

# **corporate social responsibility of TP 2005**



Ladies and Gentlemen,

I hereby present to you the corporate social responsibility report of Telekomunikacja Polska.

I am deeply convinced that publication of this report will give you the opportunity to think about Telekomunikacja Polska in a new way and discover our activities which may surprise you.

Corporate social responsibility is a very complex issue. Instilling the philosophy of thinking in terms of social responsibility is a long and difficult process, and the senior executives of the company should be setting the example for employees.

Is Telekomunikacja Polska a socially responsible company? Certainly, in the opinion of many Poles this statement would seem a bit over the top. Many of our activities, especially those related to our operations still do not meet my expectations. However, we cannot forget about TP initiatives which demonstrate our social responsibility and could be followed by other companies as examples of best practice.

I would like to assure you about our intention to do our best in the area of corporate social responsibility to fulfil commitments we made in 2001, when we started the transformation of TP, a state-owned company, into a public company.

Yours Sincerely,



Marek Józefiak  
President of the TP Management Board





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## 2. Vision and Strategy

The key goal of the TP Group is to implement the philosophy of thinking in terms of the corporate social responsibility (CSR) that stems from the Mission, Vision and Strategic Principle document published in 2003. By doing so, the Management Board wants not only to ensure the increase in the value of the TP Group but, above all, to build good, lasting relations with the stakeholders. This report is to present the related activities undertaken so far in a transparent and reliable manner.

**This document is a summary of the full TP CSR report, which can be found on the Internet at [www.tp.pl](http://www.tp.pl).**

## 3. Organization and Business Activity Profile

**Market activity.** Telekomunikacja Polska S.A. is a leading player in all segments of the telecommunications market in Poland. Companies in the TP Group offer services in the field of fixed line and mobile telephony, data transmission, Internet access, as well as radio communication and satellite transmission.

The main entities in the TP Capital Group are :

- Telekomunikacja Polska S.A. – fixed line telephony and Internet access,
- Polska Telefonia Komórkowa Centertel Sp. z o.o. – mobile telephony,
- TP Emitel Sp. z o.o. – radio communication services,
- Wirtualna Polska S.A. – Internet portal.

The main markets serviced by the Group are the market of fixed line telephony and Internet access (TP) and the mobile telephony market (PTK Centertel operating under the Orange brand).

As far as the fixed line telephony market is concerned, in 2005 TP continued to promote new rate plans causing the shift of income towards permanent subscription fees (46% in 2005 in comparison with 38.5% in 2004). The company had the following shares in the segment of the fixed line voice telephony:

The market share at the end of the year <sup>1</sup>	2005	2004	2003
Local Calls	82.3%	99.7%	100.0%
Domestic Long Distance Calls	74.1%	80.0%	86.1%
Fixed to Mobile Calls	74.6%	76.6%	98.9%
International Calls	64.2%	70.2%	89.9%

In 2005 TP focused on the development of the broadband Internet access services. As a result, the number of customers increased by more than 71% to approximately 1.2 million customers. The increase in the number of users of the broadband Internet access compensated for the loss of income from the dial-up access to the Internet, bringing in the total surplus of 23.5%. The adaptation of 93% of lines to the provision of ADSL services ensures the potential for further growth in this area.

**In 2004 the number of neostrada tp broadband service users increased by over 370%, placing Poland at the first position in the world in terms of the development rate of the broadband market (source: Point Topic Ltd., London based research company).**

The neostrada tp service received a lot of awards, including:

- „Teraz Polska” („Poland Now”) Promotional Emblem in 2004,
- Europrodukt („Europroduct”) 2005 Award,
- The Award of Child’s Rights Protection Committee with the right to the logo „Child-friendly World”<sup>2</sup>.

In the data transmission segment TP offered the IP-VPN tp service providing effective and reliable infrastructure for integrated data, image and voice transmission for corporate business customers.

The mobile telephony services market in Poland experienced a significant growth (especially in the pre-paid sector)

<sup>1</sup> Shares in the TP network traffic are estimated on the basis of TP billing data for private customers segment

<sup>2</sup> Also awarded for the e-security package after December 31, 2005

and fierce competition. As estimated, in 2005 the market penetration rate increased by more than 16 percentage points up to 76.6%. At the same time the pre-paid sector grew by 4.3 million users that accounted for 72% of the net number of all activations. PTK Centertel acquired around 2.5 million new customers, increasing its market share by 1.7 percentage points up to 33.9%. The profitability of the company improved considerably; moreover, the increase in income was above the market average. The launch of the UMTS network enabled the provision of 3G telephony services. In September 2005 PTK Centertel introduced the global brand, Orange, instead of the Idea brand. The spontaneous recognition of the new brand reached 44.5% at the end of 2005.

The scale of the TP Group activities is best illustrated by the following figures:

	2005	2004	2003
<b>employment (full time equivalents)</b>	<b>33 603</b>	<b>36 589</b>	<b>42 600</b>
– of which TP	27 590	30 456	36 171
<b>revenue (in PLN million)</b>	<b>18 342</b>	<b>18 530</b>	<b>18 287</b>
– of which TP	12 188	13 167	14 011
<b>assets (in PLN million)</b>	<b>35 624</b>	<b>34 861</b>	<b>36 848</b>
– of which TP	32 924	31 973	33 195
<b>shareholders' equity (in PLN million)</b>	<b>17 990</b>	<b>16 881</b>	<b>14 227</b>
<b>net debt (in PLN million)</b>	<b>7 784</b>	<b>6 555</b>	<b>13 586</b>
<b>total debt (in PLN million)</b>	<b>9 486</b>	<b>9 588</b>	<b>15 404</b>
– loans from related parties	1 000	–	–
– long-term loans	6 347	8 823	11 894
– short-term loans	2 139	765	3 510

### 3.1. Report Content

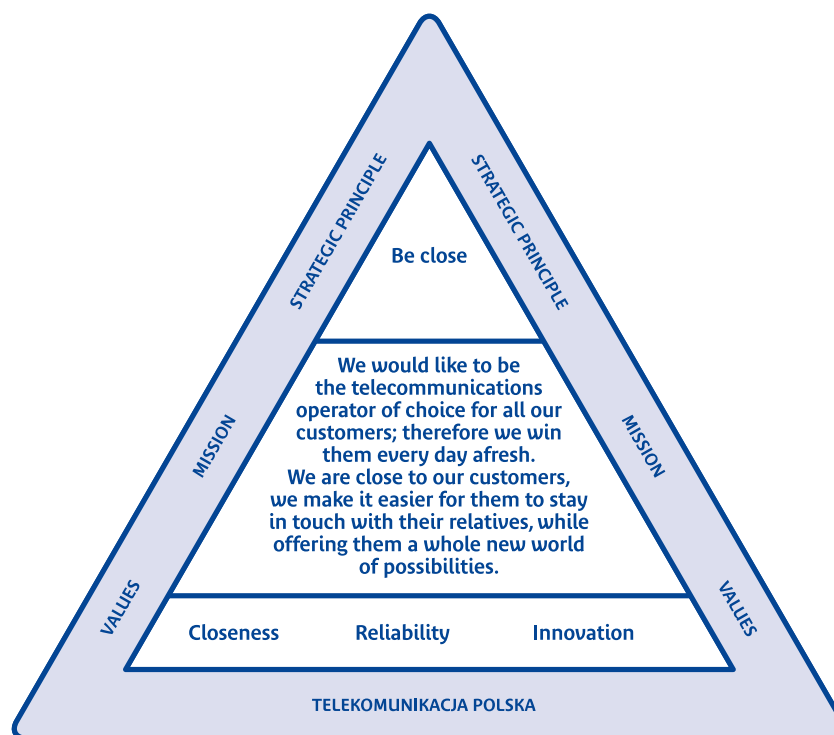
This document is a summary of the first corporate social responsibility report published by TP (the full version can be found at [www.tp.pl](http://www.tp.pl)). The company's aim is to report in accordance with the GRI standard, however the present version does not yet meet all the requirements.

The report includes the data from the fiscal year 2005 (with references to the previous years) concerning TP and in some areas, the entire TP Group. The presented information is acquired from the people directly involved in each project. Numerical data come from TP reporting groups. The report has not been verified by an independent auditor. Nevertheless, the financial data derived from the Management Board reports have been verified by Ernst&Young. Moreover, the environmental audits at TP have been conducted by WS Atkins-Polska. Additionally, at the beginning of 2006 Ernst&Young carried out a quality audit of the TP social responsibility necessary for the CSR<sup>3</sup> report of the France Telecom Group.

**More information is available at [www.tp.pl](http://www.tp.pl) (including the full version of the report), [www.tp-ir.pl](http://www.tp-ir.pl) and the TP Public Relations Department (address: Twarda 18, PL 01-105 Warsaw, phone: + 48 22 527 19 39, fax: + 48 22 527 19 77). Questions may also be addressed to Mr Jacek Dymowski, the head of the CSR Program (e-mail: [odpowiedzialny.biznes@telekomunikacja.pl](mailto:odpowiedzialny.biznes@telekomunikacja.pl)).**

### 3.2. Mission, Vision and Strategic Principle

The Mission, Vision and Strategic Principle of TP were announced in 2003. They are the foundation of the philosophy of the social responsibility, emphasizing the necessity of building close relations with the company's stakeholders.



On the basis of Mission, Vision and Strategic Principle TP committed itself to the following code:

- business ethics,
- fair competition,
- care for employees,
- high management and corporate governance standards,
- zero tolerance for corruption,
- political neutrality,
- care for the environment.

These principles were the foundation for the TP Ethics Code adopted in April 2005.

**These guidelines follow the Ten Principles of the Global Compact initiative, organised in 1999 under the auspices of Kofi Annan, the UN Secretary-General and joined by TP at the end of 2005.**

### 3.3. Structure and Management Principles

As a company listed on stock exchanges, including the Warsaw Stock Exchange, Telekomunikacja Polska is committed to developing standards of corporate governance in accordance with international best practices. In 2004, after it had carried out the governance audit and consulted investors in Poland and abroad, TP formally adopted the Corporate Governance Code.

Key decisions (approval of annual reports, appointment of members of the Supervisory Board, amendments to the Charter, capital increase, repurchase of shares) require the consent of the General Meeting of Shareholders. The Supervisory Board considers the strategic plan and the budget as well as monitors operating and financial results. The duties and the bye-laws of the Supervisory Board are determined by a resolution. The Board performs its duties collectively, delegating some of its competences to Committees (e.g. Audit Committee, Strategy Committee, Remuneration Committee), whose activities constitute a valid Corporate Governance code. The Management Board performs all management tasks except for those reserved to the authority of the General Meeting of Shareholders and the Supervisory Board.

Among the thirteen members of the TP Supervisory Board there are four independent members (31%), while according to the Corporate Governance code at least 50% of them should be independent. Thus TP does not formally meet this requirement. Nevertheless, it is worth mentioning that according to the Warsaw Stock Exchange, in the case of companies where one shareholder holds a stake giving the right to over 50% of votes, the Supervisory Board may have only two independent members. FT, which is TP's strategic investor, is almost at this threshold, with its 47.5% stake as at the end of 2005.

The supervision over internal control and risk management systems in the TP Group is the responsibility of the Supervisory Board. Its key elements include periodic evaluations of the activities of internal financial controllers (carried out by the top management and supervised by the Management Board Member in charge of Finance) and regular assessments of the quality of monitoring systems, carried out by internal auditors. In 2004, new procedures for continuous monitoring of significant risk factors (legal, regulatory, operational and environmental risks) were introduced, and a Risk Map was developed to specify monitoring directions.

In 2004 Ernst&Young audited TP transactions with related parties. Based on the results of this study, TP expanded the procedures used for identification and approval of such transactions.

For TP, financial reporting and communication with investors is one of the top priorities. To make this task more effective, the Communications Committee has been set up. Its activities include the preparation of investor information as well as its verification in terms of full objectivity.

**TP publishes over two hundred current reports annually and organises one hundred meetings with investors and analysts. This means that financial markets receive new information about the company almost every single day.**

There is a strong correlation between meeting the financial and non-financial objectives and the bonuses the management personnel receive. The TP Management By Objectives (MBO) system encourages and rewards individual achievements, allowing the executives to focus on the strategy, pointing out the most important objectives, cascading them to the workplace level and determining the direction of future activities. This system also serves as „an early warning system“, enabling the monitoring of the fulfilment level of agreed objectives. The key objectives of the employees (determining their bonuses) always include achievement of goals related to customer satisfaction.

**In December 2005 the basic principles of the incentive system were approved. Its goal is to link the remuneration of three hundred key managers (by the system of share options) to their contribution to the development of the TP Group and the increase of its value.**

### 3.4. Increasing Operational Efficiency

TP places particular emphasis on the issues concerning the efficiency of its operations. The changes include both the "soft" sphere (related to the corporate culture) as well as the "hard" management aspects (e.g. management information systems).

The objective of the *ThinkProcess!* Project, which has been carried out at TP, is to implement a process approach into the management of the company. The implemented Process Management System defined the principles for the determination of responsibility cooperation within the scope of the objectives of the whole process, rather than only of the particular structural unit. Strategic objectives and activities of the TP Capital Group have been classified in the strategic processes which are supervised by a sponsor – a member of the TP Management Board or PTK Centertel Management Board. The sponsor monitors the objectives and the metrics as well as determines specific main processes and assigns owners to them.

In order to implement a uniform system of operational efficiency tools in the TP Capital Group, a project based on the Six Sigma methodology was launched. It has been expanded with additional specific management tools and techniques.

Since 2002, TP has been implementing the Circles of Service Quality project, which also involves some outside companies that provide maintenance services for TP. The goal of the project is to improve the processes related to customer service (including technical service), resulting in the increase of customer satisfaction. The key element of the project is the cyclical meetings where identified problems are defined, solved and catalogued in the IT system available to all employees. Thanks to horizontal communication among employees, Circles of Service Quality enables the solving of difficulties encountered and implementation of uniform, previously worked out solutions in all regions of the country. They also encourage employees to seek innovations.



The New Convergence project, in turn, aims at the improvement of financial and reporting systems. It optimises the data aggregation process, enabling management to take quicker, more effective decisions. The project was launched on the ERP class Oracle platform.

For many years TP has organized the annual *Telekreator* competition, promoting innovation among TP employees. It encourages employees to come up with new ideas in the field of organizational improvements, technical innovations as well as services and the corporate image.

As of the end of 2005 management systems at Telekomunikacja Polska were not yet officially certified (quality, environment or integrated certification). However, TP aims at introducing transparent, effective and reliable tools of quality and process management in the TP Group, which is going to be followed by the certification of the developed tools as the last step of the implementation. It should be stressed that the main goal of the company is to develop efficient and reliable management tools (followed by having their quality confirmed by appropriate certificates), rather than to urgently seek certificates and later to adopt the management systems respectively.

A Quality Management System consistent with the ISO 9001 standard, confirmed by the British Standards Institution certificate, has already been implemented at PTK Centertel and it covers the whole activity of the company. Quality Management Systems compliant with the ISO 17025 standard (ISO 9001 expanded by the requirements referring to laboratories) have also been introduced in selected telecommunications laboratories of TP Research and Development Centre and are certified by the Polish Centre for Accreditation.

### 3.5. Dialogue with Stakeholders

**Customers.** The TP objective is to increase customer satisfaction with the services provided. Since 2004 the bonus system has depended on meeting the objectives related to customer satisfaction. There has been ongoing research on existing and new solutions leading to the increase of customer satisfaction. The Customer Satisfaction Increase Program examines customers' needs, identifies the areas that need improvement and implements new ideas for raising the level of customers' satisfaction. The improvement in the customer satisfaction would not have been possible unless there had been an improvement in company operations, including solving the problems that occurred during the launch of the „blue line” (błękitna linia tp) 9393 customer support call centre, which operates today in accordance with the European standards.

In April 2003, TP initiated a series of regular bilateral workshops with consumer organizations, which give the opportunity to discuss the most important problems and prevent distrust between the parties. TP tries to ensure the presence of specialists directly responsible for the discussed problems in order to guarantee the best possible solutions for the controversial issues. The meetings have been very well received by the representatives of consumer organizations. TP has also appointed a Customer Spokesperson who searches for areas where customer complaints recur and monitors the implementation of improvements.

**In December 2005 in 4 out of 5 cases the response time of the operators of the „blue line” 9393 call centre to the incoming calls was less than 20 seconds. At the same time, as many as 97% of all incoming calls were answered.**

TP organizes periodic appointments with telecommunications operators that are TP customers. The meetings offer an opportunity for contacts and integration of people collaborating in the field of inter-operator services. They aim at the improvement of relations with customers, promotion and collection of the information about products and services.

**Employees.** TP top management leads continuous dialogue with trade union organizations. By the end of 2005, 32% of TP employees were trade union members. Due to this cooperation, it has been possible to find compromise solutions for many potential problems. Since 2005, Operational Activity Information Meetings have been taking place during which a representative of the Management Board meets with the trade unions. The TP Management Board also discusses with unions' representatives issues connected with the remuneration policy for a given year, possible organizational changes and potential amendments to the Collective Labour Agreement.

To promote the development of relations between employees, the trade unions and the company, the Section of Social Dialogue was organized, which was later integrated into the Section of Collective Labour Relations. The TP Management Board also appointed a Representative for Contacts with Social and Trade Organisations.

**TP employees' interests are also independently represented by the representatives of Polish trade unions in the European Trade Committee at the France Telecom Group.**

**Investors.** Twice a year the TP Management Board meets the key shareholders in London, New York and Boston. Conferences and meetings with investors and analysts are held regularly in order to discuss company's results and strategy. In addition, twice a year the company scrutinizes the investors' opinion on key issues, taking obtained results into consideration when making important decisions. Apart from the traditional means of communication, investors have access to the IR Internet service: [www.tp-ir.pl](http://www.tp-ir.pl). The company received numerous awards and commendations for investor relations, including four from the prestigious *IR Magazine*:

- Award: Most Progress in Investor Relations 2003,
- Nomination: Best Investors Web Site 2003,
- Award: Best IR from a Polish Company 2004,
- Nomination: Best IR from a Polish Company 2005.

**Suppliers.** TP actively participates in the FT Group QREDIC program which includes the suppliers' assessment and meetings where these evaluations are summarized. The assessment concerns many aspects of the supplier's activities, including non-financial issues. The meetings aim at the improvement of the cooperation and the development of appropriate action plans.

**Natural Environment and Historic Heritage.** TP collaborates regularly with the Ministry of the Environment and with the Regional Environment Inspectors who supervise and control the company's activities in the area of the environmental protection. In 2004, TP voluntarily asked for an opinion on the company's fulfilment of the environmental regulations. The application was returned with a positive evaluation. Additionally, TP collaborates with regional Monument Conservation Officers during the excavations necessary for the infrastructural investments as well as the reparations and the restorations of historic buildings.

**The works undertaken by TP led to a discovery of a valuable Neolithic burial ground (5000-3000 B.C.) near Pacanów, and later objects of Roman origin (100-200 A.D.), confirming the contacts of the local population with the Roman Empire.**

**Communities.** TP has direct contacts with representatives of various communities that are not necessarily related to the business activity, but they demonstrate the company's involvement in many social projects. TP has developed a strategy of the company's own long-term social programs, as well as participation in socially important actions, especially in the area of health care and education for children and young people. The company has also implemented dialogue projects with local communities as a response to grassroots initiatives. In 2005, the TP Group Foundation was established to co-ordinate the above activities so that the best cooperation with the company's stakeholders is ensured.

### 3.6. TP and Socio-Economic Life

TP has declared taking on voluntary obligations resulting from the following agreements:

- „The Agreement to Develop An Information Society” – 2002, covers activities supporting education, the development of the infrastructure, the promotion of new technologies in the area of e-work and e-access to administration, culture and academic resources, as well as support for the process of integration with the EU (the TP Management Board President was the initiator of the agreement).
- „Pact in Support of the Development of Broadband Access to Services and Electronic Communication Networks in Poland” – 2004, covers activities aimed at increasing the access to broadband Internet, education concerning the Internet services, support for research centres (especially in the area of Internet security) and cooperation with public administration.
- „Global Compact” principles – the initiative of the UN Secretary-General from 1999, exhorting companies to adopt business responsibility.

**TP is a member of several dozens of national and international trade, business and social organizations.**

**In November 2005, TP became a Strategic Partner of the Responsible Business Forum. Since 2002, the Forum has been a national partner of CSR Europe – a network of organizations promoting the concept of responsible business in Europe.**

The TP Group exerts a significant influence on the economy. The company's revenues accounted for 1.9% of the Polish GDP in 2005. At the same time it did not receive any subsidies from the state budget. The TP Group is one of the biggest taxpayers in Poland. In 2005, it paid almost PLN 2.6 billion to the state budget (value added tax and corporate income tax), out of which PLN 2.1 billion was paid by Telekomunikacja Polska alone.

**Out of every PLN 100 paid to the state budget in 2005 as much as PLN 1.44 was paid by the TP Group. Similarly, out of every PLN 100 of the corporate income tax as much as PLN 3.20 was paid by the TP Group.**

**PLN 2.6 billion of taxes paid by the TP Group amounts to the total expenses of the state budget in 2005 on:**

- education (PLN 1.2 billion)
- culture and protection of national heritage (PLN 1.0 billion)
- physical education and sport (PLN 0.2 billion)
- public utilities and environmental protection (PLN 0.2 billion)

In independent rankings, TP is regarded as one of most innovative companies in Poland. It has made vital contributions to the country's research and development (R&D). In 2005, TP was the twelfth most innovative company in Poland (according to the ranking of „Gazeta Prawna”, Polish economic daily) and came first in the telecommunications sector. TP is also a leader in Poland in terms of expenses for R&D (almost PLN 55 million), and was one of only two Polish companies included in European rankings of companies investing in R&D activities. TP investments influence directly the attractiveness of particular regions. The presence of the modern telecommunications infrastructure is essential for the potential investors who otherwise would not be interested in the given area.

**TP allocated over PLN 20 billion for material investments in 2000-2005. A comparable amount of money would allow for the construction of 1,400 km of motorways.**



## 4. Social Aspects of TP Activity

### 4.1. Community

TP actively participates in the events that are important from the communities' point of view. Such actions have been included in the strategy of the TP Group. TP leads original, nation-wide social projects, including the *Telekomunikacja Polska for Children* project, launched in 2003. TP also takes part in many projects run by non-governmental organisations, supporting them financially and materially, as well as involving the company employees as volunteers. The total TP's donation budget spent in 2005 exceeded PLN 12 million.

In 2005, TP Group Foundation was established to coordinate the social activities undertaken by the companies of the TP Capital Group. Its main objectives include ensuring equal opportunities for education of children and young people as well as providing help in particularly sensitive social areas through the support of education, academic research, sports, health and social care.

The most important social projects of the TP Group include:

- *Telefon do Mamy* (Phone to Mum) – since 2003, TP has been installing user friendly colourful phones at paediatric wards in hospitals, easily accessible for children. Children can make calls free-of-charge using a special phone card “Telekomunikacja Polska for Children”. The company also presents hospitals with arts and crafts materials as well as organizes special events for children. Almost all of the paediatric wards in Poland participate in the program. The project has received many prestigious awards, including:
  - *Benefactor of the year 2004* Award in the category „Strategic Programs of Company's Social Involvement”, granted by the Academy for the Development of Philanthropy in Poland (2005),
  - *Korczak's Medal „The Child Is the Tomorrow”* for social activities for the benefit of children, granted by the Business Centre Club (2004),
  - *IPRA Golden World Award for Excellence in PR* in the category „Corporate Social Responsibility”, granted by the International Public Relations Association (2005),
  - *Golden Paper Clip* award for the best PR campaign in the category “Corporate PR”, granted by the Association of Public Relations Companies in Poland (2004).

**By the end of 2005, TP had already installed over 1,000 phones at children's hospitals. The company has donated 250 thousand free telephone cards worth more than 2 million PLN. These cards have been used by over 500,000 children, who have already spent over 8 million minutes talking to their parents.**

- *Internetowy uśmiech* (Internet smile) – TP installs at selected children's hospitals colourful kiosks with Internet access, adapted for use by little patients (including those in wheelchairs). The kiosks are not only technically safe, but they are also equipped with parental control of delivered content. A survey carried at the final stage of the pilot program among the hospital staff clearly confirmed the great usefulness of the program.

**TP plans to install another 100 Internet kiosks in children's hospitals in Poland in 2006.**

- *Szpital z Sercem* (Hospitals with Heart) – in 2003, TP, together with the „Gazeta Wyborcza” daily and „Dziecko” magazine, initiated a campaign for the improvement in children's treatment and the promotion of the „open wards” idea. Out of all 1 164 children's wards in Poland invited, 588 paediatric wards joined the campaign and accepted the Decalogue of Hospital with Heart, which guarantees the protection of little patients' and their parents' rights. The program was awarded by the International Public Relations Association the IPRA Golden World Award for Excellence in PR 2004, in the category „Corporate Social Responsibility”.

**During the Hospitals with Heart campaign TP donated over PLN 1.3 million for the renovation of one hundred children's wards. It accounted for as much as 10% of the total expenses allocated for hospital investments in the state budget.**

- Odnawiamy Nadzieję (We Restore Hope) – for the last two years TP has been participating in the We Restore Hope program and has donated over PLN 1 million to Centrum Zdrowia Dziecka (the largest children's hospital in Poland) for the redecoration of the playrooms, equipment for the computer room at the hospital school and for the renovation of the Chemotherapy Ward for Outpatients
- Wielka Orkiestra Świątecznej Pomocy (The Great Orchestra of Christmas Charity) – TP has been supporting the action from its start by donating one hundred golden telephone cards every year for the Grand Finale auction. The company also issues occasional phone cards and donates profits from special telephone lines.

**During the last eight years, TP golden telephone cards auctions brought over PLN 1 million revenue for rescuing children's lives and health.**

TP participates in many other campaigns carried out by various non-governmental organizations. In order to support important social activities, TP provides free-of-charge telephone lines for money collections (premium rate lines), as well as free information lines for the purposes of nation-wide campaigns for the benefit of children or information centres for regions affected by natural disasters.

TP takes an active part in the process of building the information society. It includes commercial activities (e.g. increasing the availability of the broadband infrastructure), as well as the non-commercial ones. The company realizes broad educational programs for children and young people promoting Internet skills:

- „Education with tp Internet” – in the 2004/2005 school year, educational institutions paid a symbolic subscription fee of PLN 1 for the best available Internet access. Currently, for the best available neostrada tp option they are paying reduced subscription fee equal to the price of the slowest option. The company has also offered a special option for students with no data transfer limits. Schools participating in the program have also received information materials describing possible applications of IT in education. The program has been run in cooperation with the Ministry of Education and Science and the Association of Polish Districts.

**By the end of 2005, over 3 million pupils were using broadband access to the Internet under the Education with tp Internet program. These students attended over 9,500 schools, 42% of them being located in rural communities. The program brought to the schools savings of over PLN 12 million in the 2004/2005 school year.**

- „Education with the tp Internet” program also included training for school teachers on the use of multimedia tools, which were organized in cooperation with the Warsaw School of Social Psychology. The schools participating in the program had an opportunity to apply for TP grants for computer hardware and software.
- The Year of Safe Internet – TP announced the 2005/2006 school year as the Year of Safe Internet. The company became the main partner of the nationwide campaign Child in the Web which is aimed at the improvement in the safety of children and young people using the Internet. Under the campaign meetings are organised with teachers and parents in order to increase the awareness of the problem and to present the methods of protecting the children against risks of the Internet. In September 2005, TP, together with Panda Software Polska, offered a free-of-charge e-security package to schools participating in the „education with tp Internet” program. The package contained, among other parts, „parental control” and safety lesson plans prepared by experts from the Nobody's Children Foundation.
- Ok!Internet Competition – in November 2005, under the auspices of the Ministry of Education and Science, TP organized a nationwide art competition for children and young people to promote the safe use of the Internet. The winners were announced in 2006. The authors of the best works received valuable prizes.
- Academy of First-Class Schools – since 2003 TP has been a partner of the campaign promoting modern education, organized by the Civil Education Centre under the patronage of „Gazeta Wyborcza” daily. Over 5,000 schools joined the action. In the years 2004 and 2005, they received from TP donations of PLN 200,000 for the implementation of „TP School Internet Projects”.
- Innovative Teacher – in December 2004, TP and Microsoft, with the cooperation of Pedagogical University in Krakow, launched their first original competition for teachers and students of pedagogical high schools. The competition's aim was to promote the use of multimedia tools, including the Internet, for the purpose of teaching computer sciences, as well as other school subjects.



- Computers for Children – a support program for schools from underdeveloped areas that receive used computer hardware from TP on a regular basis.

**In the last three years TP has donated over 2,000 computers to schools in undeveloped regions.**

TP employees participate actively in all charitable and educational programs. Until now over 500 of them have been involved as volunteers in various social actions. Since 2004, TP has organized a competition for the employees to present the best concepts for local voluntary programs to help children. The company provided necessary funding for the realization of several of the best projects.

**In 2003, TP employees received the prestigious commendation at the Volunteer Gala granted by the Volunteer Centre in the category of „corporate volunteerism“.**

TP has also supported numerous other educational projects, including:

- „Brain“ Educational Laboratory – TP co-organized an exhibition presenting the latest achievements in research on the human brain prepared by the Danish „Experimentarium“ Science Centre. The exhibition was presented from January to August 2005 in Warsaw's Palace of Culture and Science.
- Student Internships – TP offers various opportunities for work experience for graduate students. In 2005, almost 900 people participated in these programs. In 2005, TP was also the biggest sponsor for internships in the Grasz o Staż (Play for an Internship) program. For the last few years, the company has been perceived as one of the most desirable employers, occupying leading positions in numerous rankings, outpacing well-known international companies:
  - second position in the nationwide ranking Career with Employer 2005 (directly following PTK Centertel from the TP Group),
  - seventh position in the ranking of the most desirable employers in 2005 for engineers, conducted by the Data Bank About Engineers,
  - tenth position in the Employer of the Year competition organized by AIESEC (in the previous five years the company ranked first to fifth).
- Academy of Entrepreneurship – TP is the initiator and the patron of the educational project for the managers in small and medium businesses, providing education in management, marketing, technical consulting and application for EU grants for development projects. The project has been realized since 2003 in a form of interactive consulting and advisory workshops. By the end of 2005, over 3,000 entrepreneurs have benefited from the project. In January 2006, the Academy was taken under the patronage of Global Compact.
- Conversations About Good Business – in 2005, TP initiated a series of meetings concerning the issues of corporate social responsibility. The meetings are attended by the local entrepreneurs and government officials, non-governmental organizations and the media. They conferences are supported by the Responsible Business Forum and are also organised under the patronage of Global Compact.
- Economic Forum for Local Governments – seminars for local government officials, where TP holds a debate on investors' services and on the acquisition of the direct foreign investments. The first series took place in 14 towns with almost 600 participants.

Apart from charitable and educational actions, TP also sponsors sportsmen, both on national and local levels. The TP comprehensive approach to sports sponsorship includes help for children, young people and disabled competitors.

TP has been the Main Sponsor of the Polish National Football Team since 2002. The company, in cooperation with the Polish Football Association, organizes the biggest football games for future players in Poland – TP Marek Wielgus Football Cup for Children.

**In 2005, over 1,750 teams comprising 17,500 children took part in the TP Cup. TP Cup is organised under the patronage of the UEFA.**

For the last 12 years TP has also been supporting sports for disabled people as a strategic partner to Special Olympics Poland. This charity organizes trainings and sports competition in various Olympic sports for children and adults with mental disabilities in order to give them an opportunity to demonstrate courage, to enjoy them, and to improve their physical development.

Previously TP has also supported the preservation of the Polish cultural heritage. The company helped to finance the restoration work in the Museum of Łazienki Królewskie in Warsaw by donating over PLN 1.5 million. TP also co-financed the Wratislavia Cantans Festival, Teatr Stu – a theatre in Krakow, the Polish tour of the Comedie Francaise with the performance of Molière's „Don Juan”, and the educational program Kwadryga, for children and young people, prepared together with the National Opera Theatre. TP attaches a special significance to the restoration of historic buildings that are under the company's care.

**TP financial support allowed the restoration of the Museum of Łazienki Królewskie, the elevation of the Palace on Water, the building of Stara Pomarańczarnia, the paintings in the Theatre and Temple of Diana, as well as some elements of the Egyptian temple and the New Conservatory.**

In 2004, TP received the most prestigious title from the Ministry of Culture – Patron of Culture – for active sponsorship. The company also received numerous other prizes and commendations for activities in the area of culture, protection and restoration of historic heritage, including:

- commendation for the Kwadryga educational program for children,
- *Well-Maintained Historic Building AD 2004* award for the renovation of a fifteenth century tenement house in Sandomierz, owned by TP,
- nomination in the *Modernization 2004 Nationwide Open Competition*.

## 4.2. Responsibility for Products and Services

**Safety and Electromagnetic Field Emission.** Taking customers' health and safety into consideration, TP makes sure that all subscribers' terminals have passed appropriate safety tests. There is no possibility in TP for a device to be classified for a test without the CE logo. The terminals without correct symbols are rejected. The CE logo assures, among other things, the fulfilment of requirements concerning field emission levels.

TP undertakes all necessary activities in order to ensure that the permissible levels of the non-ionising electromagnetic radiation emitted by the base stations remains in compliance with legal regulations. It refers also to any newly planned objects or extensions. The level of electromagnetic radiation around the base stations is obligatorily checked by independent institutions.

**The International Commission on Non-Ionising Radiation Protection requirements regarding the permissible level of the radio waves emission by base stations (recommended also by the EU) are less strict than Polish regulations. TP's infrastructure radiation levels are strictly and regularly checked and they fulfil all the necessary Polish regulations requirements.**

**Telecommunications Expenses Control.** Apart from offering a number of outgoing call barring options, the company employs a particularly important tool protecting customers against uncontrolled increase of unexpectedly high bills, i.e. a system of the phone traffic monitoring, which picks anomalies out and informs the customers about them (Early Warning System). Due to this system, it is possible to notice an alarming increase in the number or value of connections, and to warn the customer as well as to help to find a proper solution to the problem.

**Internet Safety.** A special Abuse Team operates in the company with the task of dealing with web abuse. Each notification is registered. A detailed log system has been implemented, which allows for clear identification of a particular user through the access and billing systems. In 2003, TP offered free anti-dialer software to prevent the activity of dialers that have been unwittingly installed by customers on their computers and which then redirect the Internet connections to premium rate phone numbers. The software was created by a group of young Polish computer specialists, selected in a competition organized by TP. The company also introduced the Ethics Code for the audiotext service providers collaborating with TP.

TP commercial offer contains a comprehensive e-security package. The package functions depend on the selected option and may include anti-virus protection, detection of unknown viruses and worms, firewalls, anti-spyware, spam protection, protection against dialers, and filtering contents of web pages and parental control.

**Bill Payment Safety.** TP encourages its customers to use the safest form of payment, i.e. direct debit. With other Polish telecommunications operators, TP has formed a Coalition in Favour of Direct Debit in order to promote and facilitate the development of this payment method. To those customers who prefer direct cash payments, e.g. at a supermarket during shopping, TP recommends payments through reputable networks like VIA and PayTel which, in the company's opinion, guarantee that the payment will be transferred fast and safely to the TP account. Customers can also make safe payments via banks and post offices.

**Account Balance Information.** TP's aim is to deliver all information to customers in a clear and efficient manner. The current account balance data are available on the invoices and at the customer support line (błękitna linia tp 9393). There is ongoing work at making the invoices even more user-friendly.

**The Disabled.** TP puts special emphasis on the service for the disabled and offers them a 50% discount on the subscription in selected rate plans, and a 50% discount on the payment for the fixed line connection to the network. TP markets telephone sets with big, convenient keys with clear inscriptions, with a convex key for the number "5" (useful for the blind), with a legible display or an inductive loop. Specially marked public phones have also been adapted to the needs of this customer group. TP has been adapting its sales outlets to make them user-friendly for the disabled.

**Blind and visually impaired customers may receive the invoices printed in Braille, with an enlarged font or in an electronic form.**

#### 4.3. Privacy Protection

TP manages customers' personal data in accordance with the Polish law. A Coordinator for the Protection of Personal Data has been appointed to cooperate with the Inspector General for the Protection of Personal Data. Moreover, the Coordinator establishes uniform policies of personal data protection, supervises their implementation, carries out appropriate inspections, and organizes training. People have the right to control the processing of their personal data. In 2005, new regulations of personal data safety were introduced in TP. Each customer has the right to protect his/her privacy, e.g. to have selected in-coming calls blocked, to prevent the identification of his/her own number, to have a private listing of his/her phone number, and to decline to receive advertising offers from TP.

#### 4.4. Human Rights and Ethics

TP determined unambiguously the most important issues pertaining to human rights, ethics and integrity in the company and expressed it in the TP Ethics Code accepted by the Management Board in April, 2005. The code conforms to the principles and ethical models binding in the entire France Telecom Group. Most of the TP employees were involved in the creation of this code. It establishes organizational units responsible for countering unethical behaviours and the system of reporting irregularities, fraud and abuse. These activities should significantly reduce the risk of unethical misbehaviour.

TP actively participates in the QREDIC program (common to the whole FT Group) for supplier evaluation. The program is a part of the Top Sourcing project. One of the criteria is respecting the ethical and environmental principles, including human rights and the special protection of children's rights. A negative evaluation of the observance of environmental and ethical standards disqualifies the supplier. The global contracts contain an „ethical and environmental clause”. This clause contains the supplier's obligations to respect ethical and environmental protection principles.

As for local Polish suppliers, they are asked to fill in the Social Responsibility and Balanced Development questionnaire, and to put the ethical clause into the contract.

TP Ethics Code also contains general rules for relations with the suppliers and the customers. There are strict regulations for every stage of purchases, ensuring equal conditions and protection of commercial information. Purchase approval procedures are multi-staged, and the whole process is monitored and reported on. A system of the eProcurement class was implemented in TP, which includes central support for the electronic circulation of documents concerning all kinds of purchases and the distribution of goods throughout the TP sales network. This process allows for significant savings and minimizes the risk of corruption.

TP is a member of the Polish Chamber of Information Technology and Telecommunications, Lewiatan – the Polish Confederation of Private Employers, and the European Telecommunications Network Operators' Association. Through these bodies, the company gives the opinion on proposed legislative solutions.

**Ethical principles adopted by TP assume full political neutrality of the TP Group.**



## 4.5. Employment

Well trained personnel is the key resource of the company, determining its competitive advantage, therefore TP invests into employees' development and builds long-term relations with them, which is reflected in a large number of permanent full-time employees.

**In 2003, TP received the commendation at the Leader in Human Resources Management competition organized under the patronage of the President of the Republic of Poland.**

	31.12.2005	31.12.2004	31.12.2003
<b>Employment in TP (full-time equivalents), including:</b>	<b>27 590</b>	<b>30 456</b>	<b>36 171</b>
– permanent contracts of employment	27 049	29 648	35 562
– temporary contracts of employment	541	808	609
<b>Employment by work time:</b>	<b>27 633</b>	<b>30 493</b>	<b>36 211</b>
– full-time	27 530	30 410	36 115
– part-time	103	83	96

The company carried out the restructuring that inevitably led to employment optimization, i.e. reduction of employment, which has been done mainly on the basis of employees' voluntary resignations. Moreover, the company attempted to reduce the consequences of layoffs by offering material and non-material support. The amount of additional compensation for the voluntary resignations, other than the amount determined by the Collective Labour Agreement, was negotiated with the trade unions. Apart from the financial protection, TP offered the laid off employees other forms of support (training, evaluation of competence, help in contacts with the State Labour Offices).

In the process of restructuring, the TP Group makes every possible effort to move the affected employees to another position within the company. The new position is based on the competence profile for the given role. Detailed procedures have been developed to strengthen the internal job market by facilitating the employees professional development, helping them to manage career paths and competences, change a profession or even a place of residence. These principles are contained in the Professional Mobility Program that aims at optimal use of the employees' potential. In 2005, almost 3 900 employees changed their job with the help of the Program (as compared to less than 600 in 2004).

The company offers employees a number of rights resulting from the decisions of the Collective Labour Agreement. The Agreement covers 98% of the employees (excluding top managers). Moreover, TP employees can benefit from the Pension Plan, mortgages, financial help for education in high schools or foreign languages courses, etc.

In 2004, TP organized 131, 000 man-days of training which amounted to 4.55 days of training per employee. E-learning trainings accounted for 75, 000 man-days or 57% of all the training.

**TP offers its employees nearly 700 e-learning training programs from diverse areas.**

„The Effective Manager” program for line managers aims at the management competence development and sets standards in the field of management in TP. In 2005, 598 managers were trained in the framework of this program. „Talent Review” is another important program for finding people with managerial talents in TP, and for investing in the development of their skills.

TP holds to the principle of equal opportunities. A good example of such principle is the elimination of potential discrimination against women who account for almost half of all the TP employees:

Total employees (full-time equivalents)			
	Men	Women	% of women
31 December, 2003	18 846	17 325	47.9%
31 December, 2004	16 051	14 405	47.3%
31 December, 2005	14 826	12 764	46.3%

There is also the Occupational Health and Safety Commission operating in TP, which is an advisory body for the employer. The commission periodically evaluates the occupational health and safety conditions and formulates conclusions for improvement. The organisational and technological developments have led to the situation where there has been no occurrence of job-related illnesses. TP does not employ people in harmful conditions. The density of electromagnetic fields emitted by TP devices is constantly measured and never exceeds permissible levels. The employees supervising the network and power units, and those working at heights, have received appropriate training and have additional qualifications allowing them to perform such works.

**TP aims to guarantee good working conditions in terms of occupational health and safety. In 2005, the incidence of job-related accidents in TP was almost twice lower than the average in Poland. There were no fatal accidents.**



## 5. TP Activities and the Environment

TP operations do not involve any activities that threaten rare or non-renewable natural resources or environmental diversity. This was confirmed by independent audits carried out in 2002 and 2003. Due to strict and regular infrastructure tests as well as emission monitoring and training, TP reduced the majority of environmental influence indicators.

### Consumption of materials, water and energy

	unit	Estimated quantity in 2005
paper [EN1]	tonne	1240,57
water [EN5]	m <sup>3</sup>	760 874,36
electric energy [EN3]	MWh	399 906,70

### The estimated direct and indirect CO<sub>2</sub> emission resulting from the TP activity [EN8]

Source of the emission	unit	Estimated quantity in 2005
oil consumption	kg	9 725 184,0
gas consumption	kg	9 156 113,0
coal consumption	kg	672,0
remaining fuels consumption	kg	705,8
<b>total fuel consumption</b>	<b>kg</b>	<b>18 882 674,8</b>
<b>production of the electric energy purchased by the company</b>	<b>kg</b>	<b>1 599 626,80</b>
vehicles – unleaded petrol	kg	15 813 620,1
vehicles – leaded petrol	kg	0,0
vehicles – diesel oil	kg	2 299 687,2
vehicles – LPG	kg	5 127,0
<b>total vehicles</b>	<b>kg</b>	<b>18 118 434,3</b>
<b>total CO<sub>2</sub> emission</b>	<b>kg</b>	<b>38 600 735,9</b>

### Waste [EN11]

Waste	unit	Estimated quantity in 2005
weight of product packaging consumed for sale and distribution	tonne	13.72
wooden poles – withdrawn from operation	tonne	609.8
copper cables – withdrawn from operation	tonne	642.43
batteries above 3 kg – withdrawn from operation	tonne	41.46
toners	tonne	13.00
dangerous substances	tonne	49.11
other waste (safe)	tonne	2095.78

**TP cooperates only with those waste collectors who take full responsibility for and are able to document each and every step of the waste disposal process until its final utilization or neutralization.**

Because of the preservatives (petroleum compounds) used for their maintenance, the wooden poles are regarded as dangerous waste. They are successively utilized by a specialized company. In the last year, 30.2% of poles withdrawn from use were utilized. The rest were stored, waiting for utilization.

The copper cables withdrawn from use are sold at special coloured metal collection points. The cables with insulation that could be harmful for the environment are taken to special utilization plants. Nevertheless, 100% of the copper is recycled.

Similarly, 100% of batteries are utilized by special companies. TP contracts with parties delivering batteries require the latter to collect and neutralise used batteries under maintenance works. The same principle applies to all printer and copier toners, of which 100% are utilized.

**In 2005, there were no breaches of the environmental protection rules in TP. Similarly, there were no financial sanctions imposed on TP for issues related to environmental protection.**





↑ [www.tp.pl](http://www.tp.pl)  
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