

Communication

On Progress

2012

*sustainability*

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## INTRODUCTION

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The communications and consulting industries have been going through challenging times ever since the start of the global financial crisis in 2008. From year to year the market environments become more difficult, having significant impact on companies and their operations.

With respect to Hauska & Partner Group, operating in three countries, the recession took its toll primarily in Latvia. As the market situation worsened, differences on strategic level became more notable and distinct, resulting in profound changes in Latvian management and team composition. These changes also revealed compliance issues related to some local management practices that diverged from Hauska & Partner Group principles. However, we finally managed to successfully consolidate operations in Latvia.

But 2012 was also a year of further development. We continued to expand our consultancy portfolio in direction of sustainability and CSR under the umbrella of Corporate Relations, our unique approach to communications and consulting, which in interdisciplinary way combines communication management, corporate affairs and lobbying, management consulting and Corporate Social Responsibility (CSR).

Although 2012 was by all means challenging year, our commitment to endorsement of UN Global Compact principles stood indisputable and we will continue to communicate our progress to all our stakeholders.

Leo Hauska  
CEO Hauska & Partner Group

## GIVING A FAIR ACCOUNT OF OUR PERFORMANCE

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Our Communication on Progress report includes Hauska & Partner Group companies in Austria, Croatia and Latvia.

This report gives a fair account of our performance against the Global Compact principles, and we expect it to be of interest to our employees, clients, fellow colleagues in professional associations and other communication consultancies.

Therefore, the 2012 report encompasses the following:

- A brief description of major trends in our industry
- The Group's major progress achieved in specific areas
- Our general performance based on G3 indicators
- Objectives

## THE CHALLENGING BUSINESS ENVIRONMENT

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According to the European Communication Monitor 2012, lack of understanding of communication practice within top management remains the number one challenge for communication professionals throughout Europe. The most important strategic issues for European communication professionals were coping with digital revolution and the social web, and linking business strategy and communication.

The European Communication Monitor also showed that ethical issues were much more relevant than five years ago, driven by compliance and transparency rules. Increase in social media and the international character of communication make communication more challenging from an ethical standpoint than before.

In 2012 communication industry continued to cope with many challenges due to years' long recession. As the crisis took its toll, the Hauska & Partner Group's management increasingly focused on the following strategic matters:

- Maintaining financial and operational stability;
- Upgrading internal processes and projects in order to effect new market opportunities;
- Furthering our competencies and achieving leadership in stakeholder relations;
- Adequately meeting the needs of clients and supporting their organizational changes;

Over the course of 2012, we consulted our clients on a number of industry-specific issues and supported them in managing multi-stakeholder relationships, from the energy sector to retail commerce.

## Hauska & Partner Group in 2012

In addition to challenges of the recession environment, Hauska & Partner Group faced managerial and compliance issues in Latvia which caused temporary difficulties in maintaining staff and continuing consulting activities at the previous levels. This resulted in a decline in revenues in Latvia, whereas a stable financial performance was maintained in Austria and Croatia. Reduction of revenues compelled each office to consider cost cuts.

**Table 1.** Economic values (H&P Group in EUR 1000)

	2009	2010	2011	2012
Revenues	1.906	1.995	2.020	1.638
Operating costs	909	801	1.185	990
Employee wages	844	878	914	755
Paym. to prov. of capital	172	83	157	2
Paym. to government	35	44	35	10

We kept almost the same level of community investments in Austria and Croatia. In Latvia it was not possible to keep track of the community investments due to previously described operational difficulties.

**Table 2.** Community investments by region in EUR

	2009	2010	2011	2012
Austria	38.018	40.385	42.005	32.810
Croatia	61.606	39.960	43.558	49.804
Latvia	21.464	32.375	50.190	- <sup>1</sup>
Total	121.088	112.719	135.753	82.614

We did not receive any kind of government assistance.

## The Group employees

There were 25 employees in the Group team in 2012 in three countries, unlike 2011 when the Group consisted of 31 employees. Out of 25 members of the Group, 18 employees were female and 7 were male. With 72 percent of women in our team, we continue to be a predominately women's company. Most of our team is aged between 30 and 39, while 32

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<sup>1</sup> In Latvia it was not possible to keep track of the community investments due to previously described operational difficulties.

percent are younger than 29 years of age. H&P Group does not employ children in any capacity.

H&P Group is managed by the six-member Management Board: two members from Austria, one from Latvia, and three from Croatia. The structure of the Board mirrors the practice of the H&P Group: local top managers are residents of the countries in which the companies operate. The Chairman of the Management Board is also the H&P's Chief Executive Officer.

## Employee benefits

The Group pays all standard contributions to full-time employees in all local companies. We preserved most benefits provided to our employees.

Hauska & Partner Group offers the possibility of flexible working hours, and senior employees can occasionally work from home. Most of the employees are provided with mobile phones, and partly they are granted compensation for cell phone costs.

Croatia provides one additional day of vacation for every three years of service with the company. In Latvia additional health insurance was provided, Austria contributes to an extra pension fund.

## Impact of our client work

In 2012, we evaluated client accounts according to our Account Review System, which enables us to get insight into economic, social and environmental impact of our client work. Also, we evaluated significant projects within our client accounts according to Project Evaluation System. The system encompasses achievement of project objectives, our contribution to business, society and the environment, planning and used methods, and satisfaction of the client, H&P team and other involved stakeholders.

We haven't received any client complaints with regard to breach of their privacy, there were no leaks or data losses, or any breach, fines or sanctions with regard to how we provide our services.

In Croatia, we conducted the Client Satisfaction Survey. The Survey showed that our clients have high opinion of us as consultants and are satisfied with our work. They especially emphasized that H&P consultants understand their industry and have the necessary skills and knowledge for successful communication with different stakeholders. It also confirmed that our employees live the Group's values in everyday business.

## 1. HUMAN RIGHTS

**Principle 1:** Business should support and respect the protection of internationally proclaimed human rights

**Principle 2:** Business should make sure that it is not complicit in human rights abuses

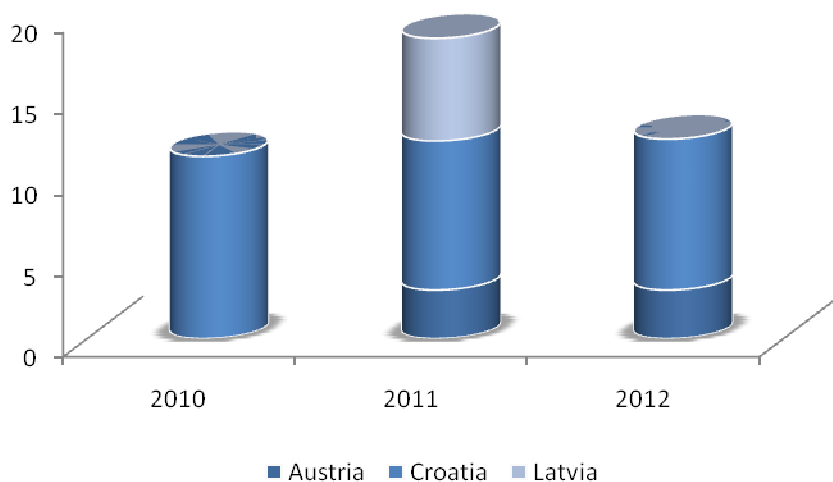
### A general picture of the Group's human rights

The Ethics Committee, established in 2007, did not receive any complaints pertaining to human rights violations or concerning any form of discrimination during 2012.

When it comes to salary differences between men and women, the Group has defined salary margins for each employment category. This means that each team member, regardless of her/his gender, is paid based on the quality of work, and the results of 360° evaluation.

In 2012 we maintained level of training on human rights. We were not able to keep account of training hours in Latvia.

**Graph 1.** Total hours of employee training on human rights



### Occupational health & safety

No employees were injured or suffered due to any work-related ailments or injuries in 2012. The Group registered 211 working days for employees absent from work due to any manner of incapacity, in comparison to 2011 when 256 working days were recorded.

All H&P companies have a senior management representative responsible for health and safety, so 100% of total workforce is represented in committees.

**Table 3.** Days of absenteeism by region

	2009	2010	2011	2012
<b>Austria</b>	34	34	63	25
<b>Croatia</b>	160	85	68	144
<b>Latvia</b>	28	49	125	42
<b>Total</b>	222	168	256	211

Days of absenteeism per 100 employees remained almost unchanged (838 in 2012 compared to 847 in 2011).

#### Objectives:

- Use internal resources to exchange knowledge and case studies on human rights
- Propose measures for improvement of work-life balance



## 2. LABOUR SECTION

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

**Principle 4:** Business should uphold the elimination of all forms of forced and compulsory labour

**Principle 5:** Business should uphold the effective abolition of child labour

**Principle 6:** Business should uphold the elimination of discrimination in respect of employment and occupation

### A general picture of the Group labour practices

As at the end of 2012, the Group's employees did not form any type of association, join a trade union or engage in collective bargaining. However, the Group upholds freedom of association and the effective right to bargain collectively. In Croatia, in line with SA8000 principles, we established the Employee Council, which meets periodically to discuss and make proposals related to expected changes in working conditions.

In general, Hauska & Partner Group:

- Fosters direct communication between management and employees based on an "open door" policy
- Facilitates continual participation in decision making and strategy shaping through different engagement methods such as World Café, Workplace Assessment Surveys, Personal Development Plans (PDP) and occasional strategic meetings with senior staff or all employees.
- Announces significant operational changes on the Intranet in order to make all information available to all employees

### Employee turnover rate

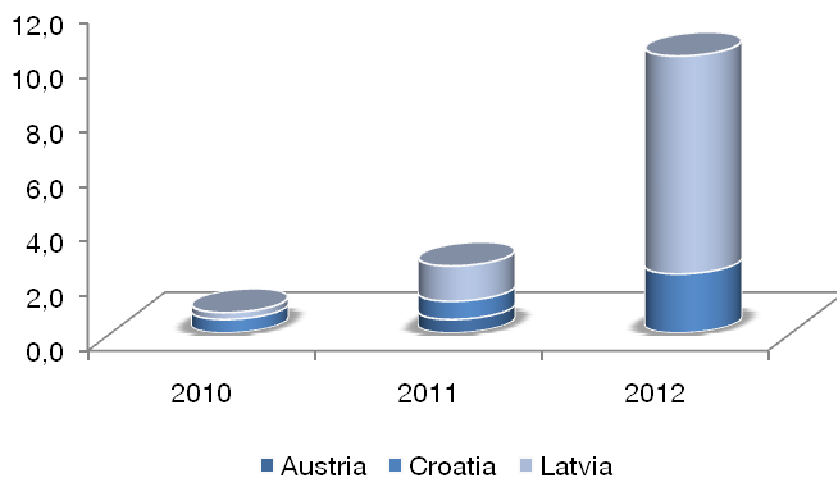
Due to divergence on the strategic level, Latvian company underwent comprehensive changes in team composition. In Croatia employee turnover was small and similar to previous years, while in Austria we did not record any employee turnover.

From January 1 to December 31, 2012, 10 employees left our companies, eight were female and two were male. Two employees left the company in Croatia and eight in Latvia. Five were aged up to 29 years of age, while four were aged between 30 and 39 and one was older than 50 years of age.

The Group maintained the highest retention of employees at the senior level and among management board members. At the end of 2012 we had 12 employees and management

board members who have been employed in the Group for more than five years, and nine employees who have been employed for more than ten years.

**Graph 2.** Employee turnover by region



## Education

The Group provided an average of 98 hours of training per employee in all employment categories. The average training hours per each employee category by years were distributed as follows:

**Table 4.** Hours of training per employee category

	2009	2010	2011	2012
MB	46	19	92	77
Office	18	6	50	76
SC	188	7	62	88
C	24	23	87	195
JC	29	24	108	119
Ass	25	10	97	142
Average	54	17	87	98

Due to changes in Latvian management and team composition in 2012, we were not able to make record for Latvia, therefore the amounts for 2012 contain only data from Croatia and Austria.

In 2012 the Group organized education in Process Management which was considered important in order to sharpen our consulting capacities when it comes to processes needed for effective and efficient operating and our role in it. In Croatia, as the future member of the European Union, the employees were educated in Structural Funds, and they also had education founded by the EU in the scope of Capacity Building for Business Service Professionals and Business Support Institutions project.

H&P Academy held in Riga dedicated to using corporate relations model in practice, our own interdisciplinary approach to relationship management in which we combine communication management, corporate affairs and lobbying, management consulting and Corporate Social Responsibility (CSR) expertise. All members received specific knowledge in the field of stakeholder relations, CSR reporting, key performance indicators, risk assessment and issues management, as well as methods and tools for successful client management.

## Performance and career development

We reviewed performance and career development for 71 percent of our employees in 2012 in comparison to 2011, when 77 percent underwent the review.

**Table 5.** Percentage of employees with Personal Development Plans

	2009	2010	2011	2012
Austria	37%	53%	18%	68%
Croatia	0%	83%	95%	81%
Latvia	100%	100%	84%	61%
Group	34%	83%	77%	71%

### Objectives:

- To maintain the high level of employees who receive 360° evaluation and Personal Development Plans
- Implement additional variable salary part
- Improve work-life balance of employees

### 3. ENVIRONMENTAL SECTION

**Principle 7:** Business should support a precautionary approach to environmental challenges

**Principle 8:** Business should undertake initiatives to promote greater environmental responsibility

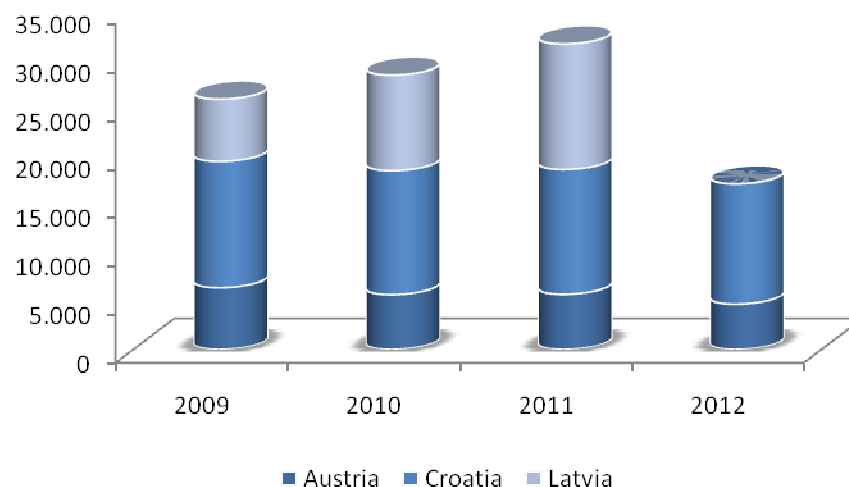
**Principle 9:** Business should encourage the development and diffusion of environmentally friendly technologies

#### A general picture of the Group's environmental protection

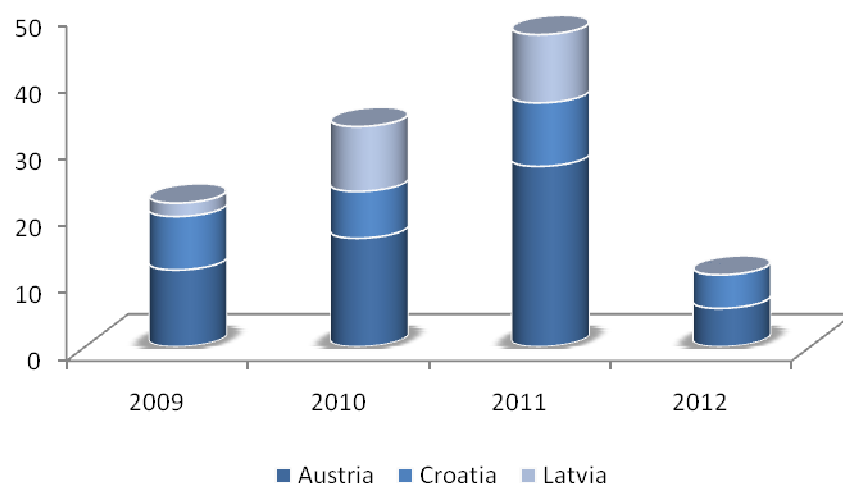
A large part of Hauska & Partner Group's environmental protection efforts come from indirect investments through our work, primarily by capacity building in environmental issues related to specific clients. This way we secured the best environmental practices for H&P existing clients, which come from various industries, some of which have a rather high environmental impact.

Our Green Office platform enabled us to reduce our energy consumption and use of office materials over the years, as well as raising awareness of our employees about green practices. We managed to reduce our toner buys. Also, by using refilled toners and giving used toners to companies authorized for recycling, we managed to eliminate toner waste. Over the years we also managed to reduce paper waste in Latvia and Croatia, while for Austria it is not possible to provide data on quantities due to Vienna city waste management practices related to paper.

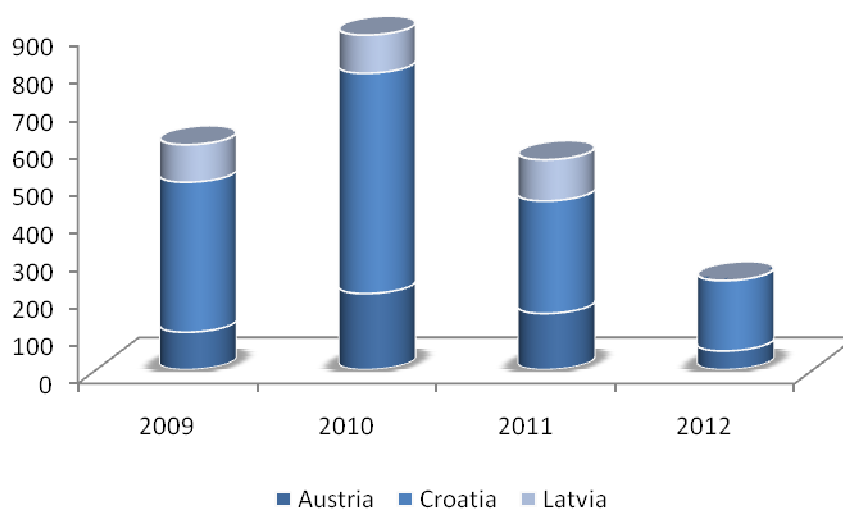
**Graph 5.** Electricity spent in kWh



**Graph 5. Toner buys in H&P Group**



**Graph 6. Paper buys in H&P Group**



Practice of holding Management Board meetings through video conferencing considerably reduced travel and accommodation costs, which vary from one country to another, depending on where the Board meeting is taking place.

In 2012, we didn't pay any fines related to noncompliance with environmental laws and regulations.

**Objectives:**

- Transform Green Office into an internal platform for capacity building in environmental issues

## 4. CORRUPTION SECTION

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

Hauska & Partner Group companies in principle provide commercial services to political parties and politicians, and work for trade unions as it was the case in Latvia. On the other hand, Hauska & Partner does not make contributions to political parties and politicians, neither financially or in kind.

On the 2012 H&P Group Academy we had a lecture on risk assessment and we jointly assessed risks related to corruption. In the assessment we took into consideration various areas of our work, e.g. client work, media relations, contacts with politicians and institutions, relations with business partners and suppliers, gifts, etc.

In Croatia, Managing Partner served as Vice President of Croatian Society of Lobbyists, which primarily aims at regulating lobbying activities by Lobbying Law, forming a Registry of Lobbyists, passing the Code of Ethics in Lobbying, education of lobbyists and promoting lobbying as a legal practice in Croatia.

During 2012, 98 percent of employees in Croatia had anti-corruption training. In Latvia we encountered compliance related issues due to some local management practices which diverged from the Hauska & Partner Group principles. With the changes in management board and strengthening controlling mechanisms we successfully resolved these issues and aligned Latvian company operations with the Group principles.

### Objectives:

- Strengthening of controlling mechanism

## HAUSKA &amp; PARTNER GROUP IN 2012

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	5
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## CORRUPTION SECTION

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