



Vipnet – 2011 Communication on Progress

1. Introduction

The previous period was quite dynamic for the entire telecommunications market. In spite of this, Vipnet continued with the development and expansion of operations through investments, a clear focus on the Digital Agenda, as well as activities that contribute to the development of society through a caring and quality relationship with the community.

We are battling recession with positive examples and inspirational ideas, taking on an even stronger investment boost. An example of this is the new technology and office building as part of the Vipnet campus at Žitnjak, which also represents the symbolic completion of the business transformation of the company from an exclusively mobile operator into a comprehensive telecommunications and television services company. This transformation began with the acquisition of B.net in 2011, the largest acquisition on the Croatian telecommunications market, while the new facilities built at Žitnjak are completely adapted to the needs of Vipnet employees. The furnishing and equipping of the facilities significantly stand apart from the stereotypical office and represent the most modern work environment that encourages creativity and offers a pleasant work environment.

Last year, we presented LTE technology, which expands the possibilities of mobile communication in rural areas. LTE technology provides customers with data transfer speeds and quality that are improved manifold, as well as the possibility of numerous multimedia services and use of demanding applications on the screens of mobile devices. With the



implementation of innovative technologies, Vipnet is contributing to the faster development of the Croatian economy and is demonstrating that the achievement of the objectives of the EU Digital Agenda for Croatia will be easier than was initially anticipated.

Through its operations, Vipnet has been providing additional significance to environmental protection from the very beginning, which was also recognized globally, and in 2012 we received two respectful international awards, Global Telecom Business Award in Energy Innovation category and World Communication Award in the Green award category, for the implementation of green technologies. Renewable sources of energy and systems with zero emissions of harmful gas are an important component of sustainable development in our industry as well. In cooperation with Končar, we introduced an excellent example of energy efficiency by means of the first hybrid system of base stations powered by fuel cells. This project, completely developed and implemented in Croatia, is the best evidence that our economy can offer innovative and advanced solutions.

Wanting to fully make use of the sources of energy that we receive from the environment, we also set up solar panels above our parking spaces within our business complex. Our new building at Žitnjak received a B rating as an extremely energy efficient building in the energy certification process, making Vipnet one of the rare companies in Croatia that has, in addition to primary, secondary aggregates as well.

Furthermore, we are trying to encourage our customers to think ecologically, so besides repurchasing functional devices, we are also offering a program of recycling non-functional devices, as well as E-račun (E-invoice) services, that is, paperless invoicing.

Vipnet has been a partner of the Croatian Mine Action Center for 11 years, and with its 10 million kuna donations it has cleared of mines nearly one and a half million square meters of Croatia. Vipnet employees themselves are also involved in the environmental protection



activities, spending one working days during the year in cleaning nature parks and forests, while Vip divers clean the rivers and sea.

Thanks to excellent practices concerning the management of employees and continuous advancements that follow changes in the organization and on the market, for years Vipnet has been the first on the list of Top 5 Employer Partners.

With this report, we would like to show our daily commitment, responsibility and ethical behavior in relation to our employees, customers and society, therefore, this document should not only serve as a report on what has been achieved, but also as an indicator of Vipnet's full commitment to the principles of corporate social responsibility.

A handwritten signature in black ink, appearing to read 'M. Pejković', written in a cursive style.

Mladen Pejković

CEO



Vipnet was the first private mobile operator in Croatia. In September 1998, Vipnet was granted concession for the second GSM network in Croatia and started its commercial operations on July 1st, 1999. At the time when Vipnet entered the market, the penetration rate in Croatia represented just 4.6%, while it reached 117.5 % by the end of 2011. By entering the Croatian telecommunications market, Vipnet introduced competition into mobile telephony. Prices were cut down by half and the quality of services was raised to the highest possible level. Due to its great success compared with the existing operator, Vipnet is known for having the best market entrance of a second GSM operator in Europe ever.

Vipnet is owned by Telekom Austria Group, which is consisted of A1 Telekom Austria (Austria), Vipnet (Croatia), Si.mobil (Slovenia), mobilkom liechtenstein (Lichtenstein), Mobiltel (Bulgaria), Vip mobile (Serbia), Vip operator (Mecedonia) i Velcom (Belarus). At the beginning of 2003, Telekom Austria Group and Vodafone signed the exclusive partnership agreement "Best of two worlds", based on partnership concept according to which both groups remain independent, but offer joint services to their customers. Today, Vipnet is the leading innovator on the telecommunications market. The company was first to offer GPRS, EDGE, UMTS, HSDPA and HSPA+, as well as Dual Carrier technologies.

In 2011, Vipnet invested EUR 50.5 million in new technologies and coverage in order to enable the highest quality of service to its customers and keep the status of the leading innovator in the telecommunications sector. The company which currently employs 1.001 people, additionally invested 93 million euro in acquiring B.net, raising the total amount of investments in 2011 to 143.5 million euro. Vipnet extended its offer with fixed telephony and ADSL, ensuring maximum speed of data transfer and tariffs according to customers' needs. Vipnet is now able to offer full portfolio of telecommunication and TV services to private and business customers. With the acquisition of B.net, Vipnet additionally strengthened its position of the leading innovator which is ready to meet all market demands in the segments of broadband, TV and multimedia.

At the end of 2011, Vipnet served 2.018 million customers. In relation to 2010, the number of customers slightly dropped by 0.5 percent, mostly due to deactivation of prepaid cards bought during the tourist season. At the end of May 2011, Vipnet started to count only SIM



cards which generated activity in the past 90 days. Focus on the postpaid segment resulted with strong growth of 8.5 percent, while the prepaid segment decreased by 5.3 percent in relation to 2010.

In extremely difficult economic conditions with continued recession and fall in purchasing power, as well as negative regulatory and fiscal measures in the sector, Vipnet in 2011 achieved EUR 420.7 million in revenues, which is 6.9 percent lower compared to 2010 due to additional benefits for customers and lower prices, a decrease in roaming prices, as well as price regulation for call termination in the mobile network. Thanks to the completion of the B.net acquisition in Q3 2011, revenues from fixed telephony amounted to EUR 19.5 million at the end of 2011, mainly from fixed broadband and television services. The annual EBITDA result was additionally burdened with the employee redundancy program in mid-2011, however, it was alleviated with strict cost control, and EBITDA at the end of 2011 amounted to EUR 134.5 million, 10.6 percent less than in 2010. EBIT in 2011 was 18 percent lower compared to 2010, and amounted to EUR 67.9 million.

In June 2011 Vipnet received Global Telecom Business Award in the category of innovative services for its Vip Boat Surveillance service, which confirmed its leading status on the Croatian market. Additionally, Vipnet received Employer Partner Certificate for the sixth year in a row, as recognition of excellence in human resources through partnership relations between employer and employees.

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2. Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

During the reporting period, Vipnet has increased the percentage of employees who were included in performance and development reviews. In 2010, there were 90.2 percent of employees included in the program, while in 2011 this percentage was increased to 96.5 percent.

During 2011, Vipnet has established development@vipnet initiative, an educational system which includes following programs:

- **Competency Development** – trainings for all employees related to Vipnet’s key competency development
- **Leadership Development** – managerial skills trainings for managers (all employees with people responsibility)
- **Project Management** - program dedicated to member of PM pool (Project Managers and Project members)
- **Team Development** – tailored made external and internal training for specific team or a group
- **Talent Development** - Comprehensive education programs for members of talent pool (including mentoring/coaching, on the job assignments as well as targeted programs for developing functional knowledge and leadership and soft skills).



In 2011, Vipnet launched 3 new talent development programs in two year cycle;

- **GURU** - key expert program, as a development and retention tool for key experts within the company
- **LEAD** - potentials pool for managerial positions
- **JUMP** - development program for managers with vertical (possible cross functional) and horizontal or vertical (within functional area) development potential.

Table 1: Workforce structure; ratio of male and female employees (non-discrimination)

Vipnet; Total workforce 2011	Female	446
	Male	555
	Full time employees	989
	Part time employees	12
	Permanent contracts	955
	Temporary contracts	46

Vipnet offers equal possibilities of employment and promotions in career which attracts the best employees on the market. Salaries are determined based on level of employment and irrespective of gender.

All Vipnet employees have salaries higher than the minimum wage in the Republic of Croatia which amounts to HRK 2,814.00. In comparison to 2010, when Vipnet's entry level wage amounted HRK 5,000.00 and therefore was by 77.68 percent higher than the local minimum wage, in next two years Vipnet's entry level wage amounted HRK 4,500.00 and was by 59.91 percent higher than the local minimum wage.

Education and benefits for employees



Employees are trained through e-learning system, and there is a practical training on the spot as well as evaluation. There are three types of occupational health learning system (occupational safety, fire protection and EMF). Moreover, all employees can access information on the intranet about occupational safety, advices, guidelines, instructions and regulations associated with this area.

Employees that work in special working conditions (such as employees who climb to a height greater than three meters, but also all those who climb to that height) are obligated to periodically renew occupational safety courses.

Vipnet employs 150 people trained in first aid (including regional offices and stores). More than one third of employees are working in Vipnet stores out of which two to three people are in each. In Zagreb, 34 employees are also field-working staff.

Vipnet offers numerous benefits to its employees which ensure added value to their jobs and contribute to their work-life balance.

In both 2011, Vipnet was awarded the Employer-Partner Certificate (certificate of Excellence in Human Resource Management) for the sixth year in a row. Vipnet was also the only company to obtain the highest score in the certification process for two years in a row. With this recognition, Vipnet, once again, confirmed its status as most desirable employer, continuously raising the standards on the Croatian labor market in terms of working conditions and benefits for employees.

Furthermore, Vipnet has Development programs as exchange program and job shadowing in order to ensure broader professional experience within the group and company. There are Functional internal and external trainings for specific functional development in different areas. During 2011, we continued with development of internal functional Academies: Marketing, Sales and Financial.

Also, in 2011 certification process for Customer Service and Sales personnel has started – this process enables better planning and realization of trainings/educations for employees in direct contact with customers.



In the company's training catalogue employees could find foreign languages and IT basic courses. Every employee can take 10 working days per year for education. In some cases employees could be financial supported through their bonuses (e.g. for MBA). Retirement planning also exists in Vipnet as well as severance pay – the amount depends of employees working years. There was never need for assistance in career ending for Vipnet's employees.

Table 2: Benefits for employees

Benefits for employees	
Benefits	Description
Specific functional and more long term training programs	Specific functional trainings are available only to full time employees
Additional health insurance	Yearly health checkups for members of pension fund (offered to all employees)
Closed pension fund (AZ VIP fond)	Once a year subsidy for members of pension fund (offered to all employees)
Bonus	Bonus system according to competence level and accomplished goals
Christmas bonus	Offered to all employees
Top performer program	Reward system for top performing employees, all employees are eligible
Special mobile tariffs for employees	For all employees
Private kindergarten in company area	For all employees
Gym and fitness center	Subsidized cost for gym & fitness for all employees
Better conditions for employee loans	Lower interest rates on credits from banks for all employees (banks are



	differentiating permanent/temporary employment)
Mobile phones	Every two years each employee gets a mobile phone according to his level in company (irrelevant of permanent/temporary employment)
Company car	For key positions (irrelevant of temporary/permanent employment)
Jubilee award, 10 years	For employees on permanent contract
Payment for baby born	For all employees
Payment for death of close family member	For all employees
Payment for sick leave longer than 90 days	For all employees
Paid leave for education	For all employees going to obtain graduate or postgraduate degree, related to their area of expertise in the company

Freedom of association

In order to protect and promote economic and social interest of employees, a Union operates within a company and it has 145 members. Also, employee representatives are positioned to regularly exchange employees' opinions with the management.

Internal communication is organized via intranet, official emails, management roadshows, internal events on the level of departments or company, internal newsletters and emails by management. Internal Communications within Corporate Communications department is



usually used as a communication channel top down and vice versa, respecting open and honest communication and encouraging it through all company.

In Vipnet there is no special procedure or policy in terms of giving advantage to employment of Croatian people. Employment criteria depend entirely on the workplace and/or the requirements of a particular position and qualifications of the candidates, regardless of whether they come to leadership positions or not. As a part of an international company, Vipnet encourages diversity and exchange programs that provide our experts and managers with opportunities for international development and career advancement. At the same time, the company is hosts employees from other operating companies.

During 2011 and 2012, 8.6% of the senior management (Board members, directors of business units and department heads) were foreign employees, which is a lower percentage than in 2009 and 2010 when the share was 17.6 percent.

Complaints filing procedure

Filing complaints is regulated by the Consumer Protection Act, the Electronic Communications Act and Vipnet Terms and Conditions. The customer has the right to file a complaint in connection with the provision of services, an objection to the amount charged for the service provided, the complaint about the quality of the service provided, the objection to the product purchased and the complaint for violation of the provisions of the contract. The user can submit a complaint within 30 days of issuing the invoice, purchase of products or services. Vipnet is obliged respond to the customer complaint within 15 days. After receiving the response, the customer, if not satisfied, has the right to file a complaint with the Commission for Consumer Protection, in which a representative of the Consumer Association is also present. Commission as appellate authority, is required to respond to the customer within 30 days of receiving the complaint. In case the customer is dissatisfied with the decision of the Commission, he or she may file a complaint to HAKOM (Croatian Post and Electronic Communications Agency) within 30 days. HAKOM has a deadline of four months to reply. Complaints in the first instance are dealt with by Complaints department, and in the second stage the Committee constituted of three members (two members from



Vipnet and one from consumer associations). Complaints are recorded and Vipnet submits those records to HAKOM every quartile. At each received a complaint relating to the service provided, the quality of the service, the product purchased, delivered invoices for services rendered or objection to disregard its contractual obligations, we are obliged to respond, otherwise we are obliged to pay a penalty of 10.000 to 100.000 kuna for a legal entity, and 10.000 to 15.000 kuna the responsible person.

Responsible procurement

Vipnet procurement guidelines and strategy is in place and continuously monitors the procurement process. Vipnet's procurement guidelines respect environmental criteria, ILO standards and criteria of financial stability, reliability, technological innovation and quality.

Procurement strategy respects environmental and safety requirements, prescribed by the law and takes into account the company's image and Group preservation, reputational risk and risks of new technologies. Percentage of regional and national suppliers is 65 percent.

In addition to maintaining financial stability, compliance with the Ethical Code of Conduct is set up as the highest challenge and risk in this area. During 2011, goals in terms of responsible procurement were realized. Besides the purchase of new company cars with lower carbon emissions and lower fuel consumption, eco-friendly bags with company logo were purchased while products packaging was made according to the environmental and health regulations.

Internal guidelines

- By establishing a compliance system in 2011, Vipnet adopted a new Code of Ethics and several important guidelines. Code of Ethics is the main document of the compliance system and also a significant element of our corporate culture. It contains procedures which enable all Vipnet employees to contribute to the compliance goals by their behavior and attitude towards



business. Code of Ethics contains the most important details and rules for our managers and employees.

- The rules contained in the Code of Ethics are being developed in more details through specifications of certain questions that are being the issue of our compliance guidelines. The goal of these Guidelines is to ensure that legal regulations regarding prevention of corruption are being respected and that their violation would be sanctioned, regardless of the position or the function of person. This is how any financial or reputational damage for the Board, employees or any Telekom Austria Group company is to be prevented.
- Corruption Prevention Guidelines are an addition to Group Guidelines and they are divided in three segments: gifts and events invitations, consulting and lobbying, and sponsorships, donations and advertising. These documents have detailed rules set for each segment.

Main challenges and risks were to carry out the whole process of restructuring from defining to implementation. As a result of this process, Vipnet has downsized and the number of employees decreased by 10 percent. In this process the company was determined to act socially responsible with fair severance packages and outplacement programs for employees leaving.

Goals for 2012

Vipnet has designed and implemented development and retention tool to ensure systematical, transparent career development and talent/potential management of our employees.

- Retain key people on key positions in the company through our talent development programs
- Deal with low performance, support and develop those who are not delivering set goals and do not meet company expectations and standards



- Acquire a pool of high level experts for key positions (within or out of Vipnet)

3. Labor practices

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Development of employees

For the sixth year in a row, Vipnet received Employer Partner Certificate as an acknowledgment for excellence in human resources management through partnership relations among employer and employees. Furthermore, Vipnet is the only company which kept the highest result in the process of certification two years in a row. One of the evaluated categories was employees' development.

For 2011, Vipnet had three goals in this area:

- Develop and implement business development programs for key stakeholders
- Promote and support talent programs on the Group level: Top talents, HIPO's, GYPP
- Introduce knowledge and experience sharing within Vipnet and TAG

In 2011, in the field of work force development, Vipnet started three programs which are specially emphasized as its most important projects in this area:

- Influential leaders for tomorrow – obligatory leadership program for new managers. In 2011, two groups of employees were included and expressed high satisfaction with the program. This feedback suggests good results were accomplished in the managerial skills development.



- Functional academies – (Marketing, Sales, Finance) – very good response among employees, interest for continuation of this practice
- Exchange program – high exchange ratio, high satisfaction level with this development tool

According to the annual employees' satisfaction survey, there is a satisfaction drop of 0.05 points marked on the level of 5 points. The category "Being a part of organization" was evaluated poorly mostly due to the restructuring process in the company. On the other hand, better trend was noticed in the categories of leadership, internal communication and attitude towards quality.

Furthermore, CSR team buildings initiated in 2010 have continued in 2011. Around 600 employees were involved in one-day CSR activities – cleaning of nature parks in Croatia.

Table 3: Employment, the number and rate of employee turnover by age, gender, and region

		2010	2011
Number of employees	Female	513	446
	Male	622	555
	Full time employees	1130	989
	Part time employees	5	12
	Permanent contracts	1074	955
	Temporary contracts	61	46
Employees' age	20-29	214	114
	30-39	719	617
	40-49	162	233
	50-	40	37



Number of employees by region	Zagreb	964	841
	Rijeka	56	51
	Split	75	70
	Osijek	40	39

Table 4: Number of employees which are no longer working in Vipnet (Jan 1 – Dec 31, 2011)

Number of employees which are no longer working in Vipnet (Jan 1 – Dec 31, 2011)		2010	2011	
		76	Change (102)	Restructuring (102)
Number of employees by age	20-29	28	31	3
	30-39	33	55	56
	40-49	13	14	28
	50-	2	2	15
Number of employees by gender	Female	36	54	53
	Male	40	48	49
Number of employees by region	Zagreb	72	92	91
	Rijeka		1	5
	Split	3	7	4
	Osijek	1	2	2
Employee turnover rate		6,7%	11,3%	20,4%

Table 5: Diversity and equal opportunities; structure by gender, age, minority group, the ratio of wages between men and women by employee category

Employee category	age	2010		2011	
		M	F	M	F
Senior management	20				



	30	11	7	4	9
	40	8	2	9	3
	50	2	0	2	1
Middle management	20	2			
	30	24	25	20	15
	40	12	12	21	8
	50	3	1		
Line management	20	2	3	2	1
	30	50	30	11	11
	40	17	8	10	8
	50	3	1	1	
Employees (people without responsibility)	20	107	100	58	53
	30	302	270	294	253
	40	58	44	97	77
	50	20	10	26	7
Total		621	513	555	446

In 2010, there were 650 employees in Vipnet with high school degree and 553 with university degree. In 2011, the ratio of employees with university degree was higher (553) than the ratio of employees with high school degree (448).

During 2011, there were no discrimination reports.

In 2011, there were 9 work injuries, which makes a total work injuries ratio of 0.8 percent and due to which 371 working days were lost. In the same period, total of 40 employees were on maternal leave (39 women and one man).

During 2011, Vipnet continued to offer targeted and specific education, such as leadership development program and talent development. Vipnet especially encouraged programs for team development with emphasis on further development of departments. Furthermore, Vipnet continued with one-year in-house program for new managers, with the goal of



nurturing managerial skills, and with Marketing Academy program, with emphasis on functional capabilities for marketing experts.

In 2010, the number of average hours spent on education per employee was 26.1, while in 2011 that number amounted to 14.41 hours.

Besides joint trainings and workshops, Vipnet has an e-learning education system, which became an irreplaceable tool in knowledge management, especially for Customer Service and Sales. E-learning is being used within the company, for skills development, functional trainings and topics related to internal policies, safety of processes and workplace safety.

All managers were offered to take a special leadership program, and during 2011 all of them attended a management workshop.

Table 6: Employee education

Employee category	Average days of training per employee		Average hours of training per employee	
	2010	2011	2010	2011
Senior management	3,52	0,6	28,2	4,83
Middle management	4,97	2,93	31,8	23,45
Line management	2,2	3,78	17,5	30,25
Employees (people without responsibility)	3,7	1,6	29,5	12,79

Performance management

All employees participate in the process of performance management, which is set up with clear and transparent rules set by the Management. During 2011, 96.5 percent of all employees participated in the MbO – Management by Objectives system, during which their performance was being monitored and evaluated by managers twice a year. Successful



completion of the set goals resulted with bonus payments, in accordance with existing rules and company's business results.

Evaluation of individual development is a part of the performance management program for all employees. Individual development plans can be defined for all employees in accordance with their basic and functional capabilities. Furthermore, individual development plans are obligatory for all managerial positions. Measuring managers' leadership competencies or *360° feedback*, is closely linked to individual development plans for managers. During 2011, Vipnet introduced *270° feedback* for experts. Within this evaluation, experts receive information on how their supervisors view their capabilities and it offers valuable data for development planning.

Moreover, with the goal to improve excellent performance, and with assistance of existing tools for work performance management, differentiation of top performers was encouraged. Generally, Vipnet continued with improvement of employees' knowledge on brand values as a basis for offering the highest quality service to Vipnet customers.

The biggest challenge in this area was to create a career development program which will be adequate in the sense of development of further plans and specific development needs, for different groups.

Vipnet has proscribed working standards (working hours, paycheck) which are the same for all employees. Having in mind the diversity of employees, Vipnet is investing significant efforts in their work-life balance. Besides corporate kindergarten within the corporate premises intended for children of Vipnet employees, employees also have special wellness and fitness spaces. Besides that, Vipnet is encouraging its employees to arrive to work by bicycle. Also, Vipnet encourages diversity within its employees and their interests by offering them different benefits – discounts for tickets to theater, concerts or different products and services. Within Vipnet sponsorship activities, employees are being involved in different culture events, as well as in music and movie festivals.

Goals for 2012



- Keeping the key employees and their further business development through different business development programs for specific groups.
- Functional academy – continuation with existing and launch of new program – Human resources management academy
- Team development – additional promotion and implementation of special workshop dedicated to specific needs of team development
- Individual development plans – continue with practices of individual development plans, not just for managerial positions, better compliance with 270° and 360° feedback programs
- Exchange program – introduce knowledge exchange on the international level

4. Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Environment protection is organized within the Legal Department, and the company implemented guidelines for its conduction. Guidelines on separated waste collection and delivery to authorized companies are proscribed and published on the intranet.

Vipnet implemented EMAS environment management system, regularly monitors Croatian legal framework in the segment of environment protection and reports to authorized institutions.

The company is increasing energy savings in administrative buildings and stores by installation of energy saving devices and LED lightning systems.



Energy is also saved by server virtualization, freecooling systems, hotspot suctioning and efficient management of energy for base stations.

Vipnet is decreasing its impact on the environment also by using cars with lower gas consumption, and organizing videoconferences instead of travelling. All cars are leased.

All technical equipment and office furniture in used as long as possible, while unsuitable furniture from Vip centers is donated for charity.

Table 7: Management approach data (materials, energy, water, waste, emissions, products and services, adherence to laws, travel, general)

Material (tons)	2011.
Paper	93,62
Wood	28,13
Foil	0,47

Table 8: Direct and indirect energy consumption

Resources consumption	2011.
Electricity (kWh)	43.484.062
Gas (m3)	5.400,000
Steam for central heating (t)	5.291,24
Water (m3)	50.068
Fuel	402.870

Employees are included in communication about environment protection through informative campaigns, intranet news and various activities.

Using renewable energy sources

Vipnet uses renewable energy sources – 30 kW photovoltaic power plant in the main building for internal use. Renewable sources are used for powering base stations. Out of 63 base stations, 15 are powered by solar and wind energy, and others are powered just by solar energy.



Vipnet also has two unique Hybrid Power Supply base stations, powered by renewable sources, which use fuel cells together with wind and solar energy. Those base stations are installed in Slavonija, and the company plans to put more in other Croatian regions. Distinction of the hybrid system is energy availability of 99.9%, which is hard to achieve using only wind and solar energy.

The system contains three basic components, and each is a separate product which can be modularly set according to energy use requirements or climate conditions of a specific location. Basic components are photovoltaic installation, wind aggregate and energy efficient container for batteries, fuel cells with hydrogen container and sources management system, and telecommunication equipment. This product is entirely developed and manufactured in Croatia and it the result of years-long research and development process.

Since the very beginning of operations Vipnet, as the leader in environment friendly solutions, develops ecologically acceptable network powering systems, which has proved useful in distant and inaccessible locations.

Environment protection and customers

Vipnet aimed its activities in the segment of environment protection not only towards its employees, but also towards its customers. Several activities can be specially emphasized – universal packages for products in prepaid portfolio and solar chargers for mobile devices. Vipnet offers Sony Ericsson mobile devices made mostly of recycled materials, and Samsung S7550 model can be charged by a solar panel. Moreover, Vipnet uses tablet devices for presentation and distribution of materials.

Vipnet takes back used technical equipment, primarily mobile and fixed devices of its customers and employees. Customers are informed about this possibility in stores, while employees are offered various attractive activities in return for their used devices. Vipnet also implemented Buyback project – taking customers' used devices and refurbishing them. All technical equipment delivered to the authorized recycling company is taken to a partner company for refurbishing.



Vipnet's customers can use e-billing, i.e. receiving bills online and thus contribute to decreasing the use of paper.

During 2011, main challenges were related to decrease of energy use, minimizing adverse effects on the environment and further development of products and services which will affect other sectors (besides ICT) and contribute to reduction of greenhouse gas emissions. Another challenge was to decrease the total amount of generated waste and increase the level of reuse of certain products. Main risk was related to possible increase of costs due to lack of raw materials or energy resources.

Goals for 2012

- Further development of energy efficiency
- Installation of the new cooling system
- RBS modernization – decrease of energy use for keeping and cooling equipment

5. Anticorruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Vipnet is dedicated to fair and transparent business operations and is therefore using two complementary approaches. Vipnet's Code of Ethics consists of key guidelines set by Telekom Austria group and contains the most important rules which apply to managers and employees. Guidelines set in the Code of Ethics give detailed and concrete assistance for acting in all important segments of business.



Another approach is addition to rules on ethical behavior. Goal of the Corruption Prevention Guidelines is to ensure adherence to rules of fair market competition, avoiding financial damages or reputation damage to the Management Board, employees or the company. In this area, Vipnet has guidelines on the right of protecting market competition, sponsorships, donations and advertising, consulting and lobbying, gifts and event invitations. These documents have detailed rules set for each segment.

Integrity is more important to Vipnet than short term business success, and in case of doubt, the company will rather intentionally pass the opportunity to conclude certain agreements than to enter a business relationship opposite to its principles.

One anonymous report was filed in 2011 related to possible irregularities in Vipnet. After the investigation, alleged irregularities were not confirmed. There were no reports to Ethics council.

6. Selection of GRI indicators

UN Global Compact principle	GRI 3.1. indicator	Page
Vipnet in 2011	EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	1,2,3
Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and	LA1 Total workforce by employment type, employment contract, and region, broken down by gender. LA3 Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation.	4,5,6,7,8
Principle 2 make sure that they are not complicit in human rights abuses.		
Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to	LA2 Total number and rate of new employee hires and employee turnover by age group, gender, and region	9, 11, 12, 13, 14, 15

collective bargaining;	<p>LA10 Average hours of training per year per employee by gender, and by employee category.</p> <p>LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.</p> <p>LA13 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.</p> <p>LA14 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.</p> <p>HR4 Total number of incidents of discrimination and corrective actions taken.</p>	
Principle 4 the elimination of all forms of forced and compulsory labor;		
Principle 5 the effective abolition of child labor; and		
Principle 6 the elimination of discrimination in respect of employment and occupation.		
Principle 7 Businesses should support a precautionary approach to environmental challenges;	<p>EN1 Materials used by weight or volume</p> <p>EN3 Direct energy consumption by primary energy source.</p> <p>EN4 Indirect energy consumption by primary source.</p> <p>EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.</p> <p>EN8 Total water withdrawal by source.</p>	18, 19
Principle 8 undertake initiatives to promote greater environmental responsibility; and		
Principle 9 encourage the development and diffusion of environmentally friendly technologies.		
Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.	<p>SO4 Actions taken in response to incidents of corruption.</p> <p>SO5 Public policy positions and participation in public policy development and lobbying.</p>	10, 21, 22