



Annual Sustainability Report

2020



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Message from
the CEO

1. Message from the CEO

Over this past year, our purpose and commitment came together in a particularly powerful way, as COVID-19 disrupted our lives and highlighted the vital importance of digital connectivity. Looking back, it is clear that the pandemic accelerated what had been a gradual but steady shift to a digital economy. Access to affordable and reliable connectivity services became critical for work, learning and commerce - and for staying digitally connected to family, friends, as well as news and information.

“ Our purpose at **Nar** is to create connection. We have a long history of keeping our customers and communities well connected, and we do that with a strong commitment to corporate responsibility. We have been investing significantly in our wireless and wireline networks over the past years to help expand coverage and improve connectivity, reliability and performance. Covering 99.9% of the country population, our network provides high-quality services to nearly 2.2 million people with more than 8,500 base stations. The challenges we faced during the year did not prevent us from continued work on network improvement. Currently, about 84% of internet in the network is provided through LTE-A technology base stations. In addition, the number of 4G users increased by 33% due to the installation of new base stations in the country, with the 52% of total growth identified in the regions. ”

Despite how unpredictable things may be today, our desire to create positive impact has helped sustain our company for more than a decade. Through our dedication to excellence, we continue to deliver essential services, to entertain, to inform and to foster innovation. Long-term success requires us to be deliberate in our planning, but responsive to the needs of stakeholders and communities. The dramatic impact of the pandemic highlighted the importance of our community programmes, and how quickly companies can be called to act in times of need.

During 2020 I often witnessed our employees’ commitment and grit in the face of the pandemic, and I am profoundly thankful to them. We introduced “FLEXcellence” programme during the year to make the transition to new working models easier for our people. The programme prioritises hybrid working model, where employees can reserve office space digitally and maintain social distancing while at the same time fostering teamwork and spirit of collaboration. The programme has been highly valued by our people and contributed positively to their productivity as well as mental wellbeing.

In our mission critical industry, our people continued to serve our customers in an enhanced mode to provide uninterrupted services, and we introduced customised services during the lockdown. We switched our customer services to the state of full vigil so that our subscribers could contact us 24/7 during the quarantine. Starting from the first quarter of 2020, we also launched “Sayyar Nar” project which provides our subscribers with the opportunity to benefit from a range of services offered in Nar service centres without leaving their homes, including SIM card replacement, number recovery operations and “ASAN Imza” services activation.

2020 was marked not only by the COVID-19 pandemic for us, but rather by the glorious victory of Azerbaijan in a conflict that lasted for more than 30 years. As a proud corporate citizen of this country, we excitedly observed the advance that our military were making on the frontlines every day and did our best to contribute to our victory. During the Patriotic War, we provided free mobile communication to our subscribers in the frontline regions, as well as in Ganja and Barda, and provided warm winter clothing to support temporarily displaced families in these regions. We also relocated and expanded the capacity of base stations to ensure uninterrupted communication to users living in those areas.

Along with a growing focus on customers, we also continued to align our goals with those of a broader base of stakeholders. We know our purpose is to create long-term value, not to maximise short-term profits and enhance shareholder value at the cost of other important stakeholder groups. I am proud that we continued to focus on transformation as a key imperative to ensure **Nar** adapts to a changing world.

To tackle climate change, we launched several initiatives during the reporting year. In June 2020, we launched the first renewable energy powered base station in Azerbaijan. The base station installed in Sangachal, at the outskirts of Baku, will operate with the energy generated by solar panels. A hybrid solar system will be used to ensure uninterrupted power supply and network connectivity. Working on more sustainable, green solutions, we are evaluating the future perspectives with the aim of increasing the use of renewable energy sources that will power our equipment.

This report highlights the many ways that **Nar** is connecting and engaging our communities, operating responsibly, mitigating risk and removing bottlenecks from the business to maximise long-term growth opportunities for our company, employees and customers. We are proud of our efforts and collective impact over the past year, and we stay committed to designing sustainable solutions to the challenges that lie ahead.

“ I would also like to take this opportunity to express my sincerest condolences to our employees, customers and stakeholders who have lost loved ones during this year. We believe that great crises bring about profound change. ”

At **Nar**, we like to view 2020 as a year which offered us an opportunity to leap and embark on a quest to make our company, our country and our planet a better place. I am confident that we will prevail, ensuring that our customers are touched deeply by our collective quest to be a team of people who do good. ”

Gunnar Pahnke
Chief Executive Officer of Nar



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About this report

2. About this report

2.1 Scope and methodology

We are pleased to hereby present Nar’s second Sustainability Report that discusses and discloses our most important economic, social and environmental performance indicators covering the period from 1st of January 2020 to 31st of December 2020. Our integrated approach to decision-making, management and reporting enables us to create and preserve value as we deliver on our purpose - using our expertise to deliver positive changes.

This Report is compiled with great effort to comply with the relevant standards about the disclosure of sustainability performance indicators relevant for the industry we are operating in. Our 2020 Sustainability Report is prepared taking into account the disclosure recommendations of the Global Reporting Initiative (GRI) Standard’s “Core” option. We also analysed existing market trends, sectoral priorities and best practices, and additionally referred to the following frameworks to ensure full and balanced presentation of the issues throughout the Report:

- Ten Principles of the United Nations Global Compact
- ISO Guidance on Social Responsibilities (ISO 26000)
- UN 2030 Agenda for Sustainable Development

Within the framework of this Report’s preparation, we engaged an external assurance provider to verify the accuracy, reliability, fairness and transparency of selected key sustainability indicators. The assurance statement can be found on page 87.

We have done our best to include all necessary and relevant information in this Report while redundant, unnecessary or easily available information may have been omitted. There are valid reasons why we cannot - or will not - report on some information publicly. If readily available, we have included absolute data and explanatory notes when using ratios or normalised data.

We are fully committed to engaging our stakeholders and we welcome feedback on this Report and any aspect of our sustainability performance. You may send an email directly to Aziz Akhundov, Director of Public Relations and Corporate Communications, via aakhundov@azerfon.az or to our official PR email address at media@azerfon.az.

To identify and manage topics that are material to our stakeholders and for the sustainable conduct of our business, we carry out regular materiality analysis. Materiality analysis helps us correctly prioritise the relevant issues and ensure that these issues are discussed and properly disclosed in the Sustainability Report. Material topics are identified, and appropriate weight attached to each identified topic, after considering the views and feedback of multiple stakeholder groups. To have a variety of perspectives and make our analysis as comprehensive as possible, we carried out internal interviews with employees from different departments, reviewed and analysed important internal policies and documentation, researched stakeholders’ views in media and benchmarked our performance against the performance of the global industry leaders.

2.2 Materiality analysis

When conducting materiality analysis, we categorise topics per economic, social and environmental categories. We also refer to 17 Sustainable Development Goals (SDGs) to integrate them into our analysis, and subsequently focus on our contribution to the 2030 Agenda for Sustainable Development, which is also prioritised by the Government of Azerbaijan. We conduct and manage our business affairs responsibly, while advocating and truly believing that the telecommunications industry has a significant potential to contribute to almost all of the SDG Goals.

A materiality matrix was created to visualise and highlight the importance of the topics for both Nar and our stakeholders. The importance of topics is categorised into three levels, namely low, medium and high from both stakeholders and Nar’s perspective.

As a result of our materiality analysis, we identified and shortlisted 14 material topics as presented in the matrix below.

Figure 01 Materiality matrix

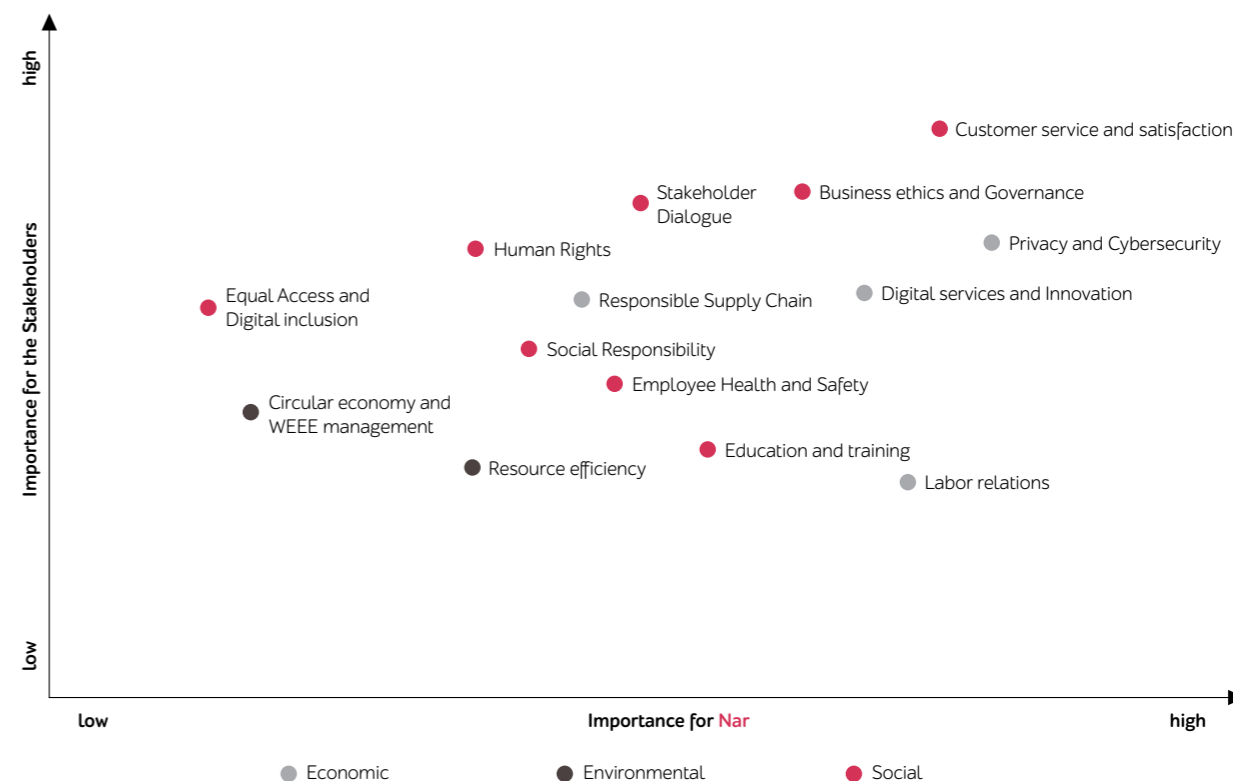


Table 01 Material topics and our approach to them

Material Topics	Our approach	Associated Sustainable development goal (SDGs)
Customer Service and Satisfaction	<ul style="list-style-type: none"> Promoting inclusive digital society through easy access to digital services Increasing network coverage, reliability and service quality for our customers 	9, 10, 11, 17
Labour practices	<ul style="list-style-type: none"> Managing the workforce efficiently, attracting young talent and improving retention rate of our current employees Assuring employee wellbeing, loyalty and motivation, and bridging the skills gap by developing digital talent 	1, 5, 8
Equal Access and Digital Inclusion	<ul style="list-style-type: none"> Ensuring everybody has equal access to the services we provide and that full 4G network coverage in Azerbaijan is achieved 	5, 9, 10, 16
Privacy and Cybersecurity	<ul style="list-style-type: none"> Safeguarding privacy, cybersecurity and personal data security through constant monitoring and investment into internal protection systems 	9, 11, 16
Business ethics and Governance	<ul style="list-style-type: none"> Practicing fair and sustainable business within regulatory framework to ensure business resilience, compliance and integration of high ethical standards into daily business operations 	8, 16, 17
Employee Health and Safety	<ul style="list-style-type: none"> Enabling all important conditions for keeping our employees healthy and safe, particularly during the pandemic 	3, 8, 11
Education and Training	<ul style="list-style-type: none"> Developing company's human capital by creating strong and agile teams. Fostering education, digital skills and promoting R&D 	4, 8, 9, 16
Stakeholder Dialogue	<ul style="list-style-type: none"> Maintaining constant dialogue with our stakeholders to ensure our services meet their needs and introduce changes when necessary 	17
Responsible Supply Chain	<ul style="list-style-type: none"> Supporting local economy and encouraging supplier diversity Making procurement practices transparent and fair Communicating our norms and values across our entire value chain 	8, 10, 16, 17
Social Responsibility	<ul style="list-style-type: none"> Involvement in multiple CSR projects to generate value for local communities Reviewing and adapting our operations to minimise any negative impact on local communities 	1, 2, 8, 17
Digital Services and Innovation	<ul style="list-style-type: none"> Investing in R&D as well as innovative solutions for both our internal functions and customer experience 	4, 8, 9, 11
Resource Efficiency	<ul style="list-style-type: none"> Researching and developing programmes to minimise consumption of the natural resources 	7, 8, 12, 15
Circular Economy and WEEE ¹ management	<ul style="list-style-type: none"> Researching how we can contribute to the circularity of the industry and increase reuse and recycling of the major waste flows, including e-waste and network waste 	11, 12, 13
Human Rights	<ul style="list-style-type: none"> Promoting and safeguarding human rights through internal policies as well as ethical corporate culture 	5, 10, 16





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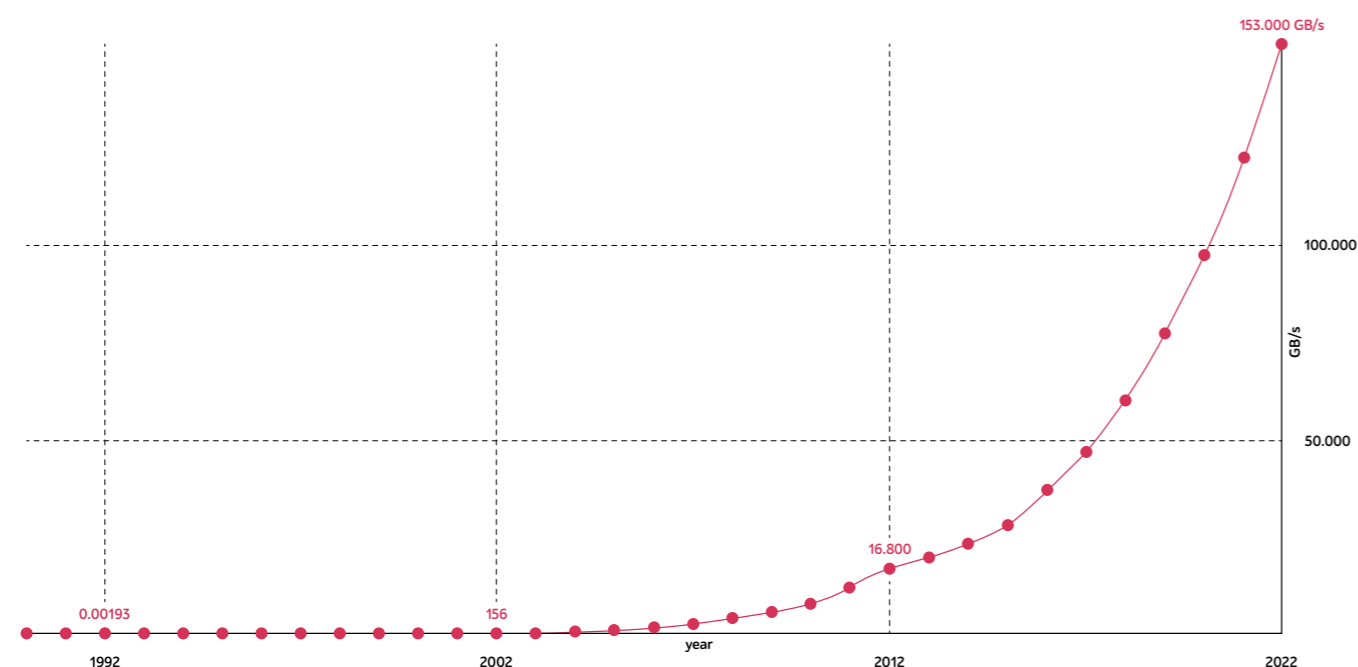
Industry outlook
during COVID-19

3. Industry outlook during COVID-19

In 2020, global markets faced serious disruptions due to COVID-19 outbreak. The pandemic has altered nearly every aspect of our lives. Besides significantly affecting the way we socialise in our day-to-day lives; it has also caused major interruptions in how we work and conduct our business. From mandatory social distancing restrictions to plummeting oil prices, the pandemic has challenged humanity to adapt to rapidly changing circumstances. Going through periodic lockdowns and economic decline revealed weaknesses of the current economic models. Despite all the damages endured during the most impactful economic recessions of the century, the pandemic also brought with it new opportunities, particularly for the telecommunications industry.

It is also true that technological innovations have drastically altered the course of business development around the globe. From minor performance automations to AI-powered internal systems, technological know-how is now regarded as an indispensable part of any successful organization. Digital readiness is assessed as on an unprecedented level, and global strategic initiatives show no sign of deviating from the unyielding trend. Since the COVID-19 pandemic disrupted the traditional ways of doing business, the need for digital competence has increased dramatically.

Figure 02 Growth of global internet traffic²



The growth of global internet traffic has been exponential since early 2000s. It is projected that by 2022, the global demand for data traffic will reach a staggering 153,000 GB/s.

Responsibility for providing such significant amounts of connectivity rests predominantly on the telecommunications industry. As businesses begin realizing their digital potential and consumers gain more access to mobile internet, investments in technological infrastructure become more and more relevant. According to GSMA Intelligence Report, the number of mobile network users will increase by 610 million users in the next five years³. To handle such rapidly rising demand, telecommunications companies must assume a proactive stance in the expansion of available solutions and adoption of novel technologies.

Apart from global trends, Nar also had to juggle significant local developments in 2020, which ended up as major historical events for the history of Azerbaijan. 44-day Patriotic War which broke out in late 2020 urged all major companies operating in the country to mobilise their resources towards support of armed forces and civilians affected by the war. For our industry, combatting additional risks such as network instability and disruptions as well as cyberattacks was the primary focus throughout the conflict. Thanks to the prompt reaction from the major industry players, potential risks were minimised and kept under control.

“ Overall, as Nar, our ambition is to take advantage of industry trends by expanding our client offerings and allowing more people to benefit from our services. We strongly believe that by doing so, we will create long-term value through promoting digitalisation in the society and facilitate connectivity when people need it the most. ”



About Nar

4. About Nar

4.1 Highlights of the year



Nar leads the way with almost 100% population coverage in 2020

more in section 6.1



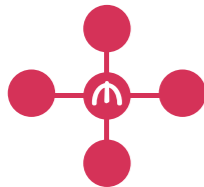
Nar employees embrace the new work-from-home normality with the FLEXcellence programme

more in section 7.1

♥ DONATE

Nar donated 1.5 million AZN to the Coronavirus Response Fund

more in section 7.2



Nar allocated around 1.1 million AZN in community investments in 2020

more in section 7.2



SUBSCRIBERS

Nar retained nearly 2.2 million active subscribers in 2020*

more in section 4.3



Nar's customer loyalty index increased by 30%

more in section 6.3



1.000.000

Nar harbors more than 1 million active LTE subscribers

more in section 4.3

4.2 Mission, vision, strategy

Mission and vision

As Nar, we aspire to create an environment where sustainability takes its place as a natural component rather than a useful addition to our business strategy. Through our initiatives dedicated to sustainable excellence, we are eager to become the embodiment of this idea in our region. As one of the youngest and fastest growing ICT companies in Azerbaijan, we acknowledge our responsibility to be the pioneers and drivers of leading sustainable practices. In our ambition to change the world, we start with ourselves.



Our mission

To use our resources to do good for individuals, families, businesses and society.



Our vision

Ensuring customer transparency and meeting the needs of diverse customer segments across the country by providing tailored, yet easy-to-use products and services



Our commitments

To be a trustworthy partner to our customers by delivering them value and seamless customer experience at every stage of our interaction

Our values outline our core principles and assist Nar in enabling an effective corporate culture. All our regulations, commitments and internal processes are built upon these values.

Through our values we portray the essence of our organization and establish a critical framework according to which we do our business.

Table 02 Our values and their interpretation

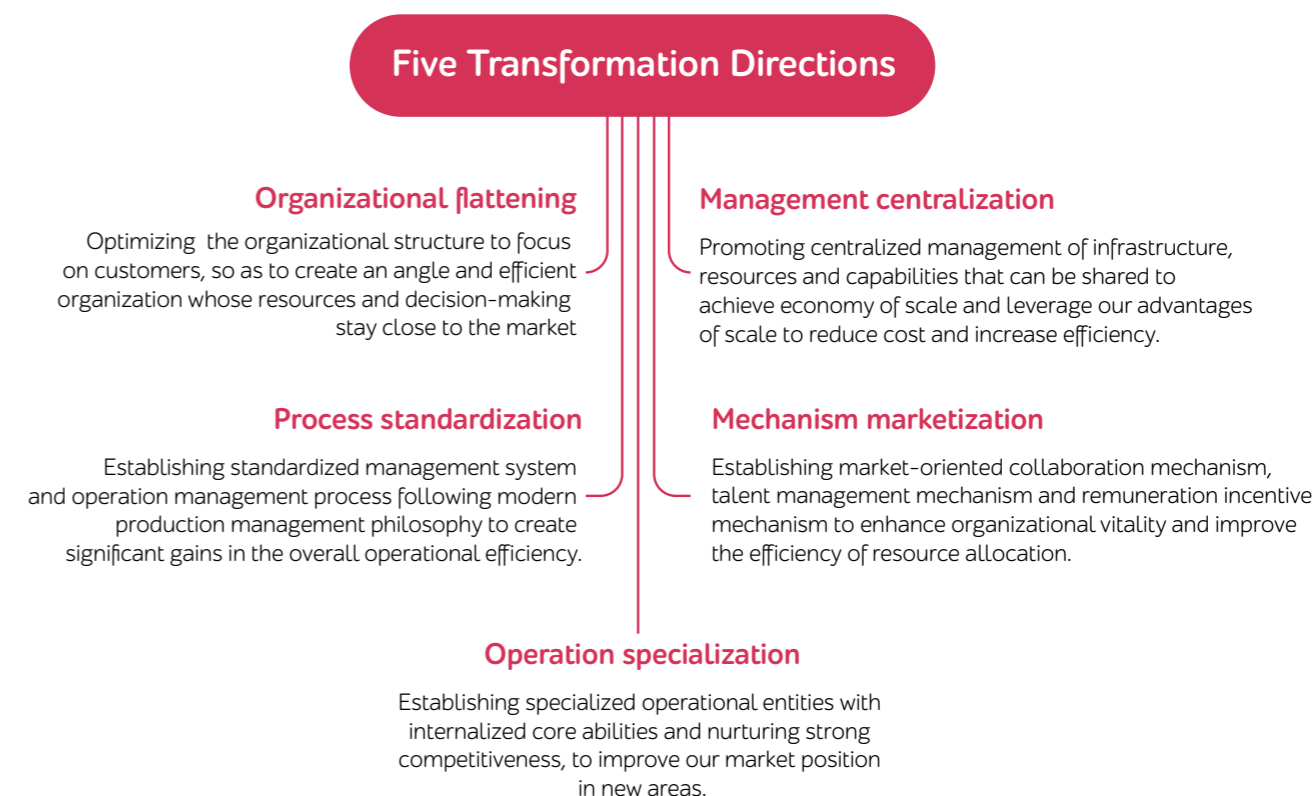
Customer Centricity	
	Creating value and exceptional experiences for our customers that exceed their expectations
Trustworthiness	
	Being honest, trustworthy, consistent and transparent in all our actions and decisions
Integrity	
	Recognizing the inherent worth of every individual and every resource and treating everyone and everything with dignity
Accountability	
	Being prepared to take ownership of and be held accountable for our commitments and actions.

By displaying these values in their day-to-day operations, our people deliver performance that balances a responsible engagement with the clients and contribution to the creation of a healthy working environment. At Nar, we always uphold principles of equality and thus take relevant measures to enable the necessary environment for inclusivity. We reflect this commitment through our various educational, cultural and inclusivity-focused CSR initiatives.

Strategy

Our strategic conscience comes from a place of ubiquitous technological enhancements and continuous industrial shifts. Our aim is to accelerate the transformation and development of digital services in Azerbaijan. This aspiration is closely linked to our devotion towards providing seamless connectivity to our customers, contributing to innovation and digitalisation, and enhancing the digital literacy of the society. In the reporting period we continued following our multidirectional strategy focusing on five transformational directions.

Figure 03 Our transformation directions



We know that consumers are becoming increasingly conscious about the services and products that they are using, which in its turn pushes the industry towards greater accountability and transparency. The worldwide pandemic accelerated the digitalisation of both industries and communities by driving dramatic shifts in consumer behaviour. As a response to these trends, we focused on automation of our internal functions as well as expanding the scope of our mobile services.



As the needs and expectations of the consumers shift, we have refined our thinking about how our business operates to adjust to the latest market demands. Our transition strategy guides us **from volume to value**. By shifting our focus from acquiring new customers towards maintaining the existing customer base through improved quality and offerings, we aspire to establish an environment where customers can benefit from personalised services and improved responsiveness to feedback. With this initiative, we desire to create transparent communication channels with our clients and deliver sustainable long-term value to them to encourage a unique experience as a Nar customer.

4.3 Overview of our business model

As the youngest and fastest-growing mobile operator in Azerbaijan, we have been successfully providing telecommunications services since 2007. We deliver a comprehensive array of high-quality telecommunication services such as basic mobile services, including calls, SMS, daily and monthly internet packages, as well as special rates and packages tailored for different customer segments. To increase the speed and bandwidth of our network we also continuously work on improving our 4G LTE services.

Every day we offer and deliver our products and services to nearly 2.2 million customers. The main reference point for us in the development of our products and services is the needs of our customers and provision of a unique user experience for all of our subscribers through various personalised features, roaming bundles, Nar+ mobile application, bonuses and other services.

Table 03 What we offer to our customers

Our services	Our approach
 <p>Retail</p>	<ul style="list-style-type: none"> • Simple, convenient and transparent tariffs, packages and roaming services • Segment based mobile data and voice bundles as well as special campaigns, such as "Təhsil+", Veterans • Personalised features enabling customers to build optimal tariffs matching their communication needs • Nar+ mobile application enabling customers to comfortably access and manage their mobile accounts and perform different transactions 24/7 • Other services such as ASAN Imza, "Səyyar Nar", subscriber identification, support to "Yashat Foundation", etc.
 <p>Corporate</p>	<ul style="list-style-type: none"> • High-quality B2B service packages tailored for small, medium and large businesses, as well as public sector • Enterprise solutions such as Machine to Machine (M2M), Bulk SMS, Fiber Optic Internet

Due to our service-oriented approach at Nar, we pay special attention to the experience of our subscribers. With over two million active clients, we provide services across both B2B and B2C segments of our business. The distinguished flexibility of our B2B offerings create many opportunities for SMEs, corporations, and the public sector. We also started exploring potential value we can offer to SOHO (small office/home office) clients. Our extensive professional network of both local and foreign corporate clients reflects our dedication to ensuring digital excellence everywhere we go.

Our approach to customers is simple. We always:

Aim to the best

We constantly make sure that the service we deliver to our clients are of superior quality. Our LTE and LTE-A networks do not simply impress with their coverage but also deliver the fastest internet in the market while ensuring the highest quality of network.

Strive to create a positive experience

We make sure that our employees are equipped with the necessary skills and expertise to guarantee that our customers enjoy their interaction with us and our services. We are proactive in our endeavors to ensure exceptional customer experience and we are always open to feedback.

Focus on providing value

We have built value generation deep down into our core when it comes to customer experience. Our flexible service offering provide our clients with the necessary customization that empowers them to choose services that fit their needs. With our highly accessible options available at a range of prices, we intend to maximise value for money and make each and every customer better off.

Table 04 Number of customers, by service type¹

Metrics	2018	2019	2020
Number of customers, total	2,170,128	2,251,471	2,170,540
Number of 2G customers	1,033,329	854,406	610,851
Number of 3G customers	695,217	591,088	487,719
Number of 4G customers	441,582	805,977	1,071,970

Due to the decrease in customer cash flows caused by the economic downturn, we experienced a 4% decline in the number of total customers as compared to 2019. At the same time, we have seen a positive dynamic as represented in the decrease of 2G users and consequential increase in the usage of high-speed solutions, such as 4G.

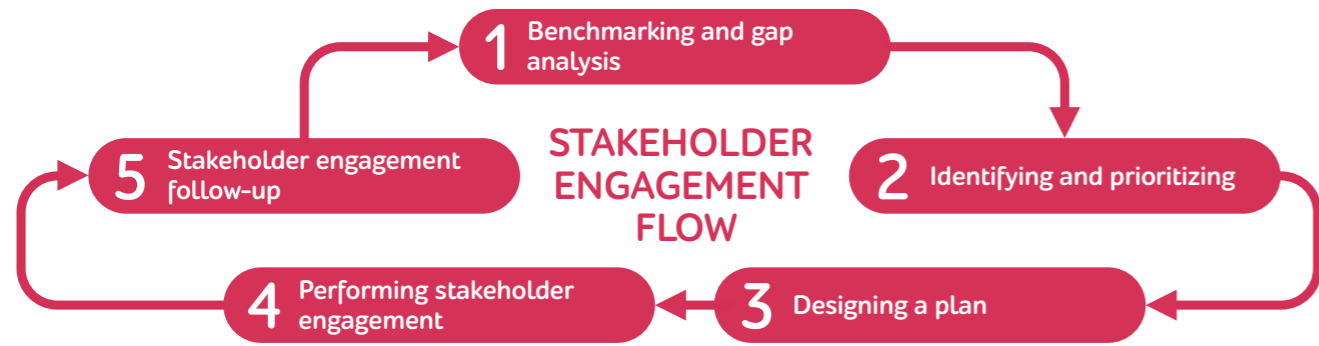
4.4 Stakeholder engagement

At Nar, we acknowledge the fundamental need to build a holistic view of our business to promote a strategy which takes account of the broader operating environment; hence we are convinced that the constant interaction with our stakeholders should be an integral part of our business. Thanks to the feedback and suggestions that we receive from our stakeholders, we continuously improve our processes and productivity levels. Our stakeholder engagement takes place on a regular basis, and we strive to involve a broad range of stakeholders in an open

¹Number of active subscribers (active subscribers are classified as users that demonstrated an activity in the last 90 days as per 31 December 2020) for previous years was recalculated using updated approach applied in the Company that considers minimum data allowance/balance.





dialogue through a variety of communication channels. To meet expectations of our stakeholders, in 2020 we developed our Stakeholder Engagement Policy. This Policy helps to translate stakeholder needs into organizational goals and creates the basis for an effective strategy development. The Policy is prepared in alignment with the best international practices and meets the requirements of robust standards and international frameworks. We plan to formally approve it in Q2 of 2021.





Figure 04 Nar's stakeholder engagement flow



Our stakeholder engagement principles and initiatives apply to all our stakeholder groups, based on the following classification.

Table 05 Key stakeholder groups at Nar

Stakeholder group	Communication channels	Key interests, concerns and expectations
 Customers	<ul style="list-style-type: none"> Ongoing dialogue through established channels Website and social media Customer service centres Surveys 	<ul style="list-style-type: none"> Exceptional customer service Network coverage and quality Competitive pricing Digital inclusion New products and services Privacy and data security
 Employees	<ul style="list-style-type: none"> Ongoing dialogue through established channels Townhalls Manager/team meetings Surveys and employee presentations Company intranet and newsletters 	<ul style="list-style-type: none"> Wages and benefits Production and performance Health and safety Training and Development
 Suppliers	<ul style="list-style-type: none"> Ongoing dialogue through established channels Direct supplier engagements Supplier Code of Conduct 	<ul style="list-style-type: none"> Procurement opportunities Contract terms Local preferential procurement
 Shareholders and investors	<ul style="list-style-type: none"> Annual reports Progress presentations/reports General Meetings of Shareholders 	<ul style="list-style-type: none"> Financial performance, growth and sustainability of the Company Dividends Transformation Governance Technology roadmap Value creation Market leadership Sound governance

 Business partners	<ul style="list-style-type: none"> Ongoing dialogue through established channels Meetings Presentations 	<ul style="list-style-type: none"> General knowledge sharing Shared value
 Community	<ul style="list-style-type: none"> Complaints and grievance procedures Website and social media Annual reports Sponsorship and CSR activities mmunity 	<ul style="list-style-type: none"> Employment opportunities Capacity building Community investment initiatives Education Transparency and engagement measures
 Government and financial institutions	<ul style="list-style-type: none"> Regulatory reports Working groups Collaborations 	<ul style="list-style-type: none"> Ensuring responsible governance practices Capacity development Transparency in disclosures Funding for community development
 NGOs	<ul style="list-style-type: none"> Meetings Collaborations 	<ul style="list-style-type: none"> Funding for community development Collaboration on community projects
 Media	<ul style="list-style-type: none"> Press releases Interviews Website Social media 	<ul style="list-style-type: none"> Good corporate citizenship Sustainability of the company Markets and products



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Responsible
governance

5. Responsible governance

5.1 Corporate governance structure and principles

Responsible and effective corporate governance plays a critical role for embedding long-term business sustainability across Nar and securing a positive reputation, compliance with all relevant laws and regulations, and stakeholders' trust. At Nar, we recognise the importance of ethical leadership, integrity and transparency and incorporate these principles at all levels throughout all our operations.

We are committed as ever to delivering a strong corporate governance for our shareholders, employees, suppliers, partners and customers, especially during the times of uncertainty and instability presented by the COVID-19 pandemic. We take seriously our commitment to maintaining highest levels of corporate governance to support the creation of long-term sustainable value for the benefit of all our stakeholders.

To remain competitive and flexible in the fast-changing regulatory environment, we work to ensure compliance of all our operations with the internal and external regulations and standards, including local legislation, as well as recommendations of international organizations. We believe that an effective and responsible governance can contribute to living our corporate values and strategy through enhanced accountability, strong risk and performance management, transparency and effective leadership.

Nar was established in December 2005 by the license of the Ministry of Communications and Information Technologies of Azerbaijan Republic. The company began its commercial operations in 2007 under the brand name of "Nar Mobile" which was rebranded in 2015 to the trademark of "Nar".

Our management approach is based on integration of high standards into everything we do. The primary goal of Nar's executive management, i.e., Chief Executive Officer (CEO) and Board of Directors, is to align business operations with the overall strategy while ensuring compliance with robust international practices and maximizing value to all stakeholders. Our corporate governance is built upon a set of internal regulations and policies that allows the management to minimise potential fraud and subsequent risks which can ultimately affect our reputation as a reliable partner and service provider.

Corporate governance structure and parameters as well as roles and responsibilities of the highest governing bodies are regulated by the Charter of the Company. As per provisions of the Charter, Nar's highest governing bodies are the Board of Directors and executive committees that report directly to the Board and CEO, namely Investment Committee, Technology Committee, Audit Committee, Disciplinary Committee and Remuneration Committee.

Table 06 Nar's Board of Directors



Gunnar Pahnke
Chief Executive Officer



Markus Golder
Chairman of the Board of Directors



Igbal Yusifov
Member of the Board of Directors

Roles and Responsibilities of the Top Management

Board of Directors

- Establish a competitive strategy based on the vision of the Company and ensure its execution
- Recruit, delegate, supervise and retain the executive management team
- Establish internal regulations based on the governance system and best practices
- Ensure compliance with related regulations and govern the organization
- Fiduciary duty to protect the organization's assets and interests of all stakeholders ensuring responsible and transparent practices

Chief Executive Officer

- Set strategic direction of the Company
- Delegate duties among managers and departments and evaluate the performance of other executive leaders within the Company
- Ensure the fulfillment of the Company's short- and long-term strategy
- Fulfill the goal of increasing shareholder value through implementing the Company's vision, mission and values
- Communicate with shareholders, government entities, and the public on behalf of the Company
- Maintain awareness of the competitive market landscape, expansion opportunities and industry trends
- Monitor risk management system effectiveness

Achieving and maintaining a high level of governance requires continuous adherence to the principles of fairness, responsiveness, rules of law and socio-cultural morals while running ethical, transparent and effective business. Therefore, at Nar, we follow our value-driven objectives which are based on these principles, ultimately shaping our future strategies to serve our society in the most responsible way.

<p>Leadership, ethics and corporate citizenship</p>	<p>Strategy, performance and reporting</p>
<p>The board ensures strategic decisions are made in compliance with applicable laws; protecting, enhancing and investing in the prosperity of the economy, society and the environment while leveraging the interests of all stakeholders. The board ensures that the Company's ethical standards are clearly articulated and governed by our Code of Conduct.</p>	<p>The board is a key player in the strategy of the Company, ensuring risk, performance and sustainability indicators are duly integrated. It also ensures the provision of an annual report with an accurate, complete and holistic representation of the Company verifying financial, governance, risk management and sustainability performance.</p>
<p>Governing structures and delegation</p>	<p>Governance of functional areas</p>
<p>The board determines the level of materiality and delegates functions of management considering the relevant legislation and objectives of the Company.</p>	<p>The board provides leadership and articulates the vision of the Company to all relevant functional divisions ensuring progress towards the common goal.</p>

Table 07 Committees and their establishment dates

Committees	Responsibilities	Dates
Audit Committee	Ensures the integrity and transparency of corporate reporting	2017
<ul style="list-style-type: none"> • Reports on overall effectiveness of the Company's system of internal controls • Inspects the mandates and ensures coordination between the activities of internal and external audit • Monitors the integrity of the Company's reporting process • Carries out impact assessment of the general control environment and reports detected control weaknesses • Monitors the compliance with policies and oversees management of ethics within the Company 		
Investment Committee	Responsible for the planning and oversight of the work of CFO considering investment strategy is aligned with financial needs	2019
<ul style="list-style-type: none"> • Develops the Company's investment objectives and adopting annual investment plans • Establishes corporate investment policies • Monitors work of the CFO and staff of the related departments • Assigns responsibilities for investment strategy execution while monitoring compliance with policies. 		
Technology Committee	Determines ICT needs, evaluates their usage while monitoring global innovations	2017
<ul style="list-style-type: none"> • Makes major decisions on the updates and approval of the ICT projects • Reviews and approves the Company's technology strategy • Reviews technological investments and budgeting • Assesses overall technical performance and introduces recommendations based on the assessment outcomes • Monitors global trends in the telecommunications industry and prepares service expansion proposals 		
Disciplinary Committee	Monitors the overall compliance with laws, regulations and relevant documents	2018
<ul style="list-style-type: none"> • Ensures the employees of the Company are committed to the Code of Conduct and Code of Ethics • Performs investigations in cases of non-compliance with the rules • Provides policy recommendations to related departments • Ensures eradication of shortcomings in internal processes 		
Remuneration Committee	Makes recommendations to the Board on the remuneration of senior management	2012
<ul style="list-style-type: none"> • Reviews and maintains compensation policies and plans • Makes recommendations to attract and retain employees, managers and executive directors • Ensures independent professional advice to assist with the execution of related duties 		

Remuneration of the Board

Our remuneration system is based on the principles of fairness and inclusiveness. At Nar, payments to the Chief Executive Officer, Board of Directors and all other employees are made taking into account a number of objective criteria. There are two types of remuneration to our employees, i.e., fixed and variable which is performance based.

Director's remuneration	Total remuneration
The remuneration of executive directors is determined taking account of industry and country benchmark considering their scope of responsibility, as well as contribution to the operational and financial performance of the Company. A considerable part of the remuneration package is dependent on fulfillment of the Company's strategic goals and sustainable return to shareholders.	Total remuneration packages are granted based on the conducted annual salary benchmark reviews within the market, considering complexity and size of the benchmark. The Board strives to ensure fairness and transparency of the remuneration and bonuses system.

Table 08 Annual total compensation ratio over the last three years

	2018	2019	2020
The ratio of annual total compensation for the highest-paid individual to the median annual total compensation for all employees, excluding the highest-paid individual	43	39	56

5.2 Governance during COVID-19 pandemic

COVID-19 outbreak and the consequent market disruptions fundamentally changed the standards and perceptions of an effective corporate governance in almost all companies around the globe. Increased pressure and shifting expectations of the stakeholders as well as uncertainty about the future caused additional burden for executive teams to manage.

The spread of the COVID-19 pandemic and resulting unprecedented changes called for significant adjustments in our corporate governance framework, which was inevitable to continue our operations with minimum interruptions and effectiveness in post-pandemic era. Apart from the usual responsibilities, our Board faced multiple new challenges that would ensure our Company is afloat and adapts to the fast-changing environment.

During the year, we revisited our approach to governance so that we could leverage multiple stakeholders' needs while adjusting our internal operations to new normality. As a result, we continued providing **return to our shareholders** despite market uncertainty and unprecedented challenges.

In 2020, we focused on our non-shareholder stakeholders more than ever before. We worked closely with our **customers** through constant communication and market analysis. Another challenge that we managed to minimise to a level that did not cause any disruptions in our provision and quality of services was posed by potential interruptions in the **supply chain**. Health and safety of our customers as well as **employees and broader society** became the top priority during the year. The Board was actively involved through regular reports to ensure perspectives of all our stakeholders are incorporated in oversight and decision-making process.

As a responsible corporate citizen, we promptly responded to increased demand for digital services and accelerated digitalisation of internal processes. Investment in digital processing, remote approval and confirmation system, and development of electronic signatures were of utmost importance during the lockdowns. Aiming to continue our operations during the transition period with minimum interruptions, IT team ensured availability and accessibility of the necessary remote working platforms, video-conferencing and online payment tools.

Additionally, Nar's risk management and IT teams took appropriate actions to foster security measures and avoid increased threats of data leakage during the pandemic. To ensure effectiveness of remote business governance, we reviewed and adjusted internal targets and KPIs, and also updated some of our internal policies.



Initiatives for our employees

- Updated policies according to TABIB's requirements
- Provision of digital learning tools like Udemey
- Disinfection in all technical and office premises
- 500 AZN financial support to infected employees



Support to Institutions

- 500,000 AZN donated to The Coronavirus Response Fund
- 50 AZN payment cards distributed in the medical centres



Initiatives for our community

- Online queuing to minimise personal contacts
- Provision of free additional minutes to health workers
- Provision of free data to everyone who downloads the TABIB app
- "Səyyar Nar" project enabling service at the door of customer
- Functional and user-friendly website and Nar+ app

5.3 Integrity and transparency

It is especially in times of crisis that there is a critical need to stay true to our values and to ensure that the measures we take as a company, and as an industry, are based on ensuring integrity and ethics in everything we do. In this context, transparency has never been as important as it is now. We encourage our business partners, including our employees to integrate our values in their decision-making and operational processes. The consistency and constancy of our values is the one factor above all others that has driven our growth over the years.

System of internal control

Our Board of Directors is committed to responsible and transparent management principles that are the key element for building trustful long-term relationships with all our stakeholders. We build our internal control system on rigorous international frameworks and standards, and ensure its regular review and improvement through internal and external audits. Our internal control processes follow the following core principles:

- Written policies and documents
- Segregation of duties
- Recruitment of best talent and career development

The system is designed to provide reasonable assurance that transactions are executed as authorised and appropriately recorded, that assets are safeguarded and that accounting records are sufficiently reliable to enable the preparation of financial statements conforming in all material respects with accounting principles required by the local legislation, as well as International Financial Reporting Standards.

Responsible business management

Nar's Code of Conduct is an important document ensuring all our employees understand their roles and responsibilities in ethical and value-driven business management. We also ensure all third parties we cooperate with are aware about provisions of our Code of Conduct. We regularly conduct training sessions to communicate and raise employee awareness about our Code. Every employee is held personally accountable for compliance with it and is encouraged to report unethical practices to the Ethics Officer. All cases of non-compliance with the Code of Conduct are investigated and duly resolved by the Disciplinary Committee.

In 2020, we continued conducting dedicated trainings, although adaptation to distant working slightly limited this process. Moreover, we conducted mandatory training sessions for new hires to ensure everyone who joins Nar is aware about its values and priorities. 6 employees received anti-corruption and ethics training in 2020, but we intend to increase the coverage of these trainings in the upcoming years.

All due efforts were put in place by our Board and the executive teams to avoid any cases of incompliance with international and local laws and regulations. We continuously improve our internal systems to timely identify and prevent risk of corruption and fraud. We have been implementing the "Zero Tolerance on Fraud and Corruption" project since 2019, which is based on a methodology for the integration of transparency and anti-corruption measures within the internal procedures. This project aims to minimise fraud and corruption-related risks and entails several policies and mechanisms to showcase our genuine effort for the holistic integration of responsible business conduct into our core operations. We are planning to finalise the first phase of this project in 2021. Additionally, to ensure more specific and targeted approach to anti-corruption, we are planning to develop our Anti-Bribery Policy within 2021.

We have also developed a rigorous grievance mechanism that enables our stakeholders to report about suspicious cases of non-compliance with the law or any cases of corruption.

In 2020, we did not record nor were reported about cases of corruption or fraud

We believe Nar is a company where ethics, integrity, fairness and responsibility are incorporated throughout all business operations and that is the reason why today it is perceived as a trustworthy business partner. We will continue enhancing our internal controls through further development and introduction of relevant internal

regulations and procedures to ensure we act solely as a responsible citizen serving our stakeholders with high morale and virtue.

5.4 Business continuity

The recent sequence of events in the world, outbreak of COVID-19 pandemic and military actions in the country affirmed the importance of having a realistic business continuity plan in place to avoid potential disruptions and maintain long-term resilience. Nar is committed to development of a strong business continuity model to eliminate major disruptions to our operations in case of an incident or crisis.

Business continuity management is carried out by the dedicated team within Business Continuity, Crisis Management and HSE department in accordance with Business Continuity Policy that focuses on **timely identification, analysis and management of the risks and opportunities**. Business continuity plans, as well as response measures are closely monitored and controlled by the CEO of Nar. In addition, our Internal Audit mechanism is regularly reviewed to ensure effectiveness of implemented mitigation measures for business and operational risks.

Our Business Continuity Management processes are mainly governed by the following formal regulations and procedures:



At Nar, we recognise the importance of having a solid business continuity strategy enabling the provision of uninterrupted services to our customers while creating cost and time-saving opportunities for the Company. In January 2020, we prepared and developed our new **Business Continuity Strategy**, in accordance with the ISO 22301 Business Continuity Management System. The Strategy covers both technical and social risk categories. The main directions of our Business Continuity Strategy are mitigation and recovery actions for risks evaluated as the most critical.

Our crisis management framework is designed in a way to support a prompt recognition of natural, economic and social crises and development response actions to it. Effective crisis management is an important element of the business sustainability and we proved it during pandemic as well as during the Patriotic War. COVID-19 pandemic caused a major global crisis prompting companies to rethink and adapt their operations and approach to the changed circumstances. To minimise health risks for our employees, we switched to remote work environment while redesigning and digitalizing our internal procedures to support productivity and effectiveness of our business functions. To ensure health and safety of our customers, we launched initiatives that encouraged them to stay at home.

Patriotic War urged ICT sector to focus on the network stability and security as it was responsible for ensuring uninterrupted connection with the frontline while minimizing foreign cyber-attacks. In addition, we initiated close communication and cooperation with other industry players to ensure simultaneous and targeted approach to

managing the risks caused by the conflict. As a result of our efforts, safety and security of our sites, stations and network during the War were ensured.

We are convinced that our precautionous and prompt response to unexpected crisis protected the rights and met the expectations of all our stakeholders.

Table 09 Nar’s identified risk categories

Risks	Significance of the risk and Nar’s response
Commercial and market risks	
<ul style="list-style-type: none"> Economic risks Macroeconomic risks Competition risks Risks relating to strategic transformation and strategy implementation 	Economic downturn and market changes can affect customer preferences and their purchasing power. Macroeconomic risks such as changes in exchange rates can have negative effect on our earnings. Ongoing price pressure can negatively impact our revenue. Innovation and development of new technologies require dedicated approach while creating additional substitution risk for ICT sector. We are also working to ensure an effective implementation of our business strategies and cost optimization programmes to adapt to the ongoing changes and complexities.
Legal and regulatory risks	
<ul style="list-style-type: none"> Transparency risks Compliance risks 	New and updated regulations are constantly introduced at both local and international level. We constantly work to identify and promptly address changes in regulatory policies and legislation to ensure compliance and thus, protect our reputation. We view transparency as the most essential component of our long-term and trustful relationships with our stakeholders.
Operational risks	
Employee risks	Our people are crucial for ensuring business continuity as well as strategic transformation. Failure to attract, develop and retain talent may cause serious disruptions for our operations.
Network operations and IT infrastructure risks	Nar uses highly complex network infrastructure in which we continuously invest to enhance the quality and stability of our services, enhance network capacity and accommodate new offerings. We constantly research emerging innovations in IT to automate and optimise our internal business functions.
Supply chain risks	We engage different stakeholders that support effective implementation of our operations. It is highly important to us to ensure all our suppliers are compliant with our values and norms, including high performance and ethical requirements.
Data privacy and security	Nar considers data privacy and security as a complex yet vital task. We implement multiple preventive measures and continuously assess cyber threats. Without proper internal system and coordination, data security and cyber risks can seriously damage our services and challenge our business continuity.
Brand image and reputation risks	
Reputation risks	We are focused on conveying our professionalism and trustworthiness in the market through active stakeholder engagement. We encourage our stakeholders to provide timely feedback and always voice their concerns, if any. We track media sources to identify, analyse and minimise potential threats to our reputation.
Sustainability risks	We are expanding our business continuity strategy to include sustainability risks. This allows all involved departments to identify and mitigate potential impacts to our natural environment and society. We conduct periodic surveys, media review and benchmark analysis to improve our approach to sustainability management.
Financial risks	
<ul style="list-style-type: none"> Liquidity, credit, currency, interest rate risks Tax risks Residual financial risks 	We use different instruments to monitor financial risks that can have serious effect on Nar’s financial solvency, liquidity and capacity to generate shareholder value.



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Business
sustainability

6. Business sustainability

Our long-term sustainability and success are contingent on the degree to which we deliver value to society. Through the considered development and delivery of our products and services that satisfy societal needs, and through our own operations, we aim to play our part to enable a thriving society, create long-term value and maintain trust. This is particularly important in the current context of a post-pandemic world, and for the new chapter in the history of Azerbaijan. We recognise that as a telecommunications company we play a focal role in keeping the society connected. Our commitment to ensuring that essential services are effectively delivered and implemented reflects our dedications towards a more sustainable future. Despite the multiple risks imposed by the pandemic and military events in the country, during the reporting period we did our best to ensure a stable provision of high-quality services to our customers and a broader range of stakeholders.

6.1 Operational and economic performance

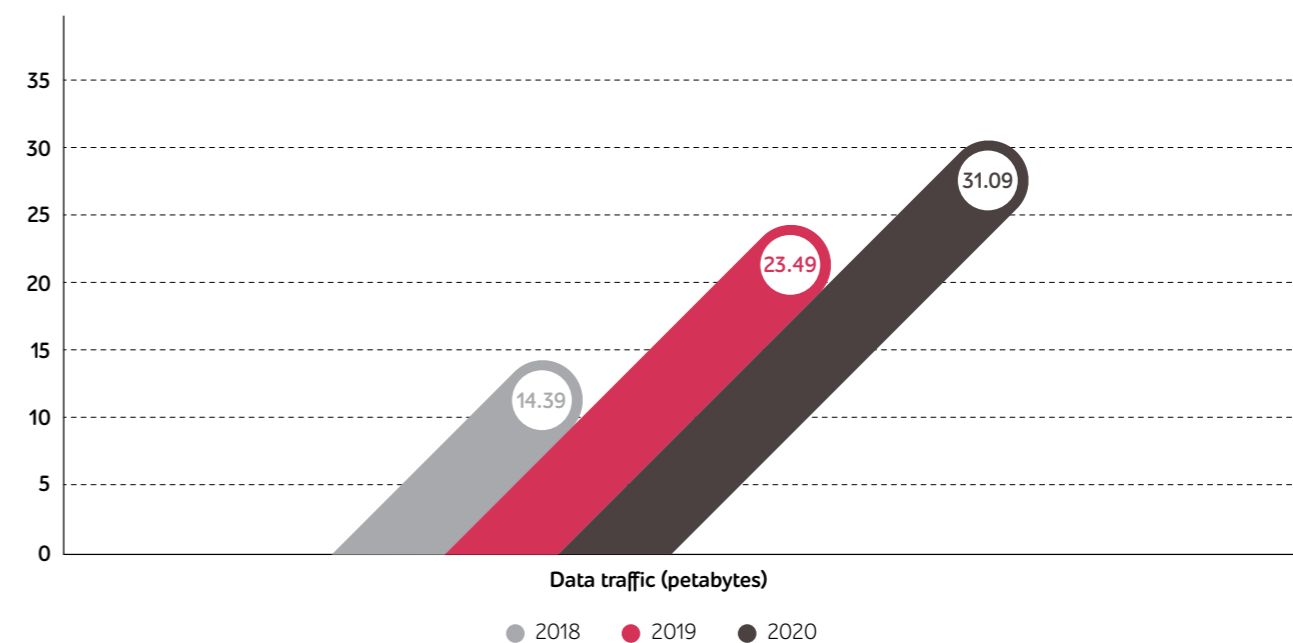
We believe that it is essential to fulfill our responsibilities in operational and economic realms of our business to meet stakeholders' expectations. Thus, we invent and adopt best industry practices to maximise the effectiveness of our business. Due to periodic lockdowns and volatile trends in consumer behaviour, in the reporting period we focused on the **quality of our procedures** and **customer satisfaction**. Our most prominent efforts were concentrated on cost optimization, operational efficiency and exceptional customer experience.

During the reporting year, we performed major reorganization initiatives aimed at improving the efficiency of our operations. This way, we restructured our marketing department in a way that allows our B2B and B2C clients to benefit from our brand-new customised approach to their requests. Additionally, we introduced customer segmentation into our workflow to tailor relevant service offerings for our clients. In the future, we plan to expand our reorganization initiatives to improve the efficiency of our operations even further.

In 2020, we continued investing into our networks to ensure stable, reliable and uninterrupted connectivity for our customers. We are among pioneers to have invested in LTE-Advanced technology in Azerbaijan.

Due to changes in customer behaviour and rising data demand as well as improved data packages offered to clients, we observed a 32% increase in data traffic in 2020.

Figure 05 Nar data traffic over the past three years



In 2020, we managed to expand the 4/4.5G network in terms of geographical and population coverage.

Table 10 Network indicators of Nar over the last three years⁵

Network coverage metrics	2018	2019	2020
Network coverage, population (%)	99.76	99.76	99.9
Network coverage, area (%)	93.12	93.12	89.5
Network capacity metrics	2018	2019	2020
Average 3G network downloading rate, kB/s	2,400	2,459	2,454
Average 4G downloading rate, kB/s	14,612	13,822	13,766

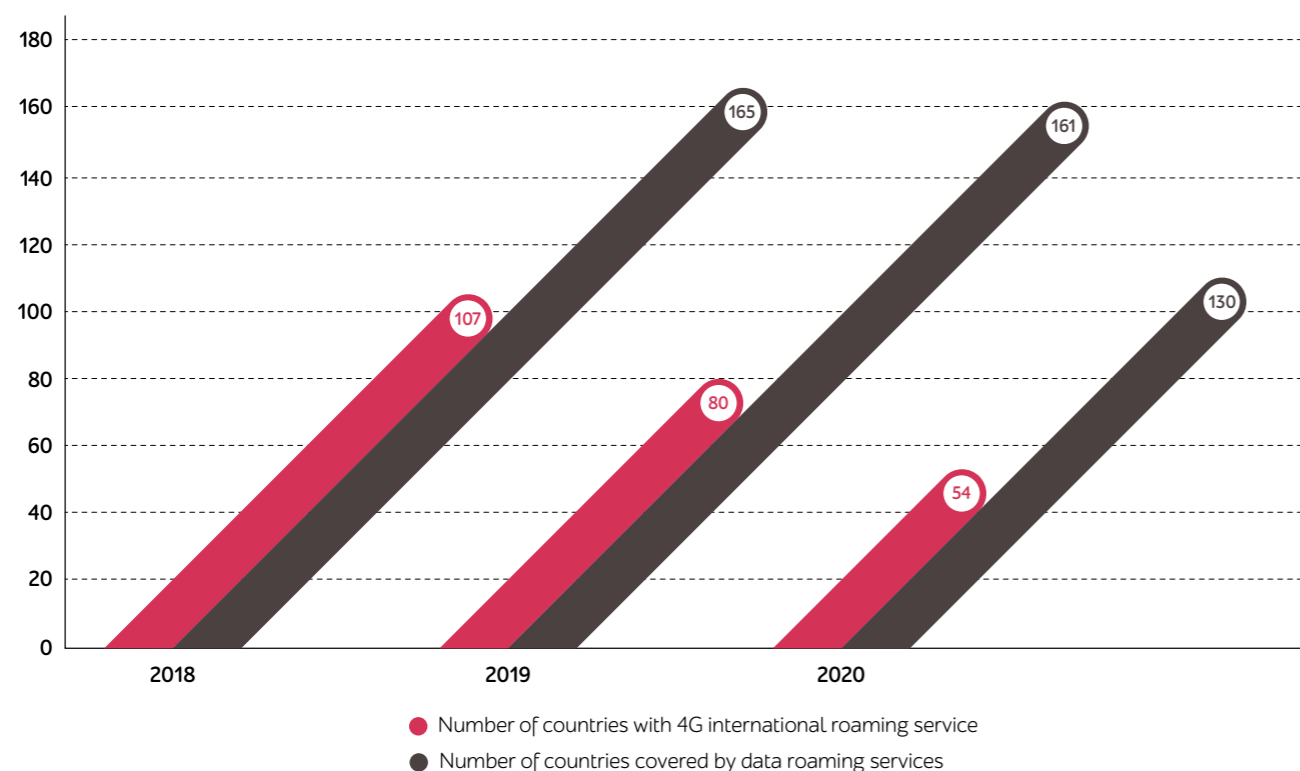
⁵The slight decrease in the percentage of network area coverage in 2020 is caused by an increase in the total available coverage area by approximately 20%.

Network improvement metrics	2018	2019	2020
Reduction in 2G voice inaccessibility	98.98	99.82	99.81
Reduction in 3G voice inaccessibility	99.61	99.74	99.52
Reduction in 2G drop call rate	0.33	0.30	0.36
Reduction in 3G drop call rate	0.19	0.18	0.16

Roaming services

Nar has an extensive roaming network supported in multiple different countries around the world. We are constantly working with different partners to allow broader coverage of our roaming services, including data services. In 2020, we continued expanding the coverage of our 4G international roaming services to deliver the best experience for our customers once the travel bans due to COVID-19 are lifted.

Figure 06 Roaming data services coverage⁶



Economic outlook

2020 has been referred to in varied terms, the most common being that it was one laden with turbulence and uncertainty on a scale that occurs once in a century. Considering complexities of the year and transformations in management approach and priorities we successfully implemented cost optimization for a number of our processes, such as marketing and HR expenses, while continuing to offer superior quality of products and services to our customers at a lower price.

In line with our revised strategy, our commercial team constantly analysed and considered the following elements as important criteria for long-term economic stability:

- Pricing, e.g., price and traffic optimization
- Churn analysis, e.g., retaining top value customers
- Cost optimization, e.g., efficient and effective budget allocation

Improving return on capital and driving commercial and operational performance will be the top priorities for Nar, aiming to make us the best value proposition in our industry for customers and for shareholders.

As a result of successful commercial initiatives and effective management of COVID-19 pandemic risks, total revenue of Nar grew by 16% in 2020, while total market growth was around 3-4%.

6.2 Technology leadership and digitalisation

Digital transformation and technological advancement have become inseparable aspects of our lives. Business development can no longer be perceived without timely integration of digitalisation and innovation. Technology allows humanity to perform things never imagined before. At Nar, we understand the emerging trends and shifts in stakeholder expectations and take proactive measures to prepare our Company for the tides of change.

Our digitalisation initiatives empower us to find ways of doing our business better. Through our determined efforts to automate internal processes through extensive digitalisation, we contribute not only to the improvement in our economic performance but also to the quality of services we offer to society. In the reporting year we introduced major automation projects across different internal functions and procedures. One of our major improvements introduced in the reporting year was the **integration of the leading CVM platform** into the customer value management function (for details refer to Section 6.3). Moreover, we carried out initiatives on digitalisation of our sales procedures and prioritised digital sales channels. We also developed **HR digitalisation strategy**, which will allow us to optimise the internal HR processes and dramatically improve both customer and employee engagement.

In 2020, we revisited our web platforms and introduced a new landing page and optimised the design of our website. This project was performed in line with the best user experience methodologies in the industry and we are proud to present new interactive features that we believe will serve users' needs faster and more effectively.

During the Patriotic War, we optimised all our efforts to ensure network stability on the frontline. For this reason, we had been conducting 24/7 monitoring and optimization programmes. In addition, in 2020, we started designing the network infrastructure for liberated territories. LTE-Advanced technology installation in this region will be initiated as soon as required approvals from the state authorities are received.

Our operations are carried out by one of the most advanced ICT infrastructures in Azerbaijan that is supplied to us by a sub-contractor company. Our technological excellence is built on our commitment to give back to the communities we serve. We strongly believe in our responsibility to facilitate and accelerate connectivity and build our business vision on this belief.

44 ⁶ 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.

We managed to increase the number of BTS by around 14% and LTE stations by 57% in the last three years.

Table 11 Number of stations, servers and technology centres over the last three years⁷

Digital infrastructure	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
Number of servers	44	44	45
Number of technology centres	6	6	6

NAR+ and NAR+ Business

Increased demand for digitalisation and changing customer needs encouraged us to re-launch our NAR+ application with upgraded solutions in 2020. New improvements enable our customers to manage up to 5 accounts and carry out most of the services without leaving their homes. Additionally, our dedicated NAR+ Business application is designed for our corporate clients and grants the flexibility that allows our corporate customers to take ownership of the services they receive.



Save your time and manage your account easily with Nar+ Mobile App

- ✓ Connect to a desired tariff
- ✓ Order internet package
- ✓ Check your bonuses
- ✓ Monitor expense details
- ✓ Get quick online support
- ✓ Find nearest Nar centres

Nar+ app downloads exceeded 405K in 2020.

6.3 Quality management and customer satisfaction

Meeting needs and expectations of different customer groups is essential for a stable and sustainable development of our business. To ensure high level of customer satisfaction and achieve leading position in the market, we are focused on an on-going analysis of the consumer behaviour and preferences that form a basis for our further strategic decisions.

Our “from volume to value” strategy has transformed everything we do at Nar. Since the beginning of the pandemic, we have reframed many of our processes and prioritised our existing customer base and quality of services we offer to them. Through this major rearrangement of our priorities, we aspire to increase our customer loyalty and create an organic inflow of new customers. As a result of our targeted approach, we achieved better churn rate and customer satisfaction indicators.

We take appropriate steps in planning, communicating and marketing our products and services to achieve long-lasting and impactful results. In 2020, we introduced a brand-new Reach, Act, Convert, and Engage (RACE) framework for planning and implementing digital marketing campaigns. This framework helped us to design activities to engage the clients within Nar ecosystem more effectively. In addition, this initiative has significantly contributed to the effectiveness of our social media presence.

Figure 07 Goals of Nar’s digital marketing campaigns



By integrating CVM platform, we introduced more effective end-to-end customer value management system. We launched this programme to maximise customer lifetime value, improve customer satisfaction and upgrade operational efficiency. In the frame of CVM automation, we also performed the following initiatives in 2020:

- Integration of a fully automated customer lifecycle management framework into our routine processes
- Development of predictive churn analytics model for higher customer retention rate
- First scoring-based segmentation model

We are convinced that by tracking the customer experience through more analytical and advanced technologies, we will be able to get more comprehensive insights into possible areas of improvement as well as develop and introduce more tailored solutions to our clients.

Customer feedback

To ensure constant and effective communication, we encourage our customers to provide feedback and thus pay special attention to what our customers have to say. Monitoring feedback through media, call centres and other sources allows us to collect relevant data, which then assists us in improving our offerings in accordance with customer needs. We maintain a 24/7 call centre that regularly handles customer concerns.

In 2020, our 777 Call Centre received more than 2.5 million enquiries and responded to them within 20 seconds on average

Customers are also invited to share their feedback through social media and our dedicated self-serve NAR+ application. In 2020, we received more than 195,000 enquiries through the online chat service of the application and over 205,000 enquiries through the official social media pages that were promptly addressed.

Customer satisfaction

As a result of constant improvements in our network, optimization and automation of our internal processes, and revised approach to client retention and targeted value proposition, **we proudly recorded 30% increase of the customer loyalty index in 2020**. According to a survey conducted by independent third-party, Nar has been continuously receiving high customer satisfaction index for the last two years. As per the results of this survey, our clients are choosing us for affordable prices for calls and mobile data, network quality and stability, and precision in data traffic and balance calculation.

For us, customers are important partners and we aim to continue upholding our client retention strategy while creating superior customer experience and boosting customer loyalty.

6.4 Data privacy and cybersecurity

The technology of today offers vast opportunities to improve the quality of our lives. However, it also brings along consumer privacy and security implications. We recognise the importance of data privacy and security for our endeavour to earn the trust of our stakeholders. Consequently, we closely monitor the digital security of our operations, products, and services within the framework of local and international standards, policies, regulations and cybersecurity systems. We follow International Telecommunication Union’s standards and manage our IT security based on the state-of-the-art ISO/IEC 27001 Standard we acquired in 2020.

We monitor our cyber-security systems regularly to prevent potential data leaks and protect customer privacy. We use sophisticated automated protection systems, firewalls, a DDoS protector, and random manual check-ups to timely detect any anomalies in the processes that supported security of our services particularly during the Patriotic War.

With the increased importance of cybersecurity issues and consumer trust, we organise regular trainings to raise awareness of our employees on the issue. Considering the COVID-19 pandemic and the importance of minimizing personal contact we had no face-to-face trainings in 2020. Despite that, we prepared video trainings on general IT and work-from-home security practices, which can be accessed by all employees.

20% of our employees attended online data security trainings in 2020

Our information security team performs regular monitoring and any attempt to access or collect unauthorised data is handled in due time. We aspire to continue improving our digital competence by investing further in our cybersecurity and data privacy management systems.

6.5 Responsible and ethical marketing

Nar acknowledges that transparent and ethical marketing is critical for building trust among our customers and win their loyalty. We hence advocate for the highest standards of professionalism, transparency and fairness in all our communication. We always strive to behave in line with our values of transparency and integrity when applying our marketing strategies.

Figure 08 Main directions of our responsible marketing strategy



Our marketing strategy stems from our dedication to create transparent relationships with our stakeholders. We promote ethical advertising and practice fair pricing - this is the reason we lead in “the best value for money” category in the MNO market of Azerbaijan.

During lockdowns caused by the COVID-19 pandemic, our team restructured Nar’s marketing campaigns and aligned them with the needs of society at the time of crisis. We carried out multiple marketing campaigns designed to raise customers’ awareness about the diversity of our economical “bundle” service offerings, which would dramatically cut expenditures for our existing customers. Additionally, during the war we focused our marketing campaigns on promoting the spirit of unity among people with our campaign in support of Azerbaijani soldiers.

Additionally, to ensure transparent and ethical marketing we also put effort to control and prevent spam and unwanted messages to our subscribers and manage our customer’s data.

Sales and Retail Channel Transformation

As Nar engages with subscribers and consumers from different backgrounds, we understand the need to continuously develop and expand our sales network. Historically, we have been using various sales channels such as service centres, dealers and mixed alternative channels.

Table 12 Nar's sale channels

Sale channels	2018	2019	2020
Number of service centres	4	4	5
Dealer shops	78	75	65
Other retail channels	2,036	1,390	1,613

While the adoption of digital technologies accelerated during the last year, we introduced other channels to maintain the integrity of our sales network within retail channel transformation programme.

As part of our retail channel transformation, we introduced **mobile customer service** and **home delivery service** in 2020. **"Səyyar Nar"** service allowed customers to resolve multiple issues and make transactions without leaving their houses. Such transactions as SIM card duplicate provision, number recovery or termination, transition of number ownership and other Nar services could be provided at the subscriber's residence. During the year, we also launched www.Narsim.az platform, through which customers can select and order a number which is then delivered to their doorstep.

Within sales channel transformation, we launched in-app sales through our new NAR+ app.

At the same time, we introduced new performance metrics for our retail channels to create a streamlined process of performance management. As part of this initiative, we started regular monitoring and analysis of revenue from acquisition and related costs, which significantly contributed to the efficacy of our sales forecasting methodologies.

As part of our retail channel transformation, we also implemented the following initiatives:

22 shops refreshed in line with new "Retail Brand Book"

"One-stop-shop" concept introduced

Improved in-shop customer experience

New dealer KPIs for voice and data sales

SIM card price increased

Initial 2 AZN minimum top-up requirement for SIM activation introduced

Prices of numbers from prestige category were updated

In the years to come, we are planning to continue expanding our mobile and online services as they have gained wide popularity since introduction. We also aim to improve our conventional sales channels through enhanced communication with dealers while focusing on improving customer experience at our expanding retail shops network.



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Our contribution
to a harmonious
society

7. Our contribution to a harmonious society

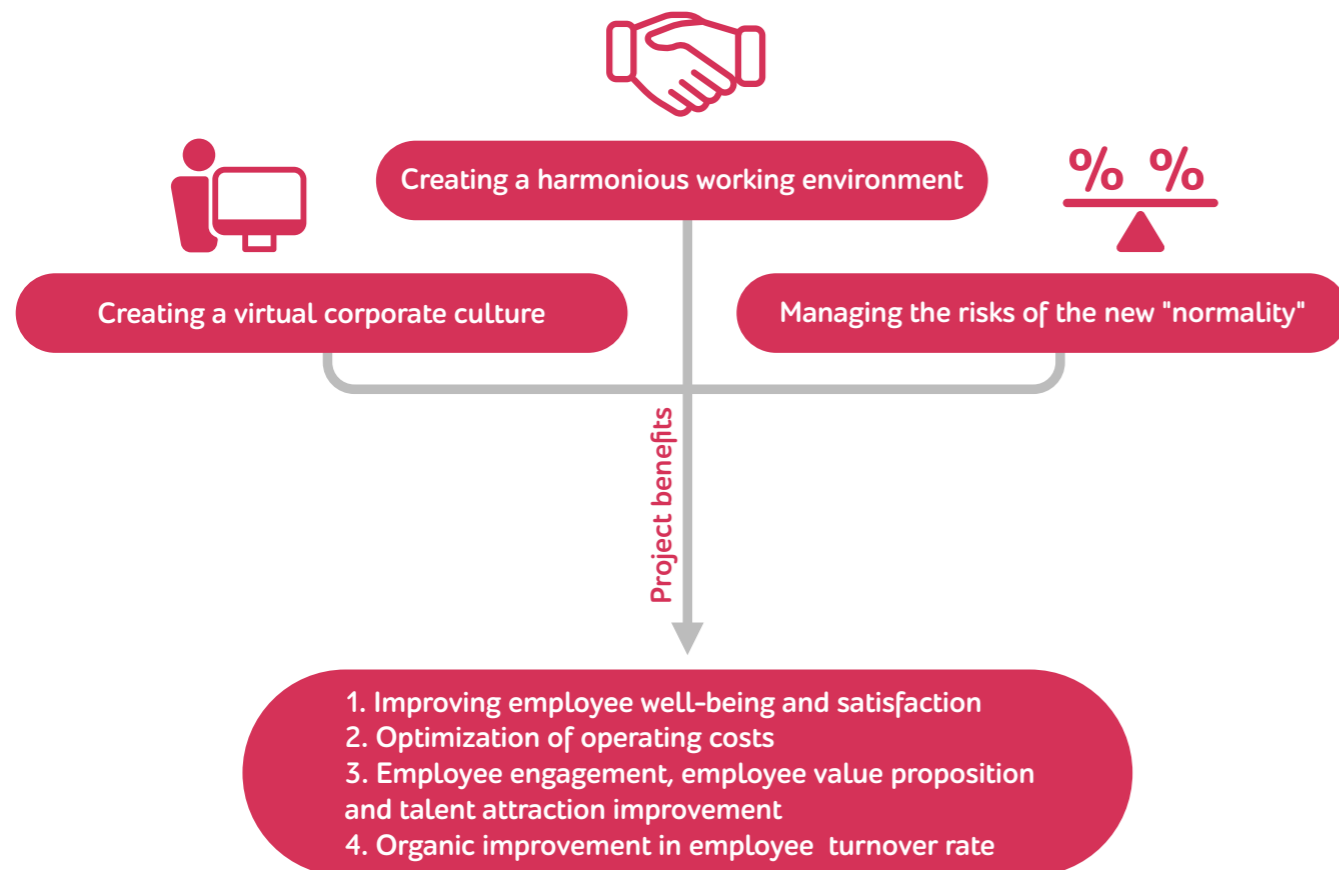
7.1 Caring for our people

Regular and effective communication with our employees is an important element for achieving a sustainable work environment that provides equal opportunities for all. In 2020, the COVID-19 pandemic emerged as the main challenge mobilizing us against critical changes in and adaptation of our strategic priorities and human resource management processes. Since 2020 we have been urged to switch to a flexible and remote work environment that is likely to become the new "normal" for our employees. However, the changes in HR processes were not only linked to the pandemic response but were rather executed as planned whilst lockdowns emerged as catalysts for an immediate effect. Details of our new programmes and updates are described in detail below.

FLEXcellence programme

FLEXcellence programme was initiated in 2020 to encourage a fast and smooth transition to remote working. The purpose of the FLEXcellence project is to ensure wellbeing, health and safety of our employees during the COVID-19 pandemic by providing them with an option to work remotely without any negative impact on productivity.

The project is focused on three key directions:



Each of the above project benefits were reflected in the following outcomes in our HR processes:

- 1 Adaptation of training methods and the overall work environment to remote working
- 2 Alignment with best practices in performance management to improve the efficiency of work processes while working from home
- 3 Leadership programmes that enhance key competencies in human resource management to support work from home
- 4 Adaptation of our talent acquisition practices and processes for remote work environment

HR management priorities for 2020-2023

As our human resources strategy is essential for improving organizational performance by integrating and aligning it with the overall organizational strategy, we have embarked upon the implementation of our three main priorities in human resources management - Employee Experience and Digitalisation, Organizational Efficiency, and Employee Engagement ("Invest in People"), as shown in the following graph:

Employee Experience and HR Digitalization

- Achieving significant improvements in customer experience through customer-centric internal Brand Ambassadors
- Building an effective leadership team through formal training, on the job experience and regular coaching from the executive team
- Finalising the digitalized HR environment for seamless employee service

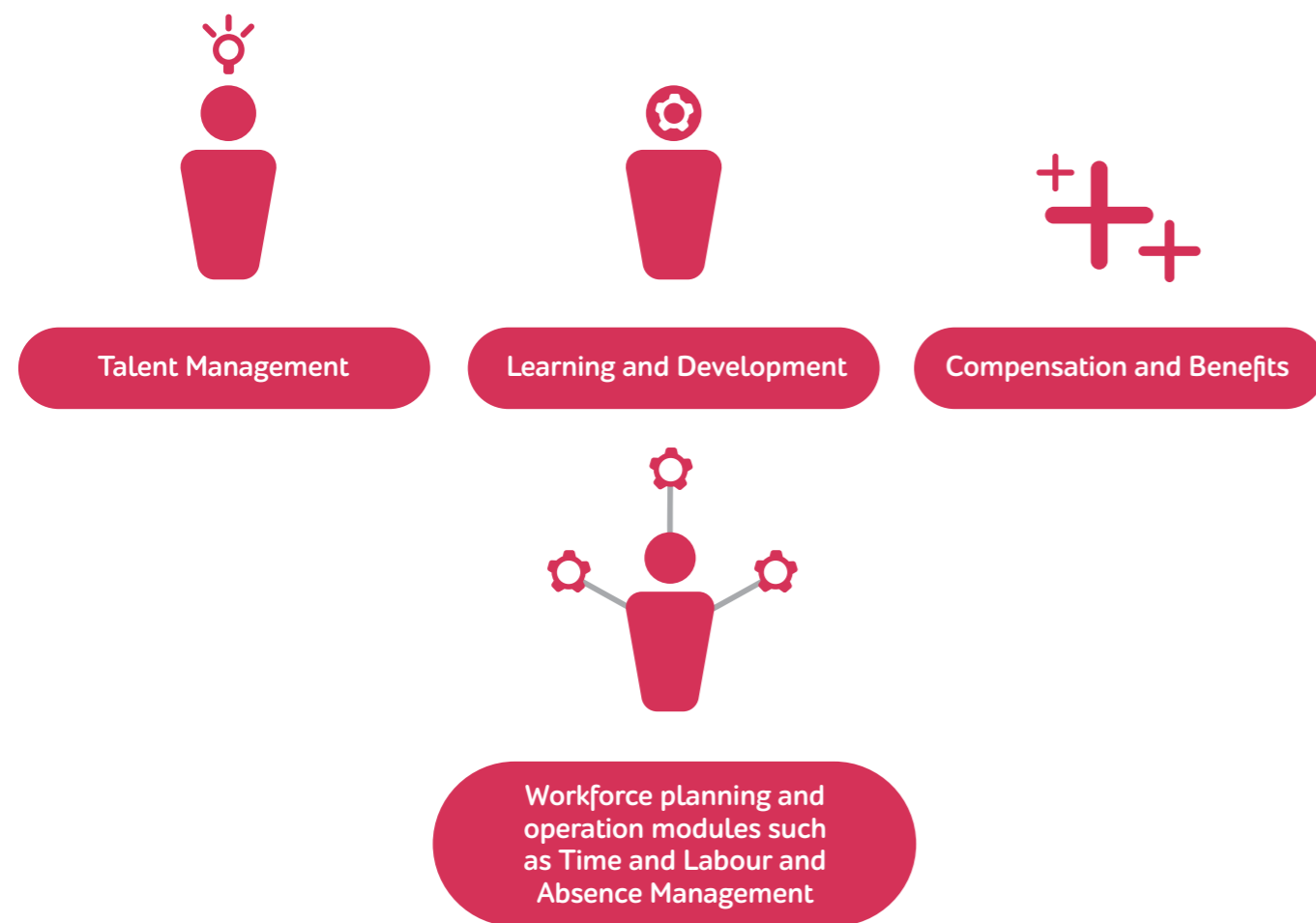
Organizational Efficiency

- Advancing the interdepartmental and cross-functional reorganization
- Implementing remote working arrangements
- Hiring young talent, future leaders with high potential to grow our business and build new capabilities

Employee Engagement ("Invest in People")

- Employee Recognition Programme to recognise high performance-promote, reward and recognise contribution to team/company success
- One-stop seamless service to employees through digitalised services (Employee Helpdesk)

Converting these priorities into practice, we have already started the II phase of Oracle Fusion modules implementation as part of our Human Resources Management System (HRMS) project, which we believe will lead to better employee experience and operational excellence. The stages of HRMS project include the following strategic modules:



These 4 modules are the core of our prioritised HR mid-term strategy until 2023. The ensuing digitalisation of HR processes will further involve cloud-based solutions and increased use of automation.

Employee hires and dismissals

Our attention to the implementation of sustainability principles in transparent and fair recruitment and selection practices serves as our competitive differentiator in the job market. We make sure the recruitment of most qualified and suitable candidates is merit-based (skills, experience or ability to perform the job), regardless of their age, gender, disability and other factors. Our progressive human resource management system is based on fair and respectful treatment of our employees, providing them with equal opportunities to achieve their full potential. Nar fully abides by all labour laws and regulations, and we take proactive measures to prevent any type of discrimination. Our Recruitment Policy is designed to provide a structured and consistent approach to all recruitment processes and guide involved parties.

In 2020, we started the interview adaptation process to our new work environment. Some requirements for the candidates were eliminated due to the simplification of the entire recruitment process. When possible, we also reduced the number of site-meetings as we gave preference to online platforms. All candidates were provided with a comprehensive guidance on how to use these platforms, training tips, and trouble-shooting instructions.

Due to the COVID-19 pandemic, all internship programmes in 2020 were postponed, and as a result, we were able to attract only a limited number of interns. However, we are planning to re-launch our internship programmes in 2021.

In terms of retaining our key personnel, we initiated the Succession Readiness Project and individual development plans for successors. These measures proved essential in sustaining our internal talent pool of highly skilled technical personnel.

Hiring and dismissal statistics

Despite the significant impact of the COVID-19 pandemic on the employee recruitment and selection function at Nar, the total outflow of employees was slightly lower than in the pre-pandemic period. The higher number of hired vs dismissed personnel led to a relatively lower turnover rate in comparison with previous two years. The following tables represent key statistical data on hiring and dismissals.

Table 13 Number of hired and dismissed employees, by gender

Employees/gender	2018		2019		2020	
	Male	Female	Male	Female	Male	Female
Hired	33	27	23	9	30	26
Dismissed	22	19	36	30	7	7

Table 14 Number of hired and dismissed employees, by age

by age	2018			2019			2020		
	Below 30	Between 30-50	Over 50	Below 30	Between 30-50	Over 50	Below 30	Between 30-50	Over 50
Hired	44	16	0	26	6	0	31	25	0
Dismissed	18	23	0	38	28	0	3	11	0

Table 15 Employee turnover rate, %

Years	2018	2019	2020
Employee turnover rate	11.5%	21%	7.6%

Figure 09 Percentage of senior management hired from the local community



● percentage of senior management from local community in 2020

In compliance with the local regulations in Azerbaijan, all female employees at Nar are entitled to exercise their right for maternal leave.

Table 16 Total percentage of employees that were entitled to parental leave

	2018	2019	2020
Percentage of employees that were entitled to parental leave	100%	100%	100%
Total number of employees that took parental leave	12	8	5
Total number of employees that returned to work in the reporting period after parental leave ended	0	0	2

Employee training

The COVID-19 pandemic and related lockdown and social distancing measures caused not only unprecedented educational and training disruptions but also catalysed innovation in distance learning. We successfully maintained our efforts for creating an enabling environment in which all our employees have the opportunity for both personal and professional growth.

Our main responsibility in this regard is the timely identification of critical learning gaps that need to be tackled in order to achieve our strategic organizational goals. In other words, we are constantly working to align our training and development programmes with Nar’s strategic needs, engaging our key stakeholders to assess the effectiveness of the implemented initiatives.

Nar remains committed to the strategic priority of “From Sales to Care” and continues to conduct mandatory training to all employees for delivering best-value customer experience. The training sessions are mainly conducted by third-party experts with an extensive skillset and knowledge in their respective fields. Overall, every employee should complete a minimum number of hours of training (relevant to their position) during the business year.

It is also worth mentioning that Nar supports and covers all expenses of the employees who decide to improve their qualifications and obtain internationally recognised certifications.

- During the reporting period, we held multiple training sessions, such as:
- Coaching for the Executive team members
- “Sales Through Service” training for Sales team members

In November 2020, we signed an agreement, as a result of which our mid-level employees can now use the next-generation online training platform “Udemy for Business” which provides thousands of courses to upgrade skills and knowledge in any field. The key figures on training are presented in the graphs below:

Figure 10 Share of learning and development in annual budget, %

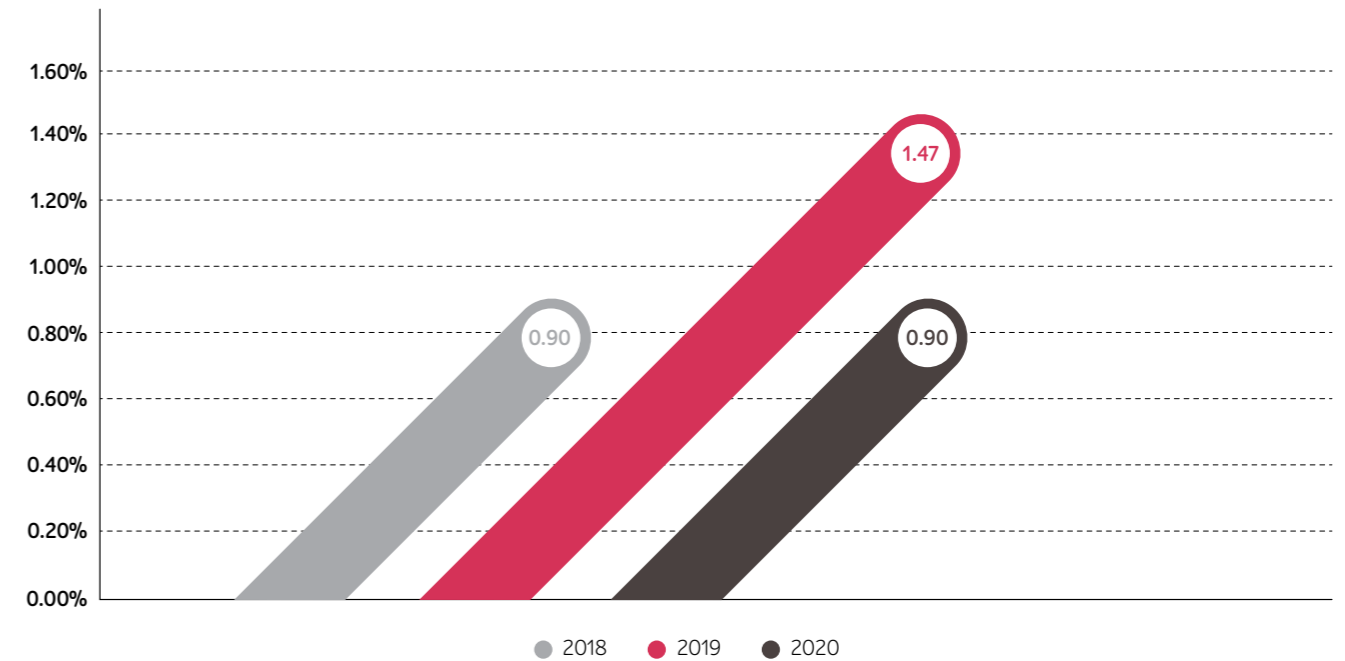


Table 17 Total number of training hours

	2018	2019	2020
Total training hours	175	66	185

Although the share of learning and development in the annual budget has shrunk down to the 2018 figure, the training hours showed an increase which is linked to the increased distant learning options during the 2020 pandemic and lockdowns.

Personnel development

Performance management is one of the most efficient processes we have, and we plan to move it to a cloud-based solution, Oracle Fusion from 2021. First, a corporate goal is determined based on the budget, with the further downstream cascading where each manager determines their own KPIs.

We encourage managers to perform quarterly check-ins which are later stored in database. An annual evaluation is also available within this framework. We also implement a system called “consequence management”, the actions we take based on performance revision and management. The results are first evaluated at the branch level and then by the top management. Low performers are given opportunities to pass through a performance improvement plan and are being provided with extensive coaching and mentoring by their respective supervisors. While we acknowledge that this system offers moderate functionality, we make efforts to implement annual system enhancements.

Figure 11 Changes in career development and performance evaluation system applied at Nar in 2020



Table 18 Percentage of total employees who received a regular performance and career development review, by gender

2018		2019		2020	
Male	Female	Male	Female	Male	Female
100%	100%	100%	100%	100%	100%

To consider the viewpoints and feedback of our employees, a performance survey was conducted after the annual year-end performance evaluations. The employees expressed their content with feedback process (around 81% satisfaction rate) after they had received their performance evaluations and manager feedback. As a result, the questions on “How did the company treat the employees during COVID-19?” and “What actions did the company take during the war?” saw the highest response rate affecting employee satisfaction. None of the employees voiced any concerns regarding how their work was being managed and how the supervisors were handling their work remotely.

Labour relations

For stimulating the communication between employees and management, in 2020 we started to conduct employee meetings with the CEO. These meeting and other virtual events with the management in 2020 helped keep employees up-to-date on the company status, and created an opportunity for the top management to recognise the achievements of and express support and gratitude to Nar people.

In 2020, no complaints were received through our formal complaint channels.

Talent development short-term plans

Strategic Workforce Planning is a talent management project to be launched from ground zero in 2021. During the next year, we will analyse our business needs for the next three years, what has been achieved so far and how to mitigate the identified gaps, if any. With several KPIs already confirmed and the research being underway, we will complete the skill gap identification by the end of 2021.

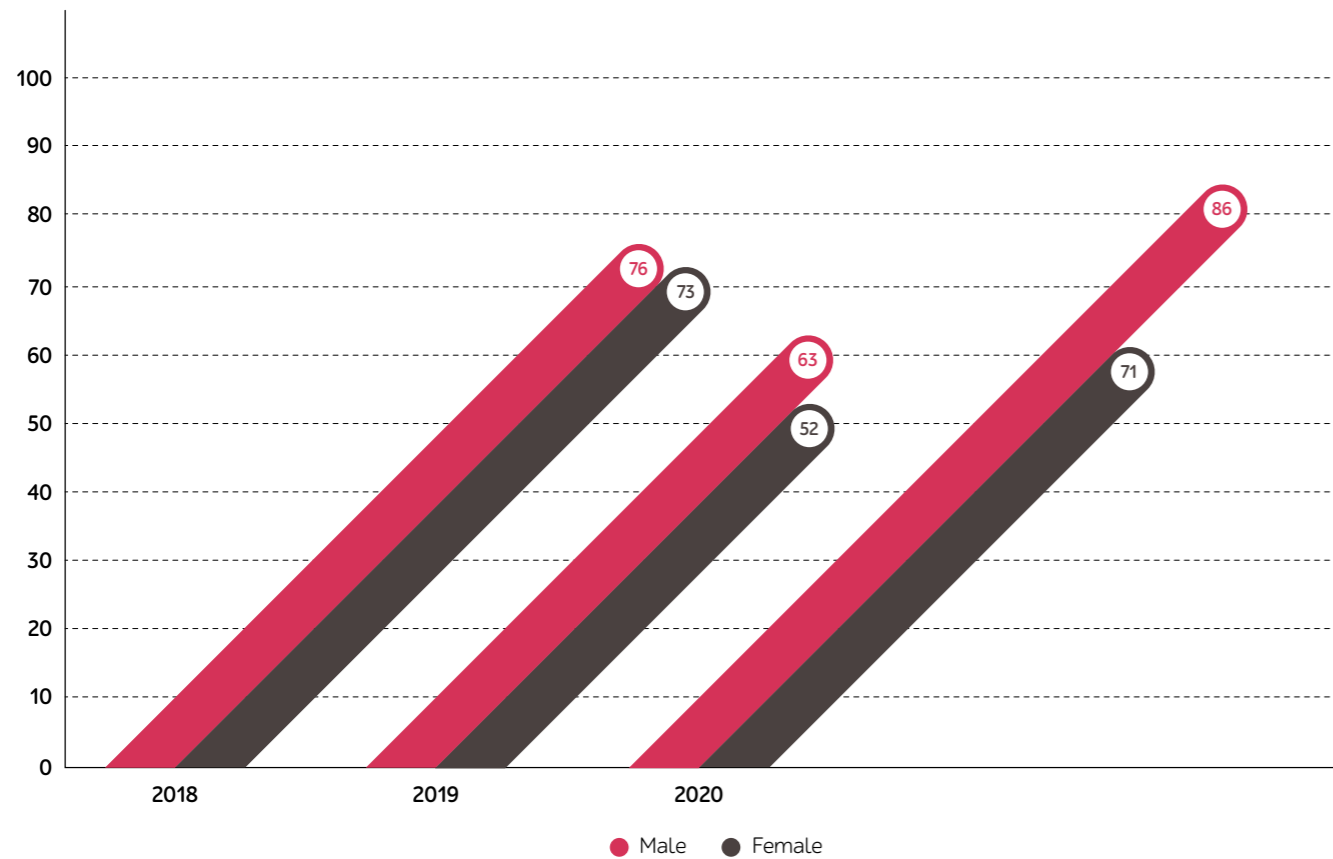
Diversity and Inclusion

Nar builds an inclusive workplace environment that fosters diversity in all its forms. We consider diversity and inclusion as a crucial element of our business success and sustainability. Aligned with our Diversity and Inclusion Policy, which is due to be approved in the second quarter of 2021 we are committed to the principles of equality and diversity regardless of a person’s gender, colour, marital status, race, nationality or ethnic origin, religion, sexual orientation, disability, age or criminal conviction which are unrelated to the employment offered.

Our Diversity and Inclusion Policy establishes the principles according to which we build our work culture and business ethics. We ensure that no requirement or condition is imposed without justification which could disadvantage individuals on any of these grounds. Our approach to diversity and inclusion is based on the international conventions and protocols on fundamental human rights, labour conditions, social responsibility as well as Nar’s internal policies.

Our human resources demographics shows a stable balance in gender representation. As a leading provider of telecommunications services, where at least 45% of our workforce in the last 3 years is represented by women, we believe that by empowering women, especially in IT engineering and computer science, we can contribute to the development of a modern, sustainable society.

Figure 12 Number of employees, by gender



The proportional representation of women across various employment categories is also almost equal, with only executive positions employing fewer women. We are aware of this and work towards developing our internal talent acquiring the necessary pre-executive experience which will enable women employees to advance to executive positions.

Figure 13 Proportion of female employees in the Company, by year

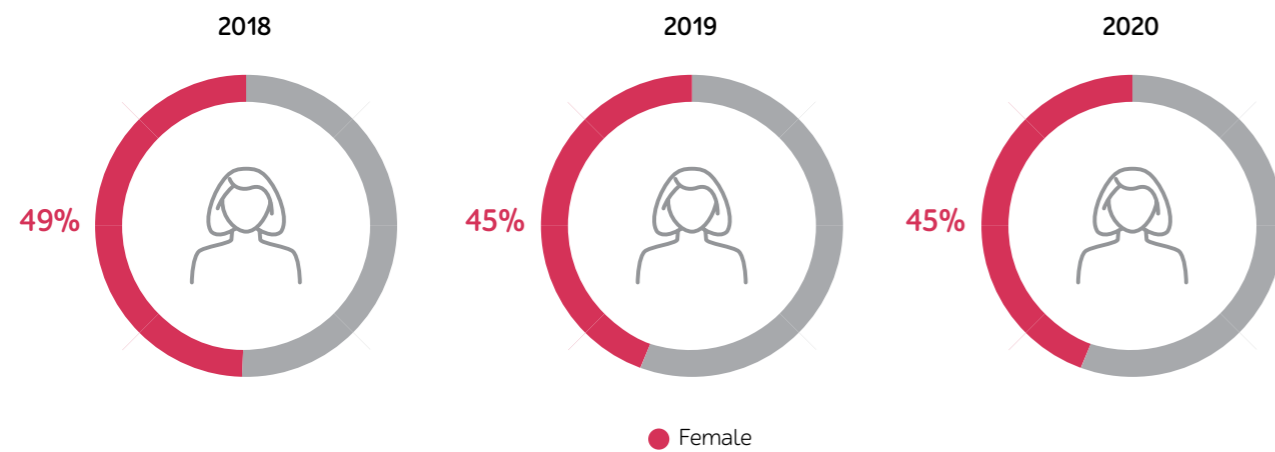


Figure 14 Employment categories of Nar in 2020, by gender

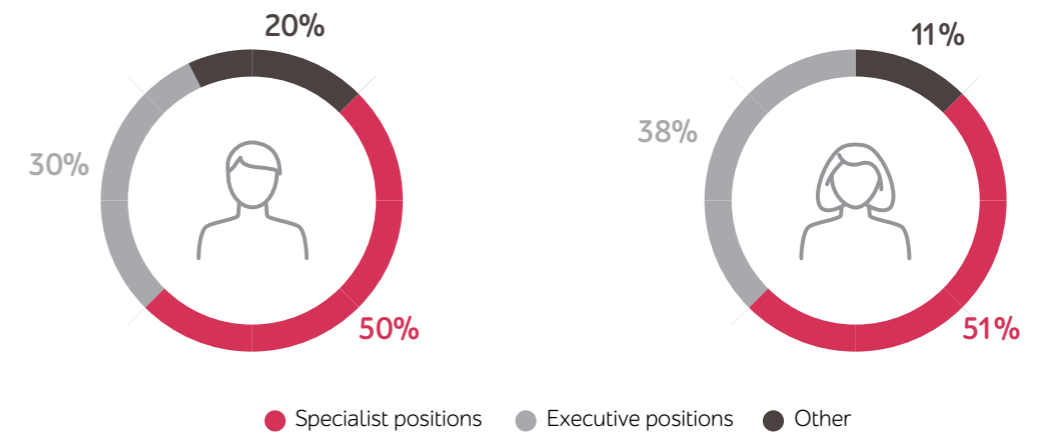
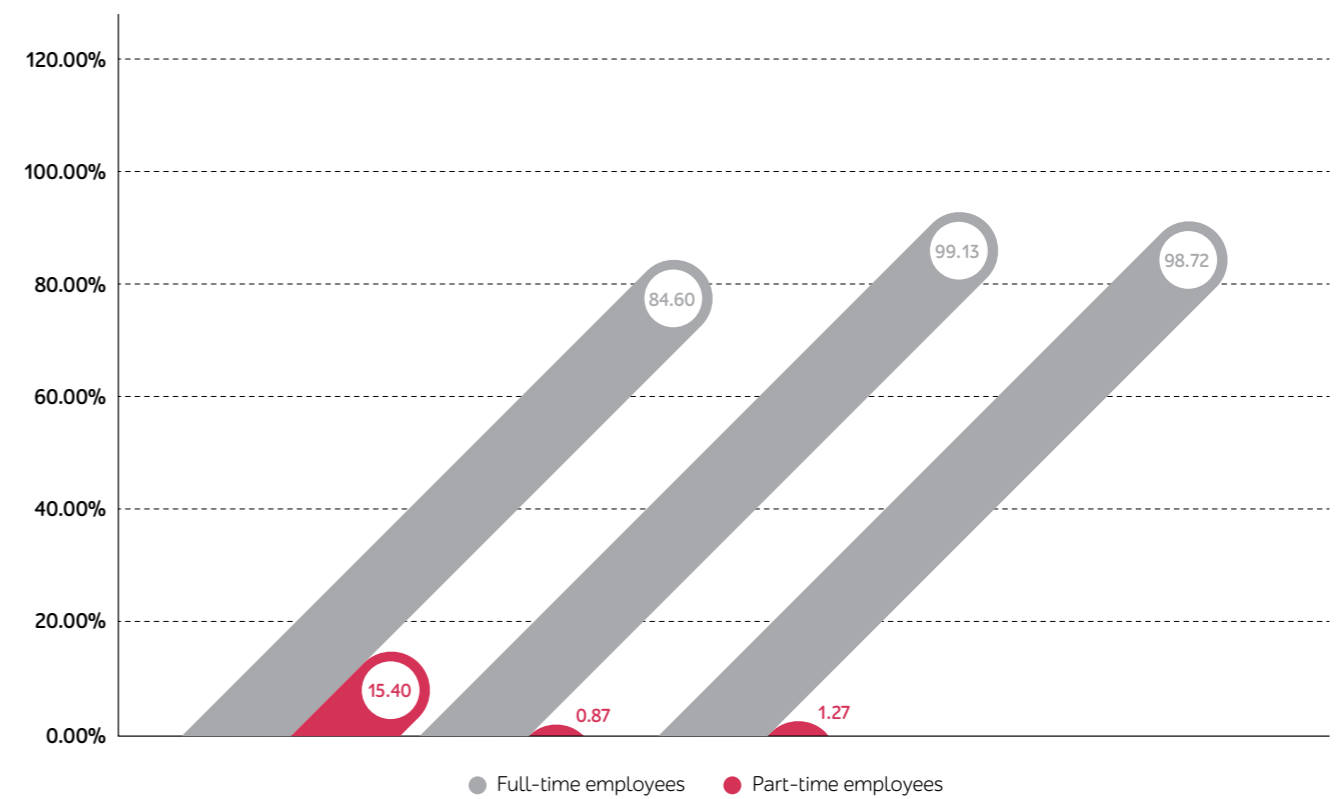
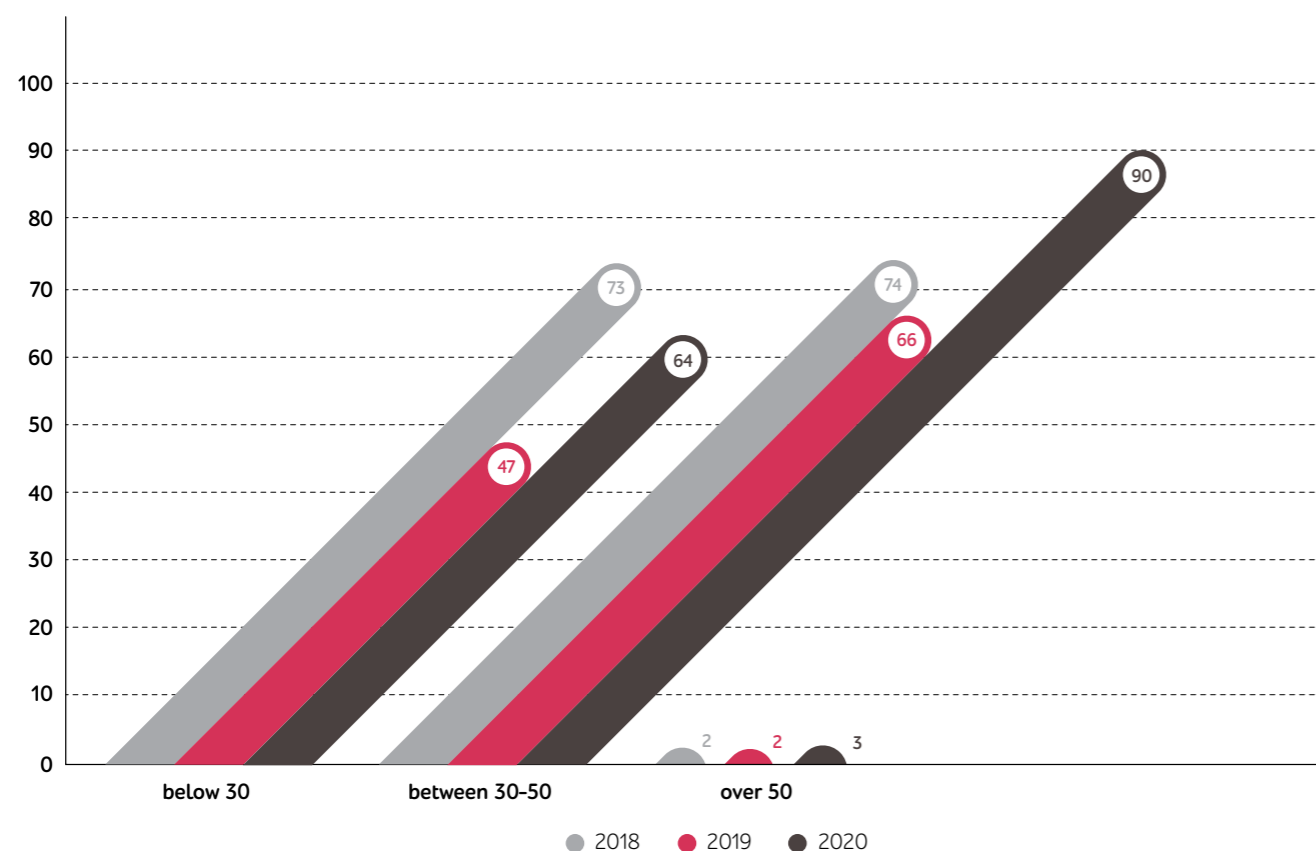


Figure 15 Percentage of employees by employment type



Another demographic insight was observed in the 30-50-year-old age group which saw a significant increase in 2020. This tendency can be linked to the better personnel turnover figure at Nar as the experienced employees prefer stable employment, staying with us.

Figure 16 Number of employees, by age



Although the participation in career fairs for people with disabilities is a regular event in our talent acquisition roadmaps, due to the lockdowns and pandemic in 2020 we were forced to postpone such initiatives until 2021 or 2022.

Table 19 Total number of employees by vulnerable groups

	2018	2019	2020
Total number of employees by vulnerable groups, including:	8	9	9
Disabled people	3	3	3
Internally displaced people	5	6	6

Employee health and safety

We strongly believe that ensuring health and safety is essential to provide industry-leading quality of work. Along with enhancing productivity, occupational health and safety (OHS) ensures a multitude of long-term benefits, which contribute not only to the regulatory compliance but goes beyond creating better welfare for our employees as well. We care deeply about employee wellbeing and implement a range of measures to turn it into our corporate imperative.

Our Health, Safety and Environment (HSE) Policy (group-wide) manages our employee health and safety and sets forth our principles and values in that area. The Policy was developed in accordance with all local regulations related to occupational health and safety in Azerbaijan (including the Labour Code), as well as the rules and procedures derived from ISO 45001 Occupational Health and Safety, and Occupational Health Services Convention, 1985 (No. 161). We also strive to ensure that our health and safety guidelines are followed across our entire value chain. The HSE Policy is supported by our Code of Conduct, which ensures that employees, customers and suppliers abide by its principles.

With no major or fatal incidents since our first day, we are as committed to protecting the health and safety of our employees and customers as ever.

In 2020, 95 employees received HSE training, which is 51% higher than in the previous reporting period.

It is a standard procedure to introduce all our new employees to our OHS guidelines. However, we also provide dedicated training to keep our employees abreast with the current and possible future OHS requirements.

Table 20 Total number of employees who received HSE training

Years	2018	2019	2020
Number of employees	76	63	95
Total training hours	28	21	60

We also pay special attention to the staff exposed to various hazards and work with dangerous equipment (e.g., high voltage electricity, work at height) on high-risk sites. We plan to further expand the coverage of our HSE training and involve more participants in the upcoming years.

Table 21 OHS expenditures, AZN⁸

Years	2018	2019	2020
Expenditures on initiatives to improve working conditions	11,000	41,000	93,000
COVID-19 related expenditures	-	-	204,000

Our commitment towards improving our OHS processes stems from our motivation to advance the safety of our employees at Nar. During the reporting period we have seen a dramatic change in our budget related to OHS expenditures. As the volumes of our operations are increasing so does the number of our employees. To keep everyone safe, we scaled up our investments into safety equipment. Additionally, changes in the budget were necessary due to the importance of keeping our OHS equipment and internal systems up to date for the utmost level of security.

In terms of the ad-hoc expenditures related to the COVID-19 pandemic, we followed strict measures mitigating the infection risks:

- All our stores and offices were provided with the appropriate equipment, safety kits and consumables: hand sanitizers, masks, gloves and other appropriate protective equipment;

⁸ The significant increase in OHS expenditures in 2020 is associated with investments made to enhance internal OHS systems, improve working conditions and introduce new OHS procedures.

- Appropriate hand washing and physical distancing rules were repeatedly communicated and enforced;
- A compensation of 500 AZN to an employee who had contracted the virus was introduced;
- We signed agreements with several clinics and hospitals in Azerbaijan to provide free COVID-19 testing services for our employees.

Ultimately, in 2020, we embarked on a journey towards transforming the way we handle OHS - our ambition to receive the ISO 45001 certification reflects our absolute commitment for proactive measures against current and potential OHS risks. As a result of our comprehensive risk assessment measures at our sites, we developed detailed safety instructions and risk assessment plans for each line of high-risk operations. In 2020, we continued resolving issues identified during the diagnostics of our OHS system by third-party consultant. Based on the outcomes of these efforts, we will carry on embedding OHS-related procedures in our major operations.

Human Rights

At Nar, we believe that we contribute to the development and wellbeing of local communities in a way that advances the protection and promotion of fundamental human rights and freedoms, and supports the full realisation of socio-economic development. Our operations are conducted with sensitivity and respect to human rights, and we are focused on building a culture that respects everyone’s rights and freedoms. Nar’s Human Rights Policy, which is due to be approved in the second quarter of 2021 sets fundamental principles ensuring our employees comply with all local legislations, international conventions and protocols.

Our commitment to operating with respect to human rights is not limited only to our own activities and employees but also defines our relationships with our suppliers and other stakeholders. At Nar, we believe that not only our employees, but employees of our suppliers should also be treated with due respect and dignity as well as entitled to fundamental human rights. All our suppliers are expected to comply with our Supplier Code of Conduct.

7.2 Our approach to community engagement

At Nar, we know that connectivity is transforming how we live and work, and we are aiming at building a digital future that works for everyone. We research the needs of the communities in which we operate, and implement various initiatives and projects aimed at the social and economic development of these communities to ensure a balance between economic, social and environmental sustainability. In 2020, our corporate social responsibility (CSR) strategy was updated in accordance with Nar’s overall corporate strategy.

Our CSR strategy outlines three long-term priority areas listed below:

1 Education and development

Contributing to educational and development initiatives is our top community engagement priority. Each year, we support various educational projects aimed at promoting a healthy lifestyle, (particularly during the COVID-19 pandemic), sports, as well as creating career opportunities for the youth.

2 National heritage and patriotism

Promotion of Azerbaijan's cultural heritage, traditions, and customs, as well as patriotism among our people is our moral responsibility. We believe that the love for our country is crucial for our nation's growth. The Patriotic War once again proved that we stand together with our people.

3 Integration of people with disabilities into society

Integration of people with disabilities into society is one of the major directions of our CSR strategy. We value the inclusion of people with limited and diverse abilities at Nar, in line with our aim to build an inclusive workplace and society.

Maintaining our community focus remains a core value for Nar. Our Community Engagement Policy, which is due to be approved in the second quarter of 2021 supports that commitment and provides a framework to guide us for achieving successful outcomes. Our Community Engagement Policy sets the following goals:

Aligning our community engagement activities with the Sustainable Development Goals (SDGs), as well as international protocols and internal procedures

Identifying ways to manage our participation in the community to create long-term value for local communities and society as a whole

Implementing the principles of community involvement in the strategic decision-making process

In 2020, we took various measures to engage with the community and promote our values. Our community investments were adapted to the new realities due to the impact of global events such as the COVID-19 pandemic and the Patriotic War. The following table provides data on our community investment expenditures:

Table 22 Community investments in AZN, by years⁹

Community investments	2018*	2019*	2020
Total community investments, in AZN	939,207	928,945	1,093,864
Education related projects	674,098	627,991	128,000
Projects impacting disabled people	14,685	48,900	2,400
Promotion of national heritage and cultural values	20,634	23,554	247,464

⁹ Due to a different approach applied during the data consolidation process in 2020, the amount of community investments disclosed in the current Report for 2018 and 2019 differs from the previous year's Report.

Projects to support community in COVID-19 pandemic	N/A	N/A	506,000
Promotion of healthy lifestyle - Sports related projects	210,000	210,000	210,000
Projects contributing to IT development in the country	14,790	18,500	0
Supporting project directed to Environmental Innovation	5,000	0	0

Table 23 Product donations in AZN, by years

Product donations	2018	2019	2020
Total product donations, in AZN	29,389	15,520	834,727
Patriotic War	N/A	N/A	818,520
Other	29,389	15,520	16,207

The sharp decrease in the community educational projects was linked to the overall slowdown of such initiatives on the backdrop of lockdowns and pandemic. Beyond the significant amount of community investment, Nar also provided product donations (free-of-charge minutes and text messages) supporting the veterans, frontline local communities and families affected by the pandemic and Patriotic War.

7.3 Our CSR portfolio

Donation to the Coronavirus Response Fund

Supporting the government initiatives to fight the spread of the pandemic, Nar donated half a million AZN to the Support Fund for the Fight Against Coronavirus in Azerbaijan. The Fund, which is a public non-profit institution, provides financial assistance to the measures for preventing the spread of the infection in Azerbaijan, e.g., mobile hospitals, intensive care units or oxygen reservoirs.

Additionally, Nar has taken further important steps to support the prevention of the spread of the virus even further. We provided free mobile communication to the medical staff working with the COVID-19 patients and to the patients under medical supervision - the lists were based on the confirmed information provided by the Ministry of Health. This donation helped the healthcare staff and affected patients to stay in touch with their families and friends during the lockdowns and quarantine. Together with TABIB, Nar payment cards of 50 AZN were also distributed in the medical centres and quarantine hospitals.

Support to YASHAT Foundation

YASHAT Foundation was established by the President of Azerbaijan to support the war veterans, families of the

fallen servicemen families and those who suffered losses during the Patriotic War. We enabled our customers to donate to YASHAT Foundation- the donations range from 1 to 50 AZN and can be made by sending a short message to the Foundation’s dedicated short number.

Support to people with disability during pandemic

Being a company, which creates communication, we understand how important it is to hear each other and be able to convey thoughts verbally. As part of our corporate social responsibility strategy, Nar provided people with hearing and speech impairment with protective masks and disinfectants to protect against coronavirus pandemic. About 1,500 hearing and speech-impaired people were provided with protective means as part of the project implemented jointly with the ‘Support to the Deaf’ Public Union. Nar has been a steady supporter of this non-profit charity institution for a few years now, and this support was particularly important during the pandemic.

Additionally, our joint ‘Canli Kitab’ project (‘Live Book’) with Radio ‘Antenn’ supported people with visual impairment. Selected works of Azerbaijani and world literature translated into Azerbaijani were narrated on air and recorded in audiobooks. All the records were presented on flash drives to Visually Impaired People Society of Azerbaijan, Special Boarding School No. 5 for Children with Impairment, and Republican Library for the Blind and Visually Impaired.

Enabling distant education with TEHSIL+ package

Nar’s TEHSIL+ data package enabled both students and teachers to use the widespread Zoom and Microsoft Teams software applications on all available platforms (iOS, Android, Windows, MacOS) and on any browser. The monthly package which included 50 Gb of Zoom and Teams traffic was specifically designed as a response to the growing educational needs of schools and universities during the COVID-19 lockdowns.

‘Heroes of the Day’ writing contest

The writing competition focused on the stories of people who risked their lives while doing their daily work in the pandemic, as well as social projects and initiatives carried out during the quarantine. The project both familiarised the audience with the heroes and supported the promotion of social responsibility. The authors could choose their characters themselves, they could be doctors, teachers, delivery servicemen, volunteers or any other essential workers who take care of citizens during the lockdown.

1 “Heroes of the Day” writing contest was the most participated media project of the year in Azerbaijan in terms of the number of applications and quality of papers”

‘Baku Fight Lab’ sports sponsorship

Nar remains an active supporter of sports events and activities both within the Company and beyond from the very first day. Our sports engagement was further bolstered by our partnership with the European Olympic Games (2015), and since 2015 Nar has been supporting the local Baku Fight Lab, main sports section of which is boxing.

Brain Ring, biggest education project in Azerbaijan

The Brain Ring intellectual game attracts the brightest youth of the country, as well as high level governmental

officials to participate in the TV Show. We believe that only through a strong education system do communities prosper, and we are proud to say that we have been active supporters of the Brain Ring initiative to promote intellectual sports in Azerbaijan.

Supporting youth social development with AIESEC

Nar supported an event organised by 'AIESEC Azerbaijan' youth organization engaged in the development of youth, their leadership skills and professional capabilities. Due to the restriction to hold gatherings amid the global COVID-19 pandemic, an online workshop "Stay at Home: Build Your Future" was organised. About 200 young people attended the event held between June 4-8, with the webinar topics such as "The world in post-pandemic era", "Career", "Finance" and "Health".

"A Handful of People", Karabakh War film

A patriotic film, "A Handful of People", was produced with our support in 2020. The film is set during Karabakh conflict and unfolds the stories and tragic consequences of the war to the international community. Nar financially supported this film production with approximately 93,000 AZN as part of our promotion of historical and cultural values.

Support to regions along the frontline

In 2020, Nar regularly provided support to citizens residing in the frontline areas. In National Independence Day of Azerbaijan, we delivered national flags and everyday supplies to raise victorious spirit of our people. Moreover, we distributed payment cards to provide an opportunity for people on the frontier to communicate with their families. Additionally, a set of winter clothes was delivered to a group of citizens who were placed in the temporary shelters as their houses were destroyed as a result of the enemy's missile attacks. Nar also presented 100 call minutes and 100 SMS to all its subscribers on the frontline.

National Flag Day

Nar held a special campaign celebrating the National Flag Day, November 9, and the liberation of Shusha. We shared the flags of Azerbaijan in our branches and with the people in the central streets of Baku. Standing with and supporting the people of Azerbaijan during the entire 44-day Patriotic War, Nar wanted to share this patriotic feeling of victory and love for the flag of Azerbaijan with everyone in the country.

7.4 Partnerships

We maintain partnerships across a wide range of organizations in Azerbaijan to share our sustainability values with diverse groups of stakeholders. We believe that our efforts of building relationships with technologically savvy specialists and aspiring entrepreneurs bring many benefits to our business. By working together on our joint endeavors related to business development, CSR excellence and improvement of the business environment in our country, we directly contribute to long-term success of both our Company and the communities in general. In the future, we will continue to build our network of industry leaders in order to promote sustainable technological development.

The table below demonstrates major partnerships and membership of Nar in associations within the framework of which we organised and supported implementation of multiple events and initiatives in the country that support

long-term social and economic development.

Table 24 Partnerships

Partner / association	What they do	Date of establishment
AmCham	AmCham is devoted to improving the business environment in Azerbaijan through professional services.	Renewing annually since 2019
ADA University	ADA is a top tier educational institution in Azerbaijan, which promotes quality education and youth development.	2017
Azerbaijan Entrepreneurs Confederation	Azerbaijan Entrepreneurs Confederation is devoted to improving the business environment in Azerbaijan.	2019
TABIB	TABIB is a governmental healthcare initiative created to combat the spread of COVID-19.	2020
YASHAT Foundation	YASHAT Foundation was established by the President of Azerbaijan to support the war veterans, families of the fallen servicemen and those who suffered losses during the Patriotic War.	2020

7.5 Responsible supply-chain management

Serving as the backbone of our business, supply chain drives our business towards commercial success and is a crucial and indispensable element for our business continuity. In our ambition to be the drivers of positive change in our region, we always strive to apply our sustainability values throughout the entire supply chain. In line with our responsible supply chain endeavors, we aspire to be the company with the most ethical and transparent supply chain.

We understand that the reach of our supply chain does not end with our direct suppliers. As a result, we believe that this is an opportunity to showcase our commitment to our mission and vision. In line with these major responsibilities, we developed our first Supplier Code of Conduct in 2020 that is planned to be approved in Q1 2021. This policy outlines our essential principles of responsible sustainable practices in procurement. We expect all our suppliers to abide by these principles, as also highlighted in our Code of Conduct, in order to create a future where sustainability is one of the essential elements of professional business practices.

We identify four types of suppliers:

Figure 17 Types of suppliers

Tier 1: Direct suppliers

Our Tier 1 suppliers provide us with innovative new products. During the reporting period, we bought products and services directly from 141 suppliers. In addition, we actively monitor the compliance of our Tier 1 suppliers with our values.

Tier 2: Electronic manufacturers and sub-assemblers

Electronic manufacturers and sub-assemblers employ many suppliers of their own. By working closely with our Tier 1 suppliers, we are continuously monitoring the compliance of Tier 2 suppliers as well.

Tier 3: Component suppliers

In order to manufacture our products, we source separate components from multiple component suppliers.

Tier 4+

These suppliers source products made from raw materials and exist in the lower layers of our supply chain.

To facilitate suppliers' performance management process, we initiated a major project on **digitalisation of our supply-chain**. As a result of this project, we are planning to have a digital platform through which we can monitor efficiency of suppliers, as well as their compliance with our expectations in a more transparent, open and productive way.

We pay special attention to the transparency and fairness of our procurement process by announcing open tenders and promoting fair competition. At Nar, we prioritise creating opportunities for local suppliers, including local SMEs. On the same line with economic and financial benefits, employing local suppliers also contributes to the development of local talent and allows a higher quality of compliance monitoring.

In 2020, 87% of our suppliers were local companies and service providers.

In 2020, our procurement budget reduced in line with our cost-optimization strategy which stands behind the gradual decrease in the number of suppliers throughout the years.

Table 25 Percentage of local suppliers in total procurement budget¹⁰

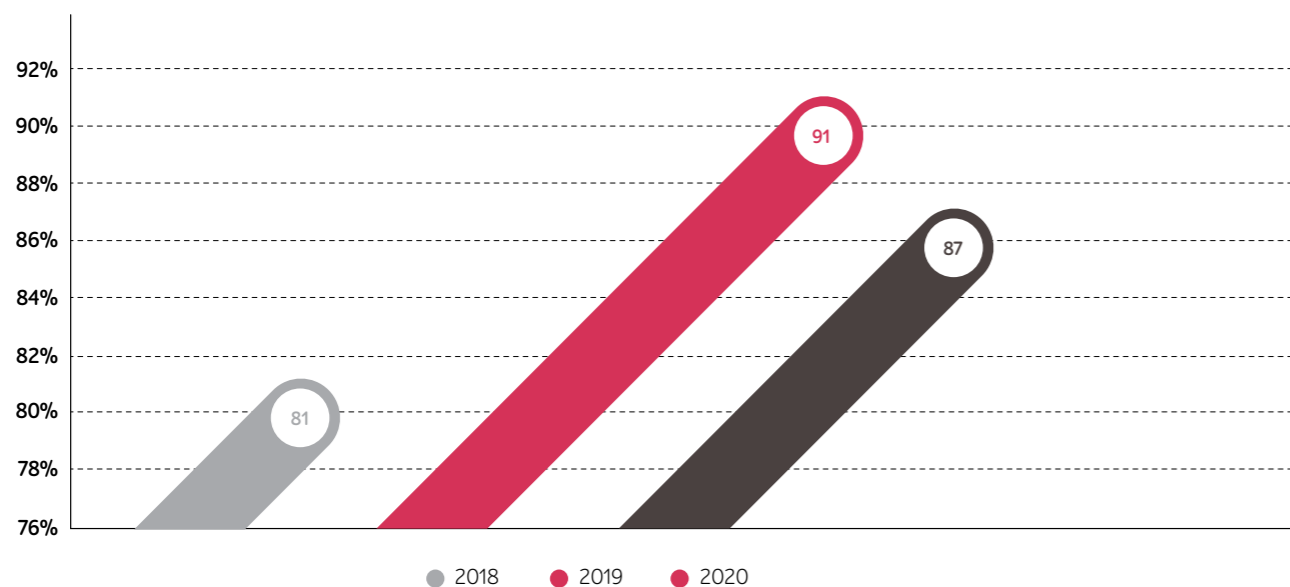


Table 26 Share of local suppliers through the years

Share of local suppliers	2018	2019	2020
Total number of suppliers	201	162	135
Total number of local suppliers	174	142	119

We are committed to raising awareness about responsible procurement practices in Azerbaijan. In line with this commitment, we will continue spreading sustainable ideas across our supply chain and promoting these essential values among all our partners. We strongly believe that our upcoming initiatives in sustainable supply chain management will significantly contribute to the long-term success of the industry.

¹⁰ 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.

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Environmental
management

8. Environmental management

At Nar, we believe that as one of the energy-intensive contributors to climate change, the telecommunications industry shares the responsibility for the fulfilment of government’s commitment to the Paris Climate Agreement in reducing the GHG emissions by 35% by 2030 compared to the baseline year (1990). Nar views the responsible management of its environmental impacts as priority in conducting its business in the most responsible way. For minimizing harmful emissions and protecting people and natural environment, we are committed to working closely with society, governmental institutions, not-for-profit organizations and corporate partners.

Despite the positive aspects of digitalisation and the initial decrease in direct greenhouse gas emissions (Scope 1) at its onset, the COVID-19 pandemic affected the growth of indirect greenhouse gas emissions as a result of intensive energy consumption by the telecommunications industry.

2020 was disruptive in terms of our earlier environmental management commitments, however we led the pursuit of our ultimate goal in achieving the ISO certification. By the end of 2021, we are expected to be the one of the pioneers in the telecommunication company in Azerbaijan to be certified under the 14001:2015 Environmental Management System (EMS) certification which will ensure our compliance with global environmental standard requirements. To obtain this certification, we have done significant work to improve internal processes and develop new policies and procedures meeting the requirements of the Standard. Our compliance with relevant local and international environmental laws and regulations is essential in this process as well, including:

- 1) All legislation of the Republic of Azerbaijan on environmental protection
- 2) ISO 14001 Environmental Management
- 3) Paris Climate Agreement
- 4) Nar’s HSE Policy
- 5) Our internal procedures:
 - Emergency evacuation procedure
 - Emergency response procedure
 - Hazard identification and risk assessment procedure
 - HSE inspection and audit procedure
 - Incident investigation procedure
 - Training procedure

We constantly review current and new climate related risks and trends to respond promptly and to safeguard our network infrastructure while continuing to serve our customers’ communications needs. Some of the key risks and opportunities identified by GSMA Association, and the steps taken by Nar in response are presented below:

Table 27 Climate change risks and opportunities and our respective response

Key risks	Our response
Underestimating the risks to supply chains	Recognizing our role in the effective transitioning of the business environment in Azerbaijan to an integrated sustainable model, we have developed the Supplier Code of Conduct which entails responsibility for environmental impacts, among others.

Lack of attention given to slow-onset (climate) change	To minimise our impact on the environment and climate change, we are in the process of acquiring ISO 14001 Environmental Management System (EMS) certification, as well as implementing a pilot project improving our energy consumption at our base stations.
Technological heterogeneity	Ensuring connectivity of remote and rural locations in Azerbaijan has always been and remains our priority.
Key opportunities	Our response
Best practice sharing among businesses	We continually promote strong partnerships and cooperation between different industries and within the ICT industry as well. As part of this commitment, we have been extensively represented at international ICT conferences, extending our network beyond the borders of Azerbaijan. On top of that, we have committed to publishing Sustainability Reports in order to provide an insight into our practices and solutions.
Awareness raising	As part of our “From Sales to Care” strategy, we are committed to creating a lasting positive impact on the society, and therefore we acknowledge the importance of dialogue between private companies and public agencies. We continue to build strong relationships with the community and other businesses, to encourage an open dialogue and facilitate a better understanding of the climate crisis.
Harmonizing resilience building activities with sustainability efforts	We constantly seek to improve our performance, and therefore we are currently implementing a pilot project improving energy consumption at our base stations. Additionally, we are working on establishing an effective waste management system in all our facilities.

8.1 Resource efficiency and carbon intensity

As a telecommunications service provider, we are fully aware that our base stations, offices, shops, warehouses and data centres are our biggest energy consumers. To address this issue, we are continuing to improve our energy efficiency by implementing various energy efficient technologies and initiatives that contribute to the reduction of our energy consumption. These technologies not only help us cut costs, but also reduce our dependence on fossil fuels and help us mitigate our greenhouse gas emissions.

One of the milestones within Nar’s energy efficiency commitment in 2020 was the launch of its first base station at Sangachal settlement that operates using alternative energy sources. This station will be connected to hybrid solar system to ensure uninterrupted network connectivity. Installation of additional power batteries will allow uninterrupted power supply even during the hours with lower sunlight.

Another “green” initiative realised in the reporting year was a full transition to LED lighting in all our offices and sites. Additionally, we installed window fans in order to facilitate indoor heat circulation and contribute to the energy efficiency.

Moreover, after the ISO14005 and ISO45001 certifications, our next target will be ISO 50001 Energy management, which will enable us to establish the systems and processes necessary to continually improve energy performance, including energy efficiency, energy use and energy consumption.

In 2020, we also started our transition to an eco-friendlier CNG (compressed natural gas) fuel for our cars. Although natural gas also produces greenhouse gases, it is considerably lower compared to petrol or diesel. In the

future, we will consider a possibility of switching to hybrid or electric cars to achieve minimal fuel consumption and, eventually, direct emissions of greenhouse gases.

Table 28 Electricity and fuel consumption¹¹

	2018	2019	2020
Electricity consumed by office, kWh	388,752	388,752	378,321
Electricity used for technical equipment, kWh (i.e., LTE, BTS etc.)	12,182,602	12,932,731	12,434,387
Diesel, ton	85.48	96.35	79.22
Petrol, ton	132.75	137.03	128.27

Table 29 Energy intensity ratios

	2018	2019	2020
Energy intensity (kWh per employee)	84,371.50	115,838.98	81,609.61
Energy intensity (kWh per petabyte of data traffic)	873,617.37	543,956.02	412,116.72

To present the quantitative greenhouse gas emissions of Nar’s activities, we use a CO2e (carbon dioxide equivalent) as an indicator. The details of our CO2 emissions are given in the following table.

Table 30 GHG emissions at Nar, tons CO₂e

	2018	2019	2020
Direct (Scope 1) emissions	714.93	761.69	680.92
Indirect (Scope 2) emissions	8,006.12	8,483.84	8,159.83
Scope 2 GHG emissions per subscriber	0.0038	0.0036	0.0038
Scope 2 GHG emissions per employee	53.73	73.77	51.97
Scope 2 GHG emissions per petabyte of data traffic	556.37	346.42	262.46

Nar equally values its commitment to the conservation of water resources as one of the most valuable resources, particularly in our country, which is likely to face water stress in the next decades. Growing population, continuing industrialization and increasing demand pose additional stresses to freshwater availability in Azerbaijan. Despite the fact that water consumption in telecommunications is relatively low in comparison with water-intensive industries such as agriculture or manufacturing sectors, we believe that the issue of water scarcity concerns everyone, and we are trying to do our part to create positive changes in increasing the efficiency of water consumption.

Table 31 Water consumption and intensity at Nar¹²

	2018	2019	2020
Total water consumption, m ³	8,239.2	10,562.8	9,849.6
Water intensity per employee	55.30	91.85	62.74

8.2 Waste management

Waste electronic and electric equipment (WEEE) and other office waste such as paper, plastics and cartridges are key sources of waste generated across our operations and value chain. Electronic waste (e-waste) is the most material waste stream in our sector. Advancements in communication technologies have led dramatic lifestyle changes globally and telecommunications industry is perhaps the industry that has witnessed the most significant and major shifts in this field. The consequence of this swift progress is a reduced lifespan of ICT devices, which leads to an increase in the amount of e-waste.

At Nar, we are committed to the principles of reduction, reusing and recycling of electronic waste to minimise its generation by implementing innovative and efficient processes and technologies. **In 2020, we started development of SIM cards in new eco-friendly format.** To reduce negative effects of discarded SIM cards, new ones will contain 50% less plastic. Moreover, we are assessing the opportunities and market readiness for resale of used and unneeded electronic parts. We aim to transfer all unutilised and obsolete equipment to the third parties for re-use and recycling.

Another intensively consumed product is **paper**; however we strongly encourage our employees to reduce the consumption of paper at work to a maximum extent. During the Pandemic, after switching to remote work environment and promotion of electronic documentation, our paper consumption has seen significantly reduction in comparison with the previous years.

Besides the regular waste management procedures, we are poised to implement the universal waste management system based on best global practice and standards by the end of 2021. For more effective implementation of this project, we cooperate with third-party companies with a wide pool of expertise in the relevant field. Our main goal is to achieve zero waste from all our operations linked to the collection, transfer and disposal of waste.

We cooperate with the third-party waste processing company where we send our non-hazardous waste for incineration. Additionally, as a result of successful cooperation with local environmental organizations and local municipality, starting from 2020, our offices are equipped with recycling bins. To achieve maximum effectiveness, we plan to organise awareness-raising communication with our employees that would hopefully contribute to the development of new behaviour patterns.

In the following years, we are planning to continue exploring opportunities for designing and implementing more targeted initiatives that would further contribute to the energy-efficiency and circularity of our industry. We also aim to adapt emerging trends by investing into R&D to transform our major sites and premises to be more sustainable and efficient.

¹¹ The figures are approximate estimates, and due to the different approach to data consolidation process applied in 2020, electricity consumption for 2018 and 2019 differ from previous year report. Subsequently, changes in respective intensity ratios as well as GHGs are applicable.

¹² The figures are approximate estimates, and due to the different approach to data consolidation process applied in 2020, water consumption for 2018 and 2019 differ from previous year report.

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Concluding
remarks

9. Concluding remarks

The audience for which this Report is produced is large and diverse. We use the Report for keeping future and current stakeholders abreast of important company developments. The inclusion of a broad range of information in a comprehensive and simplified format makes this Report a unique resource for Nar.

We are conscious that there is a growing number of consumers requiring compliance with certain environmental and social responsibility standards, as part of their provider selection process. We hence want to use this Report as a communication tool. A tool that helps us explain our business and get closer to a broad range of stakeholders, from our largest corporate customer to the university student willing to make a career in the telecommunications industry. More concretely, we believe there are certain aspects of Nar that are fundamental to understand who we are as a company and what can be expected from us in the future. Importantly, as can be seen from the Report, accessibility and inclusivity are the backbone of our identity and our success. After all, we want to be more than a company that just grows. Our success is due in no small part to our customers. They expect us to do business in line with sound and sustainable principles. Living up to these expectations is crucial, because failing to do so will only be detrimental to our long-term success. We set two clear priorities: First - it's important to us that we treat our customers well, take them and their concerns seriously, and always put them first. Second, we want to offer our customers the best quality networks. This is what we promised our customers we would do, and that's what we'll need to measure ourselves against.

Our goal is to be an enabler of development in our society. To forge the future, not to frustrate it. For this to become a reality, we must put sustainability at the forefront of our actions, and uphold our responsibility to future generations even more now than ever.

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Report
disclaimer

10. Report disclaimer

Nar has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this document, including all information that may be defined as 'forward-looking statements'. Forward-looking **statements** may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'aim', 'aspire', 'predict' and 'hope'. Forward-looking statements are not statements of fact, but statements by the management of Nar based on its current estimates, projections, expectations, beliefs and assumptions regarding the Company's future performance. No assurance can be given that forward-looking statements will be correct and undue reliance should not be placed on such statements. The risks and uncertainties inherent in the forward-looking statements contained in this document 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. Nar does not undertake to update any forward-looking statements contained in this document and does not assume responsibility 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
- Community investments
- 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.



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Independent Assurance Report on the Sustainability Report 2020 of Azerfon LLC

To the Management and stakeholders of Azerfon LLC

Subject matter

We have been engaged by Azerfon 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.

Azerfon's responsibilities

Azerfon'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 are 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
Content Index

GRI Standart	GRI Indicator	Disclosure status	Page	Note
102	General Disclosures: Organizational profile			
102-1	Name of the organization	Disclosed: Section 4. About Nar	22	
102-2	Activities, brands, products and services	Disclosed: Section 4. About Nar	22	
102-3	Location of headquarters	Disclosed: Section 4. About Nar	22	
102-4	Location of operations	Disclosed: Section 4. About Nar	22	
102-5	Ownership and legal form	Disclosed Section 5.1. Corporate governance structure and principles	32	
102-6	Markets served	Disclosed: Section 4.3. Overview of our business model	26	
102-7	Scale of the organization	Disclosed: Section 4.3. Overview of our business model	26	
102-8	Information on employees and other workers	Disclosed: Section 7.1. Caring for our people	54	
102-9	Supply chain	Disclosed: Section 7.5. Responsible supply-chain management	71	
102-10	Significant changes to the organization and its supply chain	Disclosed: Section 7.5. Responsible supply-chain management	71	
102-11	Precautionary Principle or approach	Disclosed: Section 2.1. Scope and methodology	12	
102-12	External initiatives	Disclosed: Section 4.4. Stakeholder engagement	27	
102-13	Membership of associations	Disclosed: Section 7.4. Partnerships	70	
102	General Disclosures: Strategy			
102-14	Statement from senior decision-maker	Disclosed: Section 1. Message from the CEO	8	
102-15	Key impacts, risks and opportunities	Disclosed: Section 5.4. Business continuity; Section 8. Environmental management	38	
102	General Disclosures: Ethics and integrity			
102-16	Values, principles, standards and norms of behaviour	Disclosed: 4.2. Mission, vision, strategy; Section 5.3. Integrity and transparency	23	
102-17	Mechanisms for advice and concerns about ethics	Disclosed: Section 5.3. Integrity and transparency	36	
102	General Disclosures: Governance			
102-18	Governance structure	Disclosed: Section 5.1. Corporate governance structure and principles	32	
102-19	Delegating authority	Disclosed: Section 5.1. Corporate governance structure and principles	32	

GRI Standart	GRI Indicator	Disclosure status	Page	Note
102-20	Executive-level responsibility for economic, environmental and social topics	Disclosed: Section 5.1. Corporate governance structure and principles	32	
102-21	Consulting stakeholders on economic, environmental and social topics	Disclosed: Section 4.4. Stakeholder engagement	27	
102-21	Composition of highest governance body and its committees	Disclosed: Section 5.1. Corporate governance structure and principles	32	
102-22	Chair of the highest governance body	Disclosed: Section 5.1. Corporate governance structure and principles	32	
102-23	Nominating and selecting the highest governance body	Disclosed: Section 5.1. Corporate governance structure and principles	32	
102-24	Conflicts of interest	Disclosed: Section 5.3. Integrity and transparency	36	
102-26	Role of highest governance body in setting purpose, values and strategy	Disclosed: Section 5.1. Corporate governance structure and principles	32	
102-27	Collective knowledge of highest governance body	Disclosed: Section 5.1. Corporate governance structure and principles	32	
102-28	Evaluating the highest governance body's performance	Disclosed: Section 5.1. Corporate governance structure and principles	32	
102-29	Identifying and managing economic, environmental and social impacts	Disclosed: Section 2.2. Materiality analysis	13	
102-30	Effectiveness of risk management processes	Disclosed: Section 5.4. Business continuity; Section 8. Environmental management	38	
102-31	Review of economic, environmental, and social topics	Disclosed: Section 2.1. Scope and methodology	12	
102-32	Highest governance body's role in sustainability reporting	Disclosed: Section 5.1. Corporate governance structure and principles	32	
102-33	Communicating critical concerns	Disclosed: Section 2. About This Report	12	
102-34	Nature and number of critical concerns	Disclosed: Section 2. About This Report	12	
102-35	Remuneration policies	Disclosed: Section 5.1. Corporate governance structure and principles	32	
102-36	Process for determining remuneration	Disclosed: Section 5.1. Corporate governance structure and principles	32	
102-37	Stakeholders' involvement in remuneration	Disclosed: Section 5.1. Corporate governance structure and principles	32	
102-38	Annual total compensation ratio	Disclosed: Section 5.1. Corporate governance structure and principles	32	
102-39	Percentage increase in annual total compensation ratio	Disclosed: Section 5.1. Corporate governance structure and principles	32	

GRI Standart	GRI Indicator	Disclosure status	Page	Note
102	General Disclosures: Stakeholder engagement			
102-40	List of stakeholder groups	Disclosed: Section 4.4. Stakeholder engagement	27	
102-41	Collective bargaining agreements	Undisclosed		There are no collective bargaining agreements at Nar
102-42	Identifying and selecting stakeholders	Disclosed: Section 4.4. Stakeholder engagement	27	
102-43	Approach to stakeholder engagement	Disclosed: Section 4.4. Stakeholder engagement	27	
102-44	Key topics and concerns raised	Disclosed: Section 4.4. Stakeholder engagement	27	
102	General Disclosures: Reporting practice			
102-45	Entities included in the consolidated financial statements	Undisclosed		
102-46	Defining report content and topic boundaries	Disclosed: Section 2.1. Scope and methodology	12	
102-47	List of material topics	Disclosed: Section 2.2. Materiality analysis	13	
102-48	Restatements of information	Disclosed: Section 10. Report disclaimer	86	
102-49	Changes in reporting	Disclosed: Section 10. Report disclaimer	86	
102-50	Reporting period	Disclosed: Section 2.1. Scope and methodology	12	
102-51	Date of most recent report	Undisclosed		
102-52	Reporting cycle	Disclosed: Section 2.1. Scope and methodology	12	
102-53	Contact point for questions regarding the report	Disclosed: Section 2.1. Scope and methodology	12	
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 11. GRI Context Index	90	
102-56	External assurance	Disclosed: Section Assurance Statement	87	
103	Management Approach			
103-1	Explanation of the material topic and its Boundary	Disclosed: Section 2.2. Materiality analysis	13	
103-2	The management approach and its components	Disclosed: Section 5. Responsible governance	32	
103-3	Evaluation of the management approach	Disclosed: Section 6.3. Quality management and customer satisfaction	47	

GRI Standart	GRI Indicator	Disclosure status	Page	Note
201	Economic performance			
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
202	Market presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Disclosed: Section 7.1. Caring for our people	54	
202-2	Proportion of senior management hired from the local community	Disclosed: Section 7.1. Caring for our people	54	
203	Indirect economic impacts			
203-1	Infrastructure investments and services supported	Disclosed: Section 7.2. Our approach to community engagement	66	
203-2	Significant indirect economic impacts	Disclosed: Section 7.2. Our approach to community engagement	66	
204	Procurement practices			
204-1	Proportion of spending on local suppliers	Disclosed: Section 7.5. Responsible supply-chain management	71	
205	Anti-corruption			
205-1	Operations assessed for risks related to corruption	Disclosed: Section 5.3. Integrity and transparency	35	
205-2	Communication and training about anti-corruption policies and procedures	Disclosed: Section 5.3. Integrity and transparency	36	
205-3	Confirmed incidents of corruption and actions taken	Disclosed: Section 5.3. Integrity and transparency	36	
206	Anti-competitive behaviour			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Undisclosed		There have been no such cases during the reporting period
207	Anti-competitive behaviour			
207-1	Approach to tax	Undisclosed		
207-2	Tax governance, control, and risk management	Partially disclosed: Section 5.4. Business continuity	38	
207-3	Stakeholder engagement and management of concerns related to tax	Partially disclosed: Section 4.4. Stakeholder engagement	27	
207-4	Country-by-country reporting	Undisclosed		
301	Materials			

GRI Standart	GRI Indicator	Disclosure status	Page	Note
301-1	Materials used by weight or volume	Undisclosed		
301-2	Recycled input materials used	Undisclosed		Will be revisited in the upcoming reports
301-3	Reclaimed products and their packaging materials	Undisclosed		Will be revisited in the upcoming reports
302	Energy			
302-1	Energy consumption within the organization	Disclosed: Section 8.1. Resource efficiency and carbon intensity	77	
302-2	Energy consumption outside of the organization	Undisclosed		Will be revisited in the upcoming reports
302-3	Energy intensity	Disclosed: Section 8.1. Resource efficiency and carbon intensity	77	
304-4	Reduction of energy consumption	Disclosed: Section 8.1. Resource efficiency and carbon intensity	77	
305-5	Reductions in energy requirements of products and services	Undisclosed		Will be revisited in the upcoming reports
303	Water			
303-1	Interactions with water as a shared resource	Disclosed: Section 8.1. Resource efficiency and carbon intensity	77	
303-2	Management of water discharge-related impacts	Disclosed: Section 8.1. Resource efficiency and carbon intensity	77	
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 8.1. Resource efficiency and carbon intensity	77	
304	Biodiversity			
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		
304-3	Habitats protected or restored	Undisclosed		
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Undisclosed		
305	Emissions			

GRI Standart	GRI Indicator	Disclosure status	Page	Note
305-1	Direct (Scope 1) GHG emissions	Disclosed: Section 8.1. Resource efficiency and carbon intensity	77	
305-2	Energy indirect (Scope 2) GHG emissions	Disclosed: Section 8.1. Resource efficiency and carbon intensity	77	
305-3	Other indirect (Scope 3) GHG emissions	Undisclosed		
305-4	GHG emissions intensity	Disclosed: Section 8.1. Resource efficiency and carbon intensity	77	
305-5	Reduction of GHG emissions	Disclosed: Section 8.1. Resource efficiency and carbon intensity	77	
305-6	Emissions of ozone-depleting substances (ODS)	Not applicable		Not applicable due to the nature of Nar operations
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	Not applicable		Not applicable due to the nature of Nar operations
306	Effluents and waste			
306-1	Water discharge by quality and destination	Undisclosed		
306-2	Waste by type and disposal method	Undisclosed		
306-3	Significant spills	Not applicable		Not applicable due to the nature of Nar operations
306-4	Transport of hazardous waste	Not applicable		Not applicable due to the nature of Nar operations
306-5	Water bodies affected by water discharges and/or runoff	Not applicable		Not applicable due to the nature of Nar operations
307	Environmental compliance			
307-1	Non-compliance with environmental laws and regulations	Disclosed: Section 8. Environmental management	76	
308	Supplier environmental assessment			
308-1	New suppliers that were screened using environmental criteria	Undisclosed		
308-2	Negative environmental impacts in the supply chain and actions taken	Undisclosed		
401	Employment			
401-1	New employee hires and employee turnover	Disclosed: Section 7.1. Caring for our people	54	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Undisclosed		
401-3	Parental leave	Undisclosed		
402	Labour/Management relations			
402-1	Minimum notice periods regarding operational changes	Undisclosed		

GRI Standart	GRI Indicator	Disclosure status	Page	Note
403	Occupational health and safety			
403-1	Occupational health and safety management system	Disclosed: Section 7.1. Caring for our people	54	
403-2	Hazard identification, risk assessment and incident investigation	Disclosed: Section 7.1. Caring for our people	54	
403-3	Occupational health services	Undisclosed	54	
403-4	Worker participation, consultation and communication on occupational health and safety	Disclosed: Section 7.1. Caring for our people	54	
403-5	Worker training on occupational health and safety	Disclosed: Section 7.1. Caring for our people	54	
403-6	Promotion of worker health	Disclosed: Section 7.1. Caring for our people	54	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Disclosed: Section 7.1. Caring for our people	54	
403-8	Workers covered by an occupational health and safety management system	Disclosed: Section 7.1. Caring for our people	54	
403-9	Work-related injuries	Disclosed: Section 7.1. Caring for our people	54	
403-10	Work-related ill health	Disclosed: Section 7.1. Caring for our people	54	
404	Training and education			
404-1	Average hours of training per year per employee	Disclosed: Section 7.1. Caring for our people	54	
404-2	Programmes for upgrading employee skills and transition assistance programmes	Disclosed: Section 7.1. Caring for our people	54	
404-3	Values, principles, standards, and norms of behaviour	Undisclosed		
405	Diversity and equal opportunity			
405-1	Diversity of governance bodies and employees	Disclosed: Section 7.1. Caring for our people	54	
405-2	Ratio of basic salary and remuneration of women to men	Undisclosed		
406	Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	Disclosed: Section 7.1. Caring for our people	54	
407	Freedom of association and collective bargaining			
407-1	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
408	Child labour			
408-1	Operations and suppliers at significant risks for incidents of child labour	Undisclosed		No such operations have been identified
409	Forced or compulsory labour			

GRI Standart	GRI Indicator	Disclosure status	Page	Note
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Undisclosed		No such operations have been identified
410	Security practices			
410-1	Security personnel trained in human rights policies or procedures	Disclosed: Section 7.1. Caring for our people	54	
411	Rights of indigenous peoples			
411-1	Incidents of violations involving rights of indigenous peoples	Not applicable		
412	Human rights assessment			
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
413	Local communities			
413-1	Operations with local community engagement, impact assessments and development programmes	Disclosed: Section 7.2. Our approach to community engagement	66	
413-2	Operations with significant actual and potential negative impacts on local communities	Undisclosed		No such operations have been identified
414	Supplier social assessment			
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
415	Public policy			
415-1	Political contributions	Undisclosed		Will be revisited in the upcoming reports
416	Customer health and safety			
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
417	Marketing and labelling			
417-1	Requirements for product and service information and labelling	Undisclosed		
417-2	Incidents of non-compliance concerning product and service information and labelling	Undisclosed		
417-3	Incidents of non-compliance concerning marketing communications	Undisclosed		
418	Customer privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Partially disclosed, Section 6.4. Data privacy and cybersecurity	48	
419	Socioeconomic compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	Undisclosed		Will be revisited in the upcoming reports



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