach

areas from debris and garbage, educate the population and promote a movement for environmental protection in the country. **Bakcell Group** has been supporting this initiative for several years in a row. As a company with a strong corporate social responsibility portfolio, Bakcell is the first mobile operator in Azerbaijan to join this project.

### **United Aid for Azerbaijan's (UAFA) "Communication Through Art"**

Since 2010, children with disabilities have been benefitting from our unique initiative called "Communication Through Art." As part of this project, we teach children in need of special care to communicate through drawing and photography. We strongly believe that these efforts empower children to bypass their impediments and become the best versions of themselves through engaging in developmental and recreational activities.



# **Responsible Supply Chain Management**





7.1 Our approach to supply chain management  
7.2 Transparent and Ethical Procurement  
Process  
7.3 Encouraging Local Suppliers

## 7. Responsible Supply Chain Management

### 7.1 Our approach to supply chain management

As a crucial player in the transformational technological industry, we strive to continuously improve all areas of our business, spanning both internal and external operations alike. We put utmost importance into running our business responsibly and expect our partners to make decisive steps towards showcasing their commitment to our social and ethical values. While engaging with our suppliers, we look into ways in which our partnership can contribute to responsible practices in Azerbaijan through a variety of different projects such as product and service innovations, CSR initiatives, energy efficiency, and many more.

While cooperating with us, we expect our suppliers to demonstrate practical efforts to reduce their negative social and environmental impacts and therefore drive positive change in our community. We aim to work closely with our contractors to help them adopt and maintain the ethical standards necessary for managing a modern sustainable business. Non-compliance with these standards may affect our reputation and business. Our relationships with numerous suppliers engaged in different sectors are primarily governed by our Supplier Code of Conduct to ensure that our partners are compliant with the Group's values and objectives. Established in 2020, this policy is expected to be technically approved in early 2021.

#### Focal areas of our Supplier Code of Conduct

To fulfill our commitment to the protection of the environment as a responsible corporation, we co-organized the environmental campaign "Protect the Caspian Sea!" within the framework of the International Coastal Cleanup Day at the beaches of Bilgah, Novkhani, Mardakan, Pirshaghi, Shikhov, Hovsan, and Sumgait. The main aim was to raise awareness on the environmental issues by cleaning beach areas from debris and garbage, educate the population and promote a movement for environmental protection in the country. **Bakcell Group** has been supporting this initiative for several years in a row. As a company with a strong corporate social responsibility portfolio, Bakcell is the first mobile operator in Azerbaijan to join this project.



#### Human Rights

- Freedom of expression and privacy
- Diversity and non-discrimination
- Labor rights and freedom of association
- Employment agreement
- Working hours and salary
- Child labor, forced labor and modern slavery



#### Occupational Health and Safety

- Health and Safety management system
- Hazard and risk management
- Emergency preparedness
- Workplace conditions
- Incident reporting





### Data Protection

- Compliance with UN Global Compact and the OECD Guidelines for Multinational Enterprises
- Ethical business conduct cultivating integrity transparency and compliance



### Anti-corruption

- Anti-corruption policy
- Anti-corruption program and system of internal controls
- Transparency and conflicts of interests
- Fair competition and integrity



### Environment

- Having ISO 14001 certification is a priority for the suppliers



### Quality Management

- Actively apply a quality management system meeting the requirements of the ISO 9001
- Quality Management standard



### Transparency and Reporting

- Commitment to publish an annual report on its financial and sustainability performance



### Financial Integrity

- Financial performance, financial integrity, financial obligations and debts

The following considerations are implied by the Supplier Code of Conduct:

**Figure 22** Main considerations in the supplier code of conduct



Based on provisions of the Supplier Code of Conduct, we plan to enhance existing and introduce new requirements to suppliers throughout the supply chain to ensure all elements of the Code are integrated into building and management of our relationships with them. Although no formal assessment mechanism is in place yet to determine the negative social and environmental impact of our suppliers, we have already started a review and expansion of due diligence and supply-chain management procedures to include the social and environmental impact assessment within our supply chain.

## 7.2 Transparent and Ethical Procurement Process

Healthy procurement practices are at the very center of how successful businesses operate. It is widely accepted that the implications of having a poorly designed procurement network may lead to various inefficiencies, which dramatically hinder revenue growth. Besides obvious financial implications, inadequate supply chains may lead to unexpected consequences of having to deal with unreliable partners, miscommunication, lack of trust, and questionable internal practices.

In order to mitigate potential risks, we designed a supply chain network, which regards transparency among other essential metrics such as financial optimization. In order to continuously maintain the transparency of our supply chain networks, we developed designated channels to facilitate regular communication between the Group and its suppliers. We engage potential vendors through tenders or competitive sourcing.

We take a proactive stance in resolving ethical issues with suppliers who do not conform with our responsible ways of doing business. For example, since 2019, we have been applying a Group-wide “business partner due diligence procedure and screening” tool to support our **Anti-bribery and Corruption principles**. This comprehensive assessment tool establishes requirements for the selection, engagement, retention, and continuous monitoring of business partners.

COVID-19 pandemic and following constraints have exposed many weaknesses of the current system. These challenges led us to reframe how we manage our supply chain and have sparked new ambitions to increase the transparency of our communication with contractors. As a result, in 2020, we initiated a project on the creation of our **digital supply chain platform**. It will include features such as e-sourcing and supplier chain performance management, which will allow us to monitor partners’ performance and compliance. With this initiative, we aspire to set the right tone in the local market. This project is planned to be completed in 2021.

## 7.3 Encouraging Local Suppliers

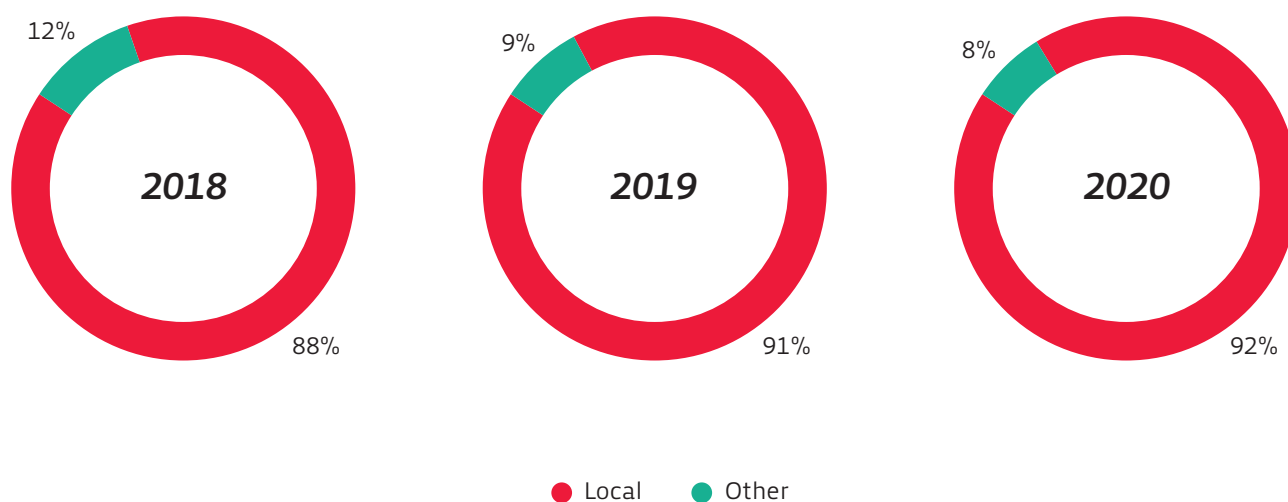
We are committed to contributing to the local economic development through support to the local businesses. Having more local suppliers not only dramatically reduces supply chain spending but also contributes to more effective communication.

Apart from that, having local suppliers means that we can get to know our suppliers better, stimulate local talent development and dramatically reduce GHG emissions arising from logistics. We thus make an extra effort to maintain a local supply chain and constantly encourage local businesses to share their skills with us by becoming our partners.

We believe that with the introduction of our new digital solutions, we will create a supply chain built on

transparency and effective communication. In the following years, we will continue looking into ways to improve our procurement processes.

**Figure 23** *Percentage of local suppliers in total procurement budget<sup>11</sup>*



<sup>11</sup> In previous year's Report, procurement expenditures included expenditures spent to third parties involved within CSR projects. These indicators were recalculated and cover business procurement expenditures only.

A photograph of a person's hands holding a small plant with green leaves. The entire image is covered with a semi-transparent red overlay. The person is wearing a patterned shirt. The text "Our Environmental Footprint" is written in white, bold, sans-serif font, centered in the lower half of the image.

# **Our Environmental Footprint**



- 8.1 ICT Sector and Environmental Impacts
- 8.2 Energy Consumption and GHG Emissions
- 8.3 Water Consumption
- 8.4 Waste Management

## 8. Our Environmental Footprint

### 8.1 ICT Sector and Environmental Impacts

In 2015, Azerbaijan announced its support for the Paris Agreement and committed to decreasing its total emissions by 35% below the GHG levels of 1990 by the end of this decade. This ambition is a challenging endeavor, and the involvement of the private sector, including the telecommunications industry, is essential in achieving this goal.

It was estimated that the telecommunications industry consumes around 2 to 3% of the world's total energy demand<sup>12</sup>. However, these numbers are projected to increase as the pressure begins to fall on telecommunications corporations to provide connectivity to businesses taking hold of digitalization opportunities. Dramatically accelerating this transition, the COVID-19 pandemic has also contributed to digitalization by forcing telecommunications companies to expand their network infrastructure and data centers to balance an emerging demand for energy-intensive operations around the globe. The resulting increase in energy consumption will inevitably lead to a surge in GHG gas emissions, a big chunk of which is attributed to the telecommunications industry. Hence, the ICT sector bears a momentous responsibility to balance the demands of our society together with the long-term wellbeing of our planet.

The environmental management at **Bakcell Group** primarily focuses on responsible natural resource and energy consumption. Our views of the importance of environmental management are reflected through our HSE policy (please visit section 6.6 Employee Health and Safety for more details). We are proud that we strictly abide by the international recommendations and best practices in the industry when it comes to the management of environmental impact.

### 8.2 Energy Consumption and GHG Emissions

We pay special attention to the environmental issues related to energy consumption because we believe that they are crucial for sustainable development and can bring various benefits, both economic and environmental. Although the pandemic has seriously affected our action plans on environmental initiatives in 2020, we continue making definitive steps in this direction as advocates of sustainable energy consumption in Azerbaijan. In 2019, **Bakcell Group** started a pilot project to minimize energy consumption at our base stations. Realizing the enormous amount of energy used by our cooling equipment, we brainstormed a way to harness the power of nature and create natural heat sinks, consequently optimizing our energy use. As a result, we started using built-in windows and fans in order to facilitate convective heat transfer and contribute to the resultant increase in energy efficiency. Moreover, in 2020 we switched to efficient LED lighting in our offices and began using compressed natural gas as our primary fuel instead of gasoline and diesel.

In line with our commitment to minimizing our energy consumption, we have installed our first base transceiver station powered by renewable energy. The newly installed hybrid solar system is designed to provide a constant and 100% renewable power supply to the station. Thanks to the batteries, which are installed on site, the system will be operating even at the time of bad weather. We are proud of our achievement of incorporating cleaner energy sources into our energy ecosystem and are planning to continue working on initiatives directed at decarbonizing our business.

Our next steps towards sustainable energy consumption are developing an advanced energy management system based on the ISO 14005 Environmental Management Systems certification. With the assis



tance of our contingency plans and adaptation measures, we aspire to receive this certification no later than the fourth quarter of 2021.

**Table 27** *Energy Consumption at Bakcell Group between 2018-2020<sup>13</sup>*

	2018	2019	2020
Electricity consumed by the office (kWh)	583,128	583,128	567,482
Electricity used for technical equipment (i.e. LTE, BTS etc.) (kWh)	27,819,051	29,060,765	30,958,763
Diesel (ton)	133	150.5	123.7
Petroleum (ton)	207	213	200

**Table 28** *Energy Intensity ratio between 2018-2020<sup>14</sup>*

	2018	2019	2020
Energy intensity ratio (kWh per employee)	19,560.7	21,669.5	22,422.6
Energy intensity ratio (kWh per petabyte)	843,295.1	491,280.9	535,250.3

**Table 29** *GHG Emissions of Bakcell Group between 2018-2020*

	2018	2019	2020
Scope 1 GHG emissions (tCO <sub>2</sub> e)	1,072.39	1,142.55	1,021.38
Scope 2 GHG emissions (tCO <sub>2</sub> e)	18,088	18,879	20,078
Scope 2 GHG emissions (tCO <sub>2</sub> e per employee)	0.007	0.007	0.008
Scope 2 GHG emissions (tCO <sub>2</sub> e per employee)	12.46	13.80	14.28
Scope 2 GHG emissions (tCO <sub>2</sub> e per petabyte)	537	312.9	340.9

## 8.3 Water Consumption

In 2008, Goldman Sachs rendered water as the “petroleum of the next century.”<sup>15</sup> Due to a variety of shortages beginning to occur around the globe, the prestigious bank described the overwhelming long-term financial opportunities arising from the investments in this direction. Due to the emerging droughts caused by climate change around the globe, in 2019, the Global Commission on Adaptation called the world to recognize the importance of climate adaptation by scaling up investments into sustainable water infrastructure and efficient water use<sup>16</sup>.

Azerbaijan faced drastic water shortages in the hot months of the previous year. The state news channel, AzTV, reported that the levels in one of the main sources of water in Azerbaijan, the Mingachevir reservoir, dropped 16 meters in the hot months of 2020. Thus, addressing the issue of water consumption is not only crucial for long-term economic development but also for the wellbeing of the people.

**Bakcell Group** intends to take a proactive stance on water consumption issues both in its own offices and across its supply chain through self-assessment. With our ongoing ambitions to receive relevant

<sup>13</sup> The figures are approximate estimates, and due to the different approach to data consolidation process applied in 2020, electricity consumption shown in the current report for 2018 and 2019 differ from previous year reports. Subsequently, changes in respective intensity ratios as well as GHG calculations were affected accordingly.

<sup>14</sup> Energy intensity ratios consider electricity consumption only.

<sup>15</sup> Water – The Commodity of the 21st Century? - Risk Magazine

<sup>16</sup> Adapt now: a global call for leadership on climate resilience - Global Center on Adaptation (gca.org)

environmental management certifications, we intend to consider multiple water-saving initiatives at our office sites and beyond.

**Table 30** **Water Consumption at Bakcell Group between 2018-2020<sup>17</sup>**

	2018	2019	2020
Total water consumption, thsd m <sup>3</sup>	12,358.8	15,844.2	14,774.4
Water intensity ratio (m <sup>3</sup> per employees)	8,511.6	11,582	10,508.1

## 8.4 Waste Management

Being a large group of companies means that we are responsible for the production and management of different waste types, mainly the following:

- Household waste
- Paper
- Medical waste
- Batteries
- Electronic waste

In 2020, the preparations for a comprehensive waste management system were underway in line with the best industry practices and regulations as well as “Zero Waste” principle. We cooperate with a third-party company that supports us in our waste management initiatives such as waste collection, transfer, and disposal. We also consider other options for cooperation to enable recycling of our waste. Due to restrictions caused by the global pandemic, we had to delay some of the steps of waste management system development, so we plan to complete this project by the end of 2021. Our ultimate goal is to reduce material consumption and waste volumes produced as a result of our operations at all locations.

To effectively manage end-of-life items, we implement a designated process, which facilitates the disposal in an efficient manner. We use special electronic signatures to mark disposed items, which are eligible for incineration. We are continuously working towards improving our waste management processes. We are confident that with our ongoing efforts, we will expand the scope of the waste we recycle and deliver a better performance in the years to come.

In order to reduce waste pollution, we equipped our offices with bins for recyclable trash as part of a cooperation with the local municipality and several environmental organizations. Additionally, we regularly encourage our employees to use less paper and store most of the information electronically. We strongly believe that our motivation to pioneer in the circularity of our industry will help us fight the ongoing environmental deterioration.



## Electronic waste

If not managed effectively, electronic waste may cause one of the major negative impacts on ecosystems. Since e-waste is one of the main waste products of the ICT sector, telecommunications companies must recognize its intrinsic value and consider adopting relevant recycling practices. Therefore, we work to encourage recycling and reuse of the old appliance parts and engage in industry partnerships to promote principles of circular economy in our country. At the same time, since we regularly deal with obsolete technical equipment, recognizing the opportunity in possible reuse through reselling might unlock additional financial benefits for **Bakcell Group**. We are currently analyzing the market for reselling opportunities and working on the development of awareness programs for our employees to highlight the importance of the reuse of electronic waste.

Our environmental ambition keeps pushing us towards adopting more effective practices every year. We are committed to tapping into novel waste management practices, improving energy efficiency, and contributing to the responsible use of natural resources both in our offices and at our stations.



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## Independent Assurance Report on the Sustainability Report 2020 of Bakcell LLC

To the Management and stakeholders of Bakcell LLC

### Subject matter

We have been engaged by Bakcell LLC (hereinafter "Company") to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, (herein "the Engagement"), to report on the non-financial indicators disclosed in the Company's Annual Sustainability Report 2020 (hereinafter "Report"). Limited assurance of the following indicators covering the performance results of the Company in the reporting year was performed:

### Operational indicators

- ▶ Network coverage;
- ▶ Dropped-call rate;
- ▶ Average 3G/4G downloading rate;
- ▶ Number of countries with 4G international roaming service.

### Customer-related indicators

- ▶ Total number of customers;
- ▶ Number of 2G/3G/4G customers.

### HR indicators

- ▶ Total headcount, including distribution of employees by age group and gender;
- ▶ Total employees hired;
- ▶ Total employees terminated.

### Community engagement indicators

- ▶ Total social investment;
- ▶ Product or service donations.

### Procurement indicators

- ▶ Total number of suppliers;
- ▶ Total number of local suppliers;
- ▶ Percentage of budget spent on local suppliers.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

### Applicable criteria

In preparing the indicators Company applied Global Reporting Initiative Sustainability Reporting Standards (hereinafter "GRI Standards") in "Core" option and Company's sustainability reporting principles as set out in the section 'About the Report' (hereinafter "the Criteria"). We believe that these criteria are appropriate given the purpose of our assurance engagement.

### Bakcell's responsibilities

Bakcell's management is responsible for selecting the Criteria, and for presenting the indicators in accordance with the Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Indicators, such that they are free from material misstatement, whether due to fraud or error.



### **Practitioner's responsibilities**

Our responsibility is to express a conclusion on the presentation of the Indicators based on the evidence we have obtained.

We conducted our assurance engagement in accordance with International Standard for Assurance Engagements (revised) *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (hereinafter "ISAE 3000"). ISAE 3000 requires that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Indicators are presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

### **Our independence and quality control**

We apply International Standard on Quality Control 1 (ISQC 1), and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

We comply with the independence and other ethical requirements of the IESBA Code of Ethics for Professional Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

### **Summary of work performed**

The assurance engagement performed represents a limited assurance engagement. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within information technology systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Indicators and related information and applying analytical and other appropriate procedures.



Our procedures included:

- ▶ Interviews with the representatives of the Company's management responsible for its sustainability policies, activities, performance and relevant reporting;
- ▶ Analysis of key documents related to the Company's sustainability procedures, activities, performance and relevant reporting;
- ▶ Benchmarking of the Report against sustainability reports of selected international peers of the Company;
- ▶ Review of a selection of corporate and external publications on the Company's sustainability policies, activities, events, and performance in 2020;
- ▶ Obtaining understanding of the process of reporting on the Indicators and other engagement circumstances by reviewing the reporting process used for reporting on sustainability issues;
- ▶ Review of data samples regarding the Indicators, selected for the year ended 31 December 2020 to assess whether these data have been collated and reported appropriately.

#### **Conclusion**

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Indicators are not represented fairly, in all material respects, according to the Criteria.

*Ernst & Young Holdings (CIS) B.V.*

30 November 2021

Baku, Azerbaijan







# GRI Index Table





GRI Standard	GRI Indicator	Disclosure status	Page	Note
<b>102 General Disclosures: Organizational profile</b>				
102-1	Name of the organization	Disclosed: Section 2.1. About Bakcell Group	18	
102-2	Activities, brands, products, and services	Disclosed: Section 2.2. Group overview	21	
102-3	Location of headquarters	Disclosed: Section 2.2. Group overview	21	
102-4	Location of operations	Disclosed: Section 2.2. Group overview	21	
102-5	Ownership and legal form	Disclosed: Section 2.4. Corporate Governance	23	
102-6	Markets served	Disclosed: Section 2.1. About Bakcell Group	18	
102-7	Scale of the organization	Disclosed: Section 2.1. About Bakcell Group	18	
102-8	Information on employees and other workers	Disclosed: Section 5.1. Our Bakcell family	54	
102-9	Supply chain	Disclosed: Section 7.1. Our approach to supply chain management	76	
102-10	Significant changes to the organization and its supply chain	Disclosed: Section 7.1. Our approach to supply chain management	76	
102-11	Precautionary Principle or approach	Disclosed: Section 1.1. Reporting scope and boundaries	12	
102-12	External initiatives	Disclosed: Section 2.1. About Bakcell Group	18	
102-13	Membership of associations	Disclosed: Section 2.1. About Bakcell Group	18	
<b>102 General Disclosures: Strategy</b>				
102-14	Statement from senior decision-maker	Disclosed: Section Message from the CEO	8	
102-15	Key impacts, risks, and opportunities	Disclosed: Section 2.6. Risk and Business Continuity	31	
<b>102 General Disclosures: Ethics and integrity</b>				
102-16	Values, principles, standards, and norms of behaviour	Disclosed: Section 2.1. About Bakcell Group	18	
102-17	Mechanisms for advice and concerns about ethics	Disclosed: Section 2.5. Responsible and Ethical Business Management	28	

GRI Standard	GRI Indicator	Disclosure status	Page	Note
<b>102</b>	<b>General Disclosures: Governance</b>			
102-18	Governance structure	Disclosed: Section 2.4. Corporate Governance	23	
102-19	Delegating authority	Disclosed: Section 2.4. Corporate Governance	23	
102-20	Executive-level responsibility for economic, environmental and social topics	Disclosed: Section 2.4. Corporate Governance	23	
102-21	Consulting stakeholders on economic, environmental and social topics	Disclosed: Section 6.1. Our Relationships with Stakeholders	66	
102-22	Composition of highest governance body and its committees	Disclosed: Section 2.4. Corporate Governance	23	
102-23	Chair of the highest governance body	Disclosed: Section 2.4. Corporate Governance	23	
102-24	Nominating and selecting the highest governance body	Disclosed: Section 2.4. Corporate Governance	23	
102-25	Conflicts of interest	Disclosed: Section 2.5. Responsible and Ethical Business Management	28	
102-26	Role of highest governance body in setting purpose, values and strategy	Disclosed: Section 2.4. Corporate Governance	23	
102-27	Collective knowledge of highest governance body	Disclosed: Section 2.4. Corporate Governance	23	
102-28	Evaluating the highest governance body's performance	Disclosed: Section 2.4. Corporate Governance	23	
102-29	Identifying and managing economic, environmental and social impacts	Disclosed: Section 1.1. Reporting scope and boundaries	12	
102-30	Effectiveness of risk management processes	Disclosed: Section 2.6. Risk and Business Continuity	31	
102-31	Review of economic, environmental, and social topics	Disclosed: Section 1.1. Reporting scope and boundaries	12	
102-32	Highest governance body's role in sustainability reporting	Disclosed: Section 2.4. Corporate Governance	23	
102-33	Communicating critical concerns	Disclosed: Section 1.1. Reporting scope and boundaries	12	
102-34	Nature and number of critical concerns	Disclosed: Section 1.2. Materiality review	12	
102-35	Remuneration policies	Disclosed: Section 5.2. Equal opportunities, Inclusiveness and Diversity	57	
102-36	Process for determining remuneration	Disclosed: Section 5.2. Equal opportunities, Inclusiveness and Diversity	57	
102-37	Stakeholders' involvement in remuneration	Disclosed: Section 5.5. Employee Motivation and Satisfaction	60	

GRI Standard	GRI Indicator	Disclosure status	Page	Note
102-38	Annual total compensation ratio	Disclosed: Section 2.4. Corporate Governance	23	
102-39	Percentage increase in annual total compensation ratio	Disclosed: Section 2.4. Corporate Governance	23	
<b>102 General Disclosures: Stakeholder engagement</b>				
102-40	List of stakeholder groups	Disclosed: Section 6.1. Our Relationships with Stakeholders	66	
102-41	Collective bargaining agreements	Undisclosed		There are no collective bargaining agreements at Bakcell Group
102-42	Identifying and selecting stakeholders	Disclosed: Section 6.1. Our Relationships with Stakeholders	66	
102-43	Approach to stakeholder engagement	Disclosed: Section 6.1. Our Relationships with Stakeholders	66	
102-44	Key topics and concerns raised	Disclosed: Section 6.1. Our Relationships with Stakeholders	66	
<b>102 General Disclosures: Reporting practice</b>				
102-45	Entities included in the consolidated financial statements	Undisclosed		
102-46	Defining report content and topic boundaries	Disclosed: Section 1.1. Reporting scope and boundaries	12	
102-47	List of material topics	Disclosed: Section 1.2. Materiality review	12	
102-48	Restatements of information	Disclosed: Section 1.3. Disclaimer	15	
102-49	Changes in reporting	Disclosed: Section 1.3. Disclaimer	15	
102-50	Reporting period	Disclosed: Section 1.1. Reporting scope and boundaries	12	
102-51	Date of most recent report	Undisclosed		
102-52	Reporting cycle	Disclosed: Section 1.1. Reporting scope and boundaries	12	
102-53	Contact point for questions regarding the report	Disclosed: Section 1.4. Your Feedback	15	
102-54	Claims of reporting in accordance with the GRI standards	Not applicable		This Report is not written in accordance with GRI Standards, however the Standards have been considered as a point of reference
102-55	GRI content index	Disclosed: Section 9. GRI Index Table	92	

GRI Standard	GRI Indicator	Disclosure status	Page	Note
102-56	External assurance	Disclosed: Section Assurance Statement	86	
<b>103</b>	<b>Management Approach</b>			
103-1	Explanation of the material topic and its Boundary	Disclosed: Section 1.1. Reporting scope and boundaries	12	
103-2	The management approach and its components	Disclosed: Section 2.2. Group overview	21	
103-3	Evaluation of the management approach	Disclosed: Section 2.2. Group overview	21	
<b>201</b>	<b>Economic performance</b>			
201-1	Direct economic value generated and distributed	Undisclosed		Will be revisited in the upcoming reports
201-2	Financial implications and other risks and opportunities due to climate change	Undisclosed		Will be revisited in the upcoming reports
201-3	Defined benefit plan obligations and other retirement plans	Undisclosed		Will be revisited in the upcoming reports
201-4	Financial assistance received from government	Undisclosed		Will be revisited in the upcoming reports
<b>202</b>	<b>Market presence</b>			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Disclosed: Section 5.2. Equal opportunities, Inclusiveness and Diversity	57	
202-2	Proportion of senior management hired from the local community	Disclosed: Section 5.2. Equal opportunities, Inclusiveness and Diversity	57	
<b>203</b>	<b>Indirect economic impacts</b>			
203-1	Infrastructure investments and services supported	Disclosed: Section 6.2. Our Management Approach to CSR	68	
203-2	Significant indirect economic impacts	Disclosed: Section 6.2. Our Management Approach to CSR	68	
<b>204</b>	<b>Procurement practices</b>			
204-1	Proportion of spending on local suppliers	Disclosed: Section 7.3. Encouraging Local Suppliers	78	
<b>205</b>	<b>Anti-corruption</b>			
205-1	Operations assessed for risks related to corruption	Disclosed: Section 2.5. Responsible and Ethical Business Management	28	
205-2	Communication and training about anti-corruption policies and procedures	Disclosed: Section 2.5. Responsible and Ethical Business Management	28	

GRI Standard	GRI Indicator	Disclosure status	Page	Note
205-3	Confirmed incidents of corruption and actions taken	Disclosed: Section 2.5. Responsible and Ethical Business Management	28	
<b>206</b>	<b>Anti-competitive behaviour</b>			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Undisclosed		There have been no such cases during the reporting period
<b>207</b>	<b>Tax</b>			
207-1	Approach to tax	Undisclosed		
207-2	Tax governance, control and risk management	Undisclosed		
205-3	Stakeholder engagement and management of concerns related to tax	Partially disclosed: Section 6.1. Our Relationships with Stakeholders	66	
207-4	Country-by-country reporting	Undisclosed		
<b>301</b>	<b>Materials</b>			
301-1	Materials used by weight or volume	Undisclosed		Will be revisited in the upcoming reports
301-2	Recycled input materials used	Undisclosed		Will be revisited in the upcoming reports
301-3	Reclaimed products and their packaging materials	Undisclosed		
<b>302</b>	<b>Energy</b>			
302-1	Energy consumption within the organization	Disclosed: Section 8.2. Energy Consumption and GHG Emissions	82	
301-2	Energy consumption outside of the organization	Undisclosed		Will be revisited in the upcoming reports
302-3	Energy intensity	Disclosed: Section 8.2. Energy Consumption and GHG Emissions	82	
301-4	Reduction of energy consumption	Disclosed: Section 8.2. Energy Consumption and GHG Emissions	82	
302-5	Reductions in energy requirements of products and services	Undisclosed		Will be revisited in the upcoming reports
<b>303</b>	<b>Water</b>			
303-1	Interactions with water as a shared resource	Disclosed: Section 8.3. Water Management	83	
303-2	Management of water discharge-related impacts	Disclosed: Section 8.3. Water Management	83	

GRI Standard	GRI Indicator	Disclosure status	Page	Note
303-3	Water withdrawal	Undisclosed		Will be revisited in the upcoming reports
303-4	Water discharge	Undisclosed		Will be revisited in the upcoming reports
303-5	Water consumption	Disclosed: Section 8.3. Water Management	83	
<b>304</b>	<b>Biodiversity</b>			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Undisclosed		
304-2	Significant impacts of activities, products, and services on biodiversity	Undisclosed		
303-3	Habitats protected or restored	Undisclosed		
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Undisclosed		
<b>305</b>	<b>Emissions</b>			
305-1	Direct (Scope 1) GHG emissions	Disclosed: Section 8.2. Energy Consumption and GHG Emissions	82	
305-2	Energy indirect (Scope 2) GHG emissions	Disclosed: Section 8.2. Energy Consumption and GHG Emissions	82	
305-3	Other indirect (Scope 3) GHG emissions	Undisclosed		
305-4	GHG emissions intensity	Disclosed: Section 8.2. Energy Consumption and GHG Emissions	82	
305-5	Reduction of GHG emissions	Disclosed: Section 8.2. Energy Consumption and GHG Emissions	82	
305-6	Emissions of ozone-depleting substances (ODS)	Not applicable		Not applicable due to the nature of Bakcell Group's operations
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Not applicable		Not applicable due to the nature of Bakcell Group's operations
<b>306</b>	<b>Effluents and waste</b>			
306-1	Water discharge by quality and destination	Undisclosed		
306-2	Waste by type and disposal method	Undisclosed		

GRI Standard	GRI Indicator	Disclosure status	Page	Note
306-3	Significant spills	Not applicable		Not applicable due to the nature of Bakcell Group's operations
306-4	Transport of hazardous waste	Not applicable		Not applicable due to the nature of Bakcell Group's operations
306-5	Water bodies affected by water discharges and/or runoff	Not applicable		Not applicable due to the nature of Bakcell Group's operations
<b>307</b>	<b>Environmental compliance</b>			
307-1	Non-compliance with environmental laws and regulations	Disclosed: Section 8. Our Environmental Footprint	82	
<b>308</b>	<b>Supplier environmental assessment</b>			
308-1	New suppliers that were screened using environmental criteria	Undisclosed		
308-2	Negative environmental impacts in the supply chain and actions taken	Undisclosed		
<b>401</b>	<b>Employment</b>			
401-1	New employee hires and employee turnover	Disclosed: Section 5.1. Our Bakcell family	54	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employee	Undisclosed		
401-3	Parental leave	Undisclosed		
<b>402</b>	<b>Labour/Management relations</b>			
402-1	Minimum notice periods regarding operational changes	Undisclosed		
<b>403</b>	<b>Occupational health and safety</b>			
403-1	Occupational health and safety management system	Disclosed: Section 5.6. Employee Health and Safety	61	
403-2	Hazard identification, risk assessment and incident investigation	Disclosed: Section 5.6. Employee Health and Safety	61	
403-3	Occupational health services	Undisclosed		
403-4	Worker participation, consultation and communication on occupational health and safety	Disclosed: Section 5.6. Employee Health and Safety	61	
403-5	Promotion of worker health	Disclosed: Section 5.6. Employee Health and Safety	61	



GRI Standard	GRI Indicator	Disclosure status	Page	Note
403-6	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Disclosed: Section 5.6. Employee Health and Safety	61	
403-7	Workers covered by an occupational health and safety management system	Disclosed: Section 5.6. Employee Health and Safety	61	
403-8	Work-related injuries	Disclosed: Section 5.6. Employee Health and Safety	61	
403-9	Work-related ill health	Disclosed: Section 5.6. Employee Health and Safety	61	
<b>404 Training and education</b>				
404-1	Average hours of training per year per employee	Disclosed: Section 5.3. Training and Development	58	
404-2	Programmes for upgrading employee skills and transition assistance programmes	Disclosed: Section 5.3. Training and Development	58	
404-3	Values, principles, standards, and norms of behaviour	Disclosed: Section 5.1. Our Bakcell family	54	
<b>405 Diversity and equal opportunity</b>				
405-1	Diversity of governance bodies and employees	Disclosed: Section 5.2. Equal opportunities, Inclusiveness and Diversity	57	
405-2	Ratio of basic salary and remuneration of women to men	Undisclosed		
<b>406 Non-discrimination</b>				
406-1	Incidents of discrimination and corrective actions taken	Disclosed: Section 5.2. Equal opportunities, Inclusiveness and Diversity	57	
<b>407 Freedom of association and collective bargaining</b>				
403-1	Operations and suppliers in which the right to freedom of associations and collective bargaining may be at risk	Undisclosed		No such operations have been identified
<b>408 Child labour</b>				
408-1	Operations and suppliers at significant risks for incidents of child labour	Undisclosed		No such operations have been identified
<b>409 Forced or compulsory labour</b>				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Undisclosed		No such operations have been identified

GRI Standard	GRI Indicator	Disclosure status	Page	Note
<b>410</b>	<b>Security practices</b>			
410-1	Security personnel trained in human rights policies or procedures	Disclosed: Section 2.5. Responsible and Ethical Business Management	28	
<b>411</b>	<b>Rights of indigenous peoples</b>			
411-1	Incidents of violations involving rights of indigenous peoples	Not applicable		
<b>412</b>	<b>Human rights assessment</b>			
412-1	Operations that have been subject to human rights reviews or impact assessments	Undisclosed		Will be revisited in the upcoming reports
412-2	Employee training on human rights policies or procedures	Undisclosed		Will be revisited in the upcoming reports
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Undisclosed		Will be revisited in the upcoming reports
<b>413</b>	<b>Local communities</b>			
413-1	Operations with local community engagement, impact assessments and development programmes	Disclosed: Section 6.2. Our Management Approach to CSR	68	
413-2	Operations with significant actual and potential negative impacts on local communities	Undisclosed		No such operations have been identified
<b>414</b>	<b>Supplier social assessment</b>			
414-1	New suppliers that were screened using social criteria	Undisclosed		Will be revisited in the upcoming reports
414-2	Negative social impacts in the supply chain and actions taken	Undisclosed		Will be revisited in the upcoming reports
<b>415</b>	<b>Public policy</b>			
414-1	Political contributions	Undisclosed		Will be revisited in the upcoming reports
<b>416</b>	<b>Customer health and safety</b>			
416-1	Assessment of the health and safety impacts of product and service categories	Undisclosed		Will be revisited in the upcoming reports
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Undisclosed		There have been no incidents of noncompliance concerning the health and safety impacts of products and services

GRI Standard	GRI Indicator	Disclosure status	Page	Note
<b>417</b>	<b>Marketing and labelling</b>			
417-20	Requirements for product and service information and labelling	Undisclosed		
<b>417-21</b>	Incidents of non-compliance concerning product and service information and labelling	Undisclosed		
417-18	Incidents of non-compliance concerning marketing communications	Undisclosed		
<b>418</b>	<b>Customer privacy</b>			
418-20	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Partially disclosed, Section 4.1. Data privacy and cybersecurity	50	
<b>419</b>	<b>Socioeconomic compliance</b>			
418-20	Non-compliance with laws and regulations in the social and economic area	Undisclosed		Will be revisited in the upcoming reports

