

HRVATSKI TELEKOM D.D.
SUSTAINABILITY REPORT
FOR 2012/2013



LIFE IS FOR SHARING.

CONTENTS

INTRODUCTION

Statement of the CEO	3
Company Profile	5
Business results and market activities	6
Awards and recognitions	7
Corporate responsibility and sustainability	7

FIRST PART - Impact in the community

Donations and sponsorships in 2012	11
Innovative services in 2012	14
Donations and sponsorships in 2013	15
Innovative services in 2013	18
Responsibility towards customers	19

SECOND PART – Global Compact Initiative Communication on Progress for 2012 - 2013

Human rights	22
Labor rights	32
Environment	38
Fight against corruption	50
Overview of important GRI indicators	53

STATEMENT OF CONTINUED SUPPORT:

“Ever since Hrvatski Telekom (Croatian Telecom) joined the Global Compact, it has been consistent in implementing the ten principles of this initiative and regularly reports on progress in the harmonization of all aspects of the company's business practices with the decision to support the assumed values in the field of human rights, labour, environmental concerns and anti-corruption. HT will continue to comply with the principles of Global Compact in its operations, and as a promoter of these values to contribute to ensuring a sustainable present and a quality future.”

Davor Tomašković,

President of the Management Board and
Chief Executive Officer of Hrvatski Telekom

INTRODUCTION

COMPANY PROFILE

Hrvatski Telekom d.d. is the leading provider of telecommunication services in Croatia, the only one providing its full scope. Main activities of HT, as well as of the company in its ownership, include providing telecommunication services and design and construction of communication networks on the territory of the Republic of Croatia as well as providing ICT services. In addition to providing fixed and mobile telephony, HT provides Internet services, including IPTV, data transfer services (line rental, Metro-Ethernet, IP/MPLS, ATM) and ICT services.

Hrvatski Telekom d.d. is a joint-stock company in majority ownership of CMobil BV with a share of 51% (CMobil BV is a company entirely owned by T-Mobile Global Holding Nr. 2 GmbH, and T-Mobile Global Holding Nr. 2 GmbH is a limited liability company entirely owned by Deutsche Telekom AG.). The company was founded on 28 December 1998 in the Republic of Croatia, pursuant to the provisions of the Act on the Separation of Croatian Post and Telecommunications into Croatian Post and Croatian Telecom, when the business operations of the former company Hrvatska pošta i telekomunikacije ("HPT s.p.o.") were separated and transferred to two new joint stock companies: Hrvatske telekomunikacije d.d. (later renamed into Hrvatski Telekom d.d.) and Hrvatska pošta d.d. that started its business operations on 1 January 1999. During 2002, HT-mobilne komunikacije d.o.o. (later renamed into T-Mobile Hrvatska d.o.o.) was founded as a separate company and an affiliate company in full ownership of Hrvatske telekomunikacije d.d. aimed at providing mobile telephone network services. In 2004, HT Group introduced a new corporate identity. The change of identity at corporate level was followed by the creation of trademarks of two separate business units of the Group, T-Com and T-Mobile. Acquisition of T-Mobile Hrvatska d.o.o. to Hrvatski Telekom d.d. in 2010 consolidated the operations of T-Com and T-Mobile into a single organisation.

BUSINESS RESULTS

Revised income and loss statement for HT d.d.	2013	2012
	HRK million	HRK million
Revenue from basic activity	6,418	6,984
Other revenue	116	141
Costs of goods sold, material and energy	(712)	(619)
Costs of services	(806)	(955)
Costs of personnel	(993)	(1,092)
Capitalized costs of self-produced work	97	82
Depreciation and impairment of fixed assets	(1,313)	(1,278)
Other costs	(1,197)	(1,237)
Profit from operations	1,610	2,026
Financial income	51	79
Financial expenses	(61)	(58)
Financial (expenses)/income – net	(10)	21
Income from investment in joint venture	21	25
Profit before income tax	1,621	2,072
Income tax	(189)	(392)
Profit for the year	1,432	1,680
Other comprehensive profit/(loss) for the year		
Items that will not be reclassified to comprehensive income		
Remeasurement of post employment benefit obligations	25	(3)
Equity-settled share based payments	0	0
	25	(3)
Items that may be subsequently reclassified to comprehensive income		
Change in value of financial assets available for sale	(0)	2
	(0)	2
Other comprehensive income/(loss) for the year, net of tax	25	(1)
Total comprehensive income for the year, net of tax	1,457	1,679
Profit for the year attributable to:		
Owners of the Company	1,432	1,680
Total comprehensive income arisen from continuing operations attributable to:		
Equity holders of the Company	1,457	1,679

AWARDS RECEIVED IN THE REPORTING PERIOD

- Hrvatski Telekom - the best in investor relations - in 2012 and 2013, Hrvatski Telekom won the award for best investor relations by Poslovni dnevnik and the Zagreb Stock Exchange market. The laureates were chosen by Poslovni dnevnik from companies whose shares were listed on the Zagreb Stock Exchange market, but also from the most liquid companies from the Regular market of the Zagreb Stock Exchange, as well as from all the companies included in the calculation of CROBEX10 index.
- Trusted Brand – Hrvatski Telekom received the trust of customers as part of a study of consumer habits and confidence in the brand Trusted Brand. In 2001, Reader's Digest launched the European Trusted Brands Award. The research is now conducted in 18 European countries and about 32,000 respondents participate annually.
- CSR Index – In 2012, Hrvatski Telekom was awarded for achievements in the field of social responsibility in the category of large companies. CSR Index is a methodology for evaluation of responsible business practices in Croatian companies. It was modelled on similar global methodologies, primarily on the Business in the Community CSR Index.
- CEERIUS Sustainability Index – On 24 December 2012, Hrvatski Telekom was granted membership, for a fourth consecutive year, in the CEERIUS Sustainability Index for 2013.
- Employer Partner – thanks to the long excellent practices in human resource management that ensures career development in a motivating international environment, personal growth of employees and selection of best candidates, Hrvatski Telekom was given the prestigious Employer Partner Certificate for excellence in human resources management.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Corporate social responsibility of Hrvatski Telekom is an integral part of the overall business, and with numerous activities HT demonstrates the responsibility of a strong and successful company to the society in which it operates. HT strives to be a company that promotes sustainable development, sets best practice in determining the standards of first-class communication, encourages integration into the society of information and knowledge, and takes up a leading role in recognizing the importance of environmental protection. We believe that the company's reputation depends not only on the quality, price or specific products and services, but also on the company's relationships with its customers, suppliers and investors, employees, the environment and the wider community in which the company operates, and that a positive interaction with all stakeholders is based on these relationships. All this constitutes a framework of the corporate social responsibility strategy of HT and foundation of business success, and by encouraging all segments, teamwork and commitment of the entire company to the corporate social responsibility, we aim to encourage different ideas, contribute to society and work towards improving the quality of life.

HT, the largest Croatian telecommunications operator, strives at all times to facilitate and improve communication and make it easier and more effective. Key to the success of HT lies in innovation and its introduction into the market through new technologies and services, but also in the true appreciation of the role the company has in the community it operates in. This has resulted from the awareness that a responsible attitude in the business can provide significant long-term strategic advantage.

Therefore a sustainable business, through a responsible approach to the society it operates in, constitutes an integral part of the corporate culture of HT. The company seeks to contribute to the daily activities and knowledge base of the wider community, and thus transfers every day its corporate values to a broad spectrum of stakeholders. HT believes that the reputation of any company depends on a lot more factors

than the quality, price or specific qualities of its products and services. Equally important are the company's relationships with employees, customers, suppliers and investors, the environment and society it operates in. In this Sustainability Report HT strives to present and define a clear sense of responsibility it has to its stakeholders.

Key CR strategy areas

Connected life and work

Our business is predicated on enabling the optimal work/life balance. Our goal is to develop innovative telecommunications solutions and services that will improve everyday life through first-class communications and connectivity.

Connect the unconnected

We aim to provide widespread access to telecommunications services and thereby nurture the growth of the knowledge society. Our ambition is to ensure that advanced technologies are available on-demand to all.

Low carbon society

Environmental protection is a key goal of our social responsibility initiatives, and specifically involves responsible use of resources and a lowering of greenhouse gas emissions.

Principles of socially responsible conduct

The system of values that the Group promotes is defined by the Guiding Principles of the Company. The Principles provide guidelines that we need to follow in our daily work, that promote ethical behaviour, mutual respect, team work, accomplishment of the best results possible as efficiently as possible, open expression of opinions, assumption of responsibility and the creation of an environment that encourages, recognizes and appreciates exceptional results.

Dialog with stakeholders

HT believes strongly in the importance of open and transparent communication with all its stakeholders. It has continued to engage with key audiences in 2012 through the medium of social networks. HT utilizes a range of networks to enable customer communications including Facebook, Twitter, YouTube and Flickr and does so on a daily basis, to provide problem solving support and compile feedback on products and services. In 2012, HT also joined LinkedIn, the specialized social network primarily used for personal networking amongst business associates. In 2012, HT introduced T-Blog, a new external communication channel, in beta version. T-Blog will serve as a platform for discussing telecommunications and technological issues related to the services Company is offering, alongside explorations of broader telecom and ICT industry themes. In 2012, HT launched its redesigned web portal, pulling together all information on all services on to a single site to improve the user experience.

Transparent communication with investors is of particular importance in order to articulate the HT's current status and potential in ways that will enable them to come to a fair valuation. In 2012, HT was given an award for the best investor relations national company by Poslovni dnevnik magazine.

Business compliance

Compliance with local laws and regulations along with internal rules and the Code of Conduct form the basis of responsible corporate management. As such, these principles are a necessary prerequisite for the success of the business and should inform every aspect of business processes. HT actively promotes the principles of ethical business through a robust compliance framework to ensure adherence to all relevant codes and regulations. The Business Compliance Department was formed in 2008 to promote ethical business dealings across the Group and implement the Group's Anti-Corruption Policy.

Code of Conduct

HT's Code of Conduct sets clear standards of business conduct and is based on the highest ethical principles. The Code is based on the company's Guiding Principles, encapsulated in the statement "Respect and integrity guide our behaviour." A significant section of the Code focuses on relationships with customers, partners and suppliers, with special attention paid to the management of information and conflicts of interest. The Code provides clear instructions on the appropriate course of action in the case of doubt or perceived breaches of principles and values.

Certificates

HT was recognized by being granted a CSR Index (Indeks DOP-a) listing for 2011 in the large companies category. The original national CSR measurement tool, the so-called CSR Index, outlines the level of a company's social responsibility and the application of sustainable business principles. In 2007, HT joined the UN Global Compact initiative, which supports fundamental social values within the 10 principles of responsible business starting in 2009, the Group regularly reports on its progress in the implementation of these principles.

Oekom Research added HT to its Prime category, with respect to its standards of corporate responsibility and sustainable development policies, in 2008. HT was proud to receive this recognition again for 2012.

In 2012, HT was included, for the fourth consecutive year, in the Vienna Stock Exchange's CEERIUS Sustainability Index for 2013. This rates shares in leading CEE region companies with respect to social, environmental and economic performance.

FIRST PART:
IMPACT IN THE
COMMUNITY

The community we operate in is an important factor of our success. Due to the fact that company's daily activities affect a large number of people, HT pays special attention to relations with the community. One of the goals of our activities is to provide access to information to as many people as possible, thus directly or indirectly, within the scope of our business, we influence the creation of a knowledge society.

HT regularly collaborates with educational, cultural, training and scientific institutions, non-governmental organizations, especially those caring for persons with special needs and the disadvantaged, and with organizations that promote the value of civil society. Most of the projects are long term, ensuring their greater efficiency, and company's employees personally join in many projects. In this way, the company and its employees participate directly in projects which influence the quality development of the society.

DONATIONS AND SPONSORSHIPS IN 2012

UNICEF

HT was UNICEF's first partner in Croatia, and we have built a strong relationship with the organization across the past seven years. In 2011, donations by HT supported the development of a new national model of psycho-social support for parents of young children with disabilities as well as children with developmental issues. Alongside corporate donations, HT has provided a system whereby customers can also contribute to this valuable UNICEF project. Another initiative again supported by the Group in 2012 is the Children's Rights Festival, providing access to sight and hearing impaired children to enjoy a rich program of Croatian and international films. In May 2012, UNICEF launched "Telefončić" (Little Phone), a phone and Internet help line for the parents and guardians of children aged 0-7.

"Zajedno smo jači" (Together we are stronger)

"Zajedno smo jači" is an initiative in which HT employees play a key role. It is the employees who propose and ultimately select the projects to which the Company donates funds. In 2012, the seventh year of the initiative, 20 projects were chosen from 125 applications received from all over Croatia and HT donated a total of HRK 572,000. The funds were awarded to medical institutions, institutions working with the disabled, the elderly and with children, educational institutions, and environmental organizations.

060 numbers - charity action support

In 2012, HT continued to support other charity campaigns by providing telephone lines to allow the public to make contributions, an activity in which it has engaged since 2001. Campaigns and organizations assisted in this way in 2012 included the Ana Rukavina Foundation, Rotary club Zagreb Kaptol, SOS Children's Village Hrvatska and RTL Helps Children. HT donated all proceeds from these initiatives to the causes concerned, raising a total of HRK 1,5 million for charity.

"Znanjem rastemo" (Growing through Knowledge) Conference

In October 2012, HT held its fifth "Znanjem rastemo" (Growing through Knowledge) conference in Zagreb. The Group invites speakers from academia, the business community and the media to initiate debate on key topics. In 2012, the guest speakers were Dr Michio Kaku, a prominent physicist and futurologist, professor of theoretical physics and advocate of scientific ethics and social responsibility; and Sarah Lacy, an award-winning journalist and author on innovation and entrepreneurship.

Support to expert conferences

HT plays a key role in the development of the knowledge society through its support for gatherings of technology experts including as WinDays 2012, the MIPRO Conference, the Combis Conference, the Cisco Conference, IDC Conference, the Imagine Cup 2012 project, HospiTaly Days related to m-health and other events related to the telecommunications sector and its communities. HT also provided the infrastructure, technical support and equipment to a number of local and international forums and conferences.

Cooperation with the academic community

HT has a long-standing agreement with the Faculty of Electrical Engineering and Computing (FER), which originated in November 2006 with the Frame Contract on Cooperation in Scientific Research and Development Activity, aimed at promoting the transfer of knowledge and ideas between science and the economy. HT also works closely with the Faculty of Law in Zagreb and plans similar agreements with other faculties and universities, which in turn offer a rich pool of potential future recruits that can help the business to grow and innovate.

Scholarships

HT continues its HT Scholarship project. In 2012, for the second year, six undergraduates received monthly scholarships. The candidates were selected from the top students at the Faculty of Electrical Engineering and Computing in Zagreb who have achieved excellent results at university and demonstrated participation in a broad range of extracurricular activities.

Also in 2012, and again for the second year, HT awarded scholarships to five students who lack adequate parental support to fund further educational opportunities under the "Korak u život" (Step into Life) scheme, organized by the Rotary Club Zagreb Kaptol.

T-HTnagrada@msu.hr

HT has been the main partner of the Museum of Contemporary Art (MSU) since 2007. This partnership continued throughout 2012 with the annual award for the best Croatian contemporary work of art. The fifth T-HTnagrada@msu.hr, one of the most prestigious annual awards in the field of contemporary art in Croatia, was held in 2012. From a total of 249 works of art submitted the international jury selected 40 for an exhibition in the MSU. Submissions for selection came from artists across all generations, and the only criterion for selection was excellence. As well as financial support, HT also provides telecommunications services to the Museum.

Theatres

HT continued its tradition of sponsoring Croatian national theatres in Osijek, Split, Rijeka and Varaždin and the Gavella City Drama Theatre in Zagreb. The Group also supported the "Špancirfest" street festival and Varaždin Baroque Evenings through its sponsorship of the City of Varaždin.

Film festivals

In 2012, HT supported a number of film festivals: the Pula Film Festival, the Vukovar Film Festival, Zagrebdox, the Zagreb Film Festival, Film Mania and the Forum Film Zadar.

The roman@tportal.hr prize

For the fifth consecutive year tportal ran its competition for the roman@tportal.hr literary prize worth HRK 100,000. The journalist and author Ivica Đikić won the prize for his novel "Sanjao sam slonove" ("I dreamt of elephants").

Electronic Beats Festival

HT supported the Electronic Beats Zagreb Festival 2012, which attracted more than 2,000 visitors for performances by some of the hottest performers on the current electronic music scene, such as Hot Chip, Modeselektor, Woodkid, Dillon, Kimiko, and Itch/Pytzek.

The Croatian Olympic Committee

HT continued its long-standing cooperation with the Croatian Olympic Committee as its main sponsor, underscoring the common ground between HT's values and the guiding principles of the Olympic Games: fair competition, persistence and the pursuit of excellence. At Summer Olympics, which were held in London from 27 July to 12 August, Croatia was represented by 110 male and female athletes competing in 15 sports.

Paralympic Foundation

HT is one of the first supporting members of the Paralympic Foundation. The Croatian Paralympic Committee launched the Foundation to help top athletes with disabilities improve their skills and to provide the same access to top facilities for training and competing.

MAXtv Premier League

The cooperation between MAXtv and the Croatian Premier Football League (prva hrvatska nogometna liga), the MAXtv Prva liga, continued in 2012 bringing premium production quality and delivering Croatian football matches on new interactive platforms. HT also sponsors the Croatian Premier Football League.

Sportske igre mladih (Youth Sports Games)

HT is a long-standing sponsor of the Youth Sports Games, the largest amateur sports event in Croatia. In 2012, around 80,000 young competitors from 7 to 18 years old came together to compete in 10 sports and 16 cities. The event is underpinned by a strong anti-drugs, anti-alcohol and anti-violence message.

INNOVATIVE SERVICES IN 2012

4G technology

In 2012, HT launched the first commercial 4G commercial network in Croatia. This network provides customers with up to 10 times faster data transfer speeds and is available in the cities of Zagreb, Rijeka, Osijek, and Split.

ICT Marketplace

The ICT Marketplace, an innovative cloud service, was also launched in 2012. This is a business application and ICT services store that provides business customers with a one stop shop for renting a range of advanced cloud services and computer applications for business use.

NFC mobile payments

HT was the first in Croatia initiate mobile payments based on NFC (Near Field Communication) technology, enabling fast and secure payments of small amounts via mobile phones and completely replacing the use of cash.

MAXtv To Go

MAXtv To Go, a TV-on-the-move product, was also introduced in 2012. This is available on smart phones, tablets and laptops anytime and anywhere.

TeraStream

At the end of 2012, HT presented the TeraStream network – a simplified IP network concept that combines network technology, data centre technology, and fibre infrastructure. TeraStream raises access network speeds by around 50 times the current rate, providing users with speed of 1 Gbit/s. The new technology significantly reduces the unit cost of data transmission and allows the proliferation of optical accesses. The TeraStream network concept enables simpler implementation and integration of advanced next-generation services. It provides all services (including voice, IPTV, Internet access) from the Cloud, where currently these services are provided through a network.

Hrvatski Telekom is the first Company in the Deutsche Telekom Group to put into pilot use this innovative technology in order to test the concept and improve its functionalities, confirming the position of the Group as a technology leader.

DONATIONS AND SPONSORSHIPS IN 2013

Solar Sunflowers – an internationally recognized project

Ten elementary schools from ten towns were chosen to receive a HT donation of a small solar power plant that turns toward the sun for more efficiency. An information display was installed in each school to teach pupils about the quantity of produced energy and CO₂ emission calculation. The energy produced reduces school energy costs. Highly specialized professionals were commissioned to produce education for teachers about sustainable energy. Educational material was freely downloadable from a dedicated web site. Innovative billboard displays, partially photo chromatic, with images that alternated according to time of day, were installed in four towns. The project received the bronze Magenta Award prize, the biannual award of the Deutsche Telekom Group for the best communication projects by the Group.

UNICEF

Multi annual partnership between HT and UNICEF resulted in new services for very young children and their parents. A new parental help line – the "Little Phone" - has been established at the request of parents and is now being extensively used by parents, grandparents and carers. Also, across eight years of partnership HT has supported the development of early childhood intervention models of care for young children with disabilities and neurodevelopmental risks. Furthermore, a successful exhibition of Croatian photographs under the name "The way Croatian children live" was held in 2013.

Alongside its corporate donation, HT has also provided a system whereby customers can also contribute to this valuable UNICEF project.

"Zajedno smo jači"

Hrvatski Telekom continued with the successful humanitarian competition "Together we are stronger", through which for the eighth consecutive year, funds were donated for projects of special importance to the community. HRK 540,000 was donated to organizations and institutions to undertake initiatives of importance for the local community. The competition had three categories, and each was assigned a total amount of HRK 180,000.

Categories of the competition were "Connected life and work", for projects that apply modern technologies in life and work, "Connect the unconnected", for projects that improve quality of life and enable inclusion and equal opportunities for everybody, and "Low carbon society", for eco projects that contribute to environmental protection.

060 numbers - charity action support

In 2013, HT continued to support other charity campaigns by providing telephone lines to allow the public to make contributions, an activity it has engaged in since 2001. Campaigns and organizations assisted in this way in 2013 included, among others, the Ana Rukavina Foundation, Rotary club Zagreb Kaptol, and RTL Helps Children. HT donated all proceeds from these initiatives to the causes concerned, raising a total of HRK 2.1 million for charity.

"Znanjem rastemo" (Growing through Knowledge) Conference

Over the years, the HT conference *"Znanjem rastemo"* has developed into a prominent event featuring the world's leading experts, visionaries and thinkers in an exchange of knowledge, insights and the most advanced ideas of our time with the guests. Every year the conference is attended by numerous members of the political and academic communities, employees and science experts. In October 2013, HT held its sixth *"Znanjem rastemo"* conference in Zagreb. The keynote speaker was the globally renowned inspirational speaker Alain de Botton, who talked about the crucial role that education plays in the rearing of future generations, in the achievement of a wise and good life, in effective motivation of employees, in self-affirmation through work, and in making the world a better place through self-actualisation.

Conference support

HT continues to play a key role in development of knowledge society supporting various gatherings of scientific experts such as WinDays 2013, the MIPRO Conference, the Combis Conference, the Cisco Conference, IDC Conference, Telecom Arena, the Imagine Cup 2013 project, HospiTaly Days related to m-health and other events related to the telecommunications sector and its communities.

Scholarships

Another scholarship scheme the Company supports is the "Korak u život" (Step into Life), organized by the Rotary Club Zagreb Kaptol. In 2013, for the third year HT awarded scholarships to four students who lack adequate parental support to fund further educational opportunities.

T-HTnagrada@msu.hr

HT has been the main partner of the Museum of Contemporary Art (MSU) since 2007. This partnership continued in 2013 with the annual award for the best Croatian contemporary work of art which is a recognizable and valuable art project that significantly contributes not only to the Museum's collection but also to the development of Croatian contemporary art. The acceptance and success of the project is best evidenced by great response of artists of all generations and creative approaches. HT also provides telecommunications services to the museum alongside financial support. The sixth T-HTnagrada@msu.hr, one of the most prestigious annual awards in the field of contemporary art in Croatia, was held in 2013. There were 200 works of art submitted and the international expert jury selected 38 for the exhibition in the building of the Museum of Contemporary Art. During selection of the works for the exhibition, excellence was the main criterion for the jury because of the diversity of the works submitted by artists of all generations. This was also applied in selecting the works that received awards.

Theatres

HT continued its tradition of sponsoring Croatian national theatres in Osijek, Varaždin and the Gavella City Drama Theatre in Zagreb. Also, the "Špancirfest" street festival and Varaždin Baroque Evenings were supported through sponsorship of the City of Varaždin.

Film festivals

In 2013, HT supported seven film festivals: ZagrebDox, Pula Film Festival, Starigrad Paklenica Film Festival, Vukovar Film Festival, Film Festival Avantura Zadar, MAXtv filmomanija and Zagreb Film Festival.

In 2013, HT created a new platform called MAXtv Filmofeel, "Festivals' best friend", which focused on sponsored film festivals. As part of the competition, entertainment content was organized for visitors to film festivals and for film lovers who viewed film festival events online. Through the MAXtv Filmofeel platform, HT undertook, in cooperation with the Zadar festival, a unique project in this part of Europe, the Online Film Festival "Sunday Avantura on tportal ". From Sunday 22 December 2013, HT provided access to all film lovers to "The Sunday adventure", the online edition of Zadar Film Festival, on tportal.

This revolutionary VOD (Video on Demand) platform on tportal opens a window to a broad audience that can now enjoy every Sunday new titles from directors coming onto the European film scene. Through this partnership with Avantura Film Festival Zadar and Eye On Films (Wide Management), HT connects international projects, festivals and distributors, and provides a virtual film festival on the Internet and offers a showcase for new films and directors. In 2014, the service will be extended to provide film fans the opportunity to enjoy two films every Sunday from 18:00 to 24:00.

The roman@tportal.hr prize

In the sixth roman@tportal.hr literary prize competition worth HRK 100,000, Tahir Mujičić won the prize for his novel *"Budi Hamlet, pane Hamlete"*.

Electronic Beats Festival

HT supported the Electronic Beats Festival Zagreb 2013, which attracted more than 2,000 visitors who enjoyed performances by some of the hottest performers on the electronic music scene, such as Fritz Kalkbrenner – live, Efterklang, MSMR, Dena and DJ Itch.

Tvitomanija

In 2013, HT sponsored communication technologies at the largest regional conference on social networks, Tvitomanija, which took place in Novi Vinodolski.

Croatian Olympic Committee

HT continued its long-standing cooperation with the Croatian Olympic Committee, as its main sponsor, thus linking HT's values with the Olympic Games principles of fair competition, persistence and the pursuit of excellence.

Paralympic Foundation

HT is one of the first supporting members of the Foundation. Croatian Paralympic Committee launched the Foundation to help top athletes with disabilities improve their skills and provide the same conditions to all athletes.

MAXtv Premier League

The cooperation between MAXtv and the Croatian Premier Football League (prva hrvatska nogometna liga) - MAXtv Prva liga - continued in 2013 bringing top flight production standards and broadcasting Croatian football matches on new interactive platforms. HT is also a sponsor of the Croatian Premier Football League.

Sportske igre mladih (Youth Sports Games)

HT is a long-standing sponsor of the Youth Sports Games, the largest amateur sports event in Croatia. In 2013, around 84,790 young competitors from 7 to 18 years of age came together to compete in 10 sports and more than 20 cities. The event is underpinned by strong anti-drugs, anti-alcohol and anti-violence message, articulated in the slogan: "We live life without drugs because drugs take lives." In 2013, the YSG were also held in neighbouring Bosnia and Herzegovina, and involved more than 25,000 children.

INNOVATIVE SERVICES IN 2013

PSTN migration

The PSTN (Public Switched Telephone Network) migration of the fixed network represents a radical change within the telecommunications network of HT. The basic platform is to be completely transformed for the purposes of developing new multimedia and customer-oriented services based on IP technology. After 20 - 30 years of use, old digital telephone switchboards will be gradually replaced by new, IP-based technologies, both on the control and access level of the network. The migration will be undertaken over a long period of time. In 2013, one telephone switching centre was shut down (Prečko in Zagreb) and approximately 360,000 customers were successfully migrated to the new platform.

tCloud

Given the increasingly important role that technology plays in environmental protection, HT continued with new cloud services in 2013 (Cloud Call Centre, Water Consumption Control, etc.) offered to the customers through the ICT Marketplace, a store of business applications and ICT services where users can rent a range of advanced cloud services and PC applications.

TeraStream

TeraStream is an extremely simplified IP network concept that combines network technology, data centres technology, and fibre infrastructure. It allows simpler implementation and integration of advanced services of the future, and it is expected that precisely this type of telecommunication solution will become the industry standard in the future. TeraStream increases the speed of the access network by about 50 times the current capacity, and is fully IPv6 protocol based. HT was the first in the Deutsche Telekom Group to implement this innovative technology to test this concept and work on improving its functionalities.

Electric vehicles

The aim of the MOBINCITY project was to develop technological innovations that will contribute to large-scale use of electric vehicles in the future. Within the project, communication protocols were defined for electric vehicles to communicate with each other and other traffic. The project facilitates optimal journey planning, based on data collected in real time. This solves part of the problem that has so far prevented significant use of electric vehicles in traffic. The project leader is the Institute of Technology and Energy from Spain, and HT is participating in the areas of the project that relate to communication systems and project management.

Instrukcije.tv

HT has introduced *instrukcije.tv* (tutoring.tv), an advanced service that, through video tutorials on MAXtv, helps students master the mathematics curriculum for elementary and high school. This service gives students the opportunity to practice or improve their understanding of subject matter regardless of their level of achievement, thereby facilitating greater access to knowledge and development.

Cloud Call Centre

In 2013, HT further expanded its range of services in the cloud for business customers, introducing the Cloud Call centre service. This is a unique service in the market that allows customers to establish a high quality and flexible call centre at no initial cost, in a fast and easy manner.

In a separate cloud-centred project, HT participated in a pilot project croRIS, radiology in Cloud, in coordination with the Clinical hospital Dubrava and General hospital Dubrovnik, which aimed to connect the two institutions via a service hosted in HT cloud.

RESPONSIBILITY TOWARDS CUSTOMERS

Customer care

Our customers are offered support on a 24/7 basis by phone, e-mail, postal mail, fax and via social media. Social media represents one of the most effective and immediate channels and the customer response has been extremely positive with over 100,000 "likes" on HT's Facebook profile and over 6,000 followers on Twitter. The company website also offers an online chat facility. In addition to providing information and help, call centre agents also market products and services tailored to the customers' individual needs.

Responsible approach to customers

HT tailors its services to take into account the varying needs of its customers' needs, as shown by our special discounts, shops accessible to disabled people, special packages for customers on low incomes, services for young people and discounts granted to Croatian Homeland War disabled veterans. It also provides parental protection, handset insurance and various billing options including web billing, voice billing and e-billing. Customer Journey Mapping has been introduced this year to enable employees to fully experience all stages of the customer journey for any new product proposition prior to launch.

Monitoring customer satisfaction

HT continuously monitors customer satisfaction and loyalty, using the TRI*M methodology and NG ICCA customers comments for the Call Centre (and IVR self-service), shops, web, and technicians. The Call Centre and the Shop touch points play a key role in the maintenance of good relationships with our customers. Employees from HT offices also spend time at the coal-face, becoming "Christmas helpers" in the stores. This initiative provided HT managers an opportunity to speak directly to customers and hear their comments about products.

SECOND PART::

GLOBAL COMPACT
INITIATIVE

COMMUNICATION ON
PROGRESS FOR

2012 - 2013

1. Human rights

1st principle: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence

2nd principle: Make sure they do not participate in human rights abuses.

The main highlights of the reporting period:

- Increase in the number of training hours per employee (not counting the additional e-learning and internally organized training and education programs) as compared to 2012.
- As opposed to 2012, the average number of training hours per employee in 2013 (counting the total number of employees in the company) was higher for women than for men.
- A greater number of training hours for managers is a reflection of postgraduate education that was, to a certain percentage, co-financed by the company.
- A respect for diversity and equal opportunities for all is proved by the fact that the proportion of women in managerial positions did not only increase by 3% from 40% compared to 2011, but is still higher than the share of women in total number of employees.

Distinguished projects:

- HT Academy – HT human resources, in collaboration with experts in the Company and reputable external lecturers, created and launched a program of HT Academy consisting of Technical, Sales and Marketing Academy. The educational program includes interactive lectures, case studies, small-group work, further reading and practical assignments between modules.
- e-Etiquette – Hrvatski Telekom drew up the first domestic handbook for good behaviour on social networks. It was initially available in printed form, but later it had its digital release on Planet 9, HT's service that allows users to purchase and read electronic books. The aim of the manual was to define more clear communication guidelines that would significantly contribute to a better understanding between all the users of social networks.
- Day of Guiding Principles - of fundamental values of HT as a company, as well of the entire DT Group. This method promotes five Guiding Principles as values that inspire and encourage ethical behaviour, mutual respect, teamwork, quality relationship with customers and partners, achieving the best possible results in the simplest possible way, open expression of opinions, taking responsibility and creating an environment in which exceptional results are encouraged, recognized and appreciated.
- HT Days – By gathering hundreds of participants from different parts of Croatia, HT Days are an excellent opportunity for recreation, socializing and sharing experiences with colleagues from other cities and towns.
- TSN – Hrvatski Telekom joined TSN (Telecom Social Network) – a corporate social network that connects employees of the DT Group worldwide. Apart from business networking, TSN is a great tool for sharing knowledge and business experiences for employees. In this way HT uses social networks not only as a medium for communication with external public but also as an internal communication channel that is fast, easy and involves sharing information with the colleagues.
- HT Champion - Hrvatski Telekom recognizes its champions - people who are distinguished by their professional and human qualities, performing demanding tasks on a daily basis. Traditionally, technical functions of HT declare their champions once a year, thus demonstrating how the

company recognizes and appreciates people who, with their knowledge and relationship with customers, serve as a role model for all the others.

- Knowledge on Thursdays – Hrvatski Telekom continues to give its employees the time to share knowledge and experience within the company in order to learn about business areas they are not directly involved in, but the knowledge of which may be very useful in everyday work. Experts from various business areas exchanged their knowledge and experience with colleagues on issues involving network, new technologies, products and services, energy consumption, consumer satisfaction, legal issues, data protection and security and business compliance.
- Investing in employee education - through a tender, Hrvatski Telekom selected 25 candidates for funding postgraduate expert, doctoral and MBA programs.

Employees of Hrvatski Telekom

	2011	2012	2013
Total number of employees on 31 December	5,724	5,441	5,232
Employment for an undetermined period of time	5,539	5,224	4,984
Employment for a fixed term	185	217	248
Full time employment contract	5,723	5,440	5,231
Part-time employment contract	1	1	1
Male	3,656	3,429	3,270
Female	2,068	2,012	1,962

Employee benefits

All employees have the same benefits, according to the time spent at work. These are the following financial benefits: bonuses, Christmas bonuses, vouchers for Easter, jubilee rewards, various aids laid down in the Collective Agreement etc. Employees have the right to compensation for the costs of transportation to and from work, and when retiring are entitled to a severance pay. All employees are covered by accident insurance policy with an authorized insurance company for 24 hours, in case of death due to accident, permanent disability, accident and hospitalization coverage.

Employees of Hrvatski Telekom can chose among wide range of special offers by various companies. The selection is available on Intranet.

	2011	2012	2013
Employee salaries and benefits	1,021,883,944	948,388,800	926,604,908

Collective Agreement

A partner dialogue is continually led with social partners of Hrvatski Telekom, trade unions and employee representatives in the Employees' Council. The Collective Agreement in force as of 6 February 2013 reflects a high degree of employees' rights in HT. Collective Agreement is negotiated with the Employer by representative trade unions, and the rights from the agreement cover all employees.

Negotiations for a new collective agreement begin no later than two months before the expiration of the current Collective Agreement. Deadlines for consultation with the Employees' Council on everything that affects the labour and social position of employees in Hrvatski Telekom are defined in the Agreement on the conditions for the work of the Employees' Council.

Occupational safety

Committees for Occupational Safety were established as advisory bodies to the employer. Each Committee consists of five members: the Employer's authorized representative who is also the President of the Board, an Occupational Safety Expert, an Occupational Medicine Specialist and two Occupational Safety Coordinators. Special attention was paid to the regional coverage, so that there are five Committees for occupational safety: Central Committee for Occupational Safety, Committee for Occupational Safety for Central and Northern Croatia, Committee for Occupational Safety for Southern Croatia, Committee for Occupational Safety for Western Croatia and Committee for Occupational Safety for Eastern Croatia.

Since December 2008, HT Human Resources are certified according to the ISO 9001:2000 standard. Following re-certification, from 29 December 2010 the Support and Human Resources Management Function has been certified according to the ISO 9001:2008 standard for the following scope of activities: services from the field of management, development and strategy of human resources and managing employee relations.

The area of occupational safety has a defined process according to the ISO 9001:2008 standard. The main objectives of the process are:

- professional assistance to authorized representatives of the employer in conducting and organizing the implementation of the prescribed safety measures
- improving the safety and health of workers at work, preventing or reducing work-related injuries to a minimum, reducing occupational diseases and other diseases related to work
- improving occupational safety

On HT's IntraNet website, employees can learn all about occupational safety, from the organization itself and its Coordinators, to providing first aid and work instructions in a safe manner.

In accordance with the structure of the company, or dislocation of some functional segments within the organizational structure of the company, the Committees for Occupational Safety were established as advisory bodies to the employer.

Training in the field of occupational safety for authorized persons of the employer

A special form of training of the Employer and its Authorized Representatives in the field of Occupational Safety is training aimed at preventing injuries and occupational diseases, and the organization of the work process in a way that injuries of employees and occupational diseases are reduced to a minimum in the technologies in which, on the basis of objective indicators (risk estimates), there is a risk of injuries and diseases that could endanger the safety and health of workers. Training in safe work practices of employees (as executor of jobs and tasks) must be distinguished from training in the field of Occupational Safety and health (of authorized representatives).

The direct executors of work need to know how to work in a safe manner, and the organizers of the work process (such as authorized persons of the employer) must know how to provide safe working conditions. In connection with the above, the Management Board of Hrvatski Telekom designated the authorized persons of the employer in the field of occupational safety, as follows:

1. Authorized Representative: Operating Director, Director, Head of Work Unit;
2. Immediate Authorized Representative: Coordinator, Manager, any person supervising one or more employees.

The training of Authorized Representatives of the Employer in the field of Occupational Safety in Hrvatski Telekom is conducted by a contracted service provider, authorized company for work safety. Training is conducted electronically via e-learning.

Training in the field of occupational safety for coordinators

Hrvatski Telekom has provided training for selected Occupational Safety Coordinators. The selection, appointment, number and the period for which the Coordinators are elected is done in accordance with the provisions of the Labour Act which deal with issues of Workers' Council and in accordance with the provisions of the Occupational Safety Act on the obligation for selecting Coordinators where conditions require it (increased threat to the safety and health of workers, work at remote locations, etc.)

The training of Occupational Safety Coordinators was conducted by a contracted service provider, authorized company for work safety. Pursuant to the Collective Agreement, the Occupational Safety Coordinator must report to the Workers' Council on his/her work at least every three months.

Injuries, occupational diseases, lost days and absence

In 2012, 51 men and 18 women were injured. No employee was fatally injured.

2012					
total number of injuries	total number of injuries in the work process	total number of injuries outside the work process	total number of developed occupational diseases		
69	34	35	1		
total working time lost due to injury incurred			working time lost due to occupational diseases		
in the work process		outside the work process			
Lost working hours	8,872	Lost working hours	12,528	Lost working hours	0
Lost workdays	1,109	Lost workdays	1,566	Lost workdays	0

In 2013, 40 men and 23 women were injured. As in 2012, there were no fatal injuries to employees.

2013					
total number of injuries	total number of injuries in the work process	total number of injuries outside the work process	total number of developed occupational diseases		
63	17	46	3		
total working time lost due to injury incurred				working time lost due to occupational diseases	
in the work process		outside the work process			
Lost working hours	6,032	Lost working hours	4,768	Lost working hours	456
Lost workdays	754	Lost workdays	596	Lost workdays	57

Additional care about the health of employees

Within the initiative of preventing illnesses, Hrvatski Telekom organizes medical check-ups for all employees and vaccination against seasonal influenza and the employees who may come into contact with ticks are also provided with vaccination and additional vaccination.

In addition to the service of medical check-ups for employees Hrvatski Telekom has arranged a discount on the price of each additional examination that any employee needs or wants to have after the check-up, as recommended by a doctor or upon personal request. The possibility of check-ups for immediate family members of employees (spouses, children, parents) under favourable conditions have also been arranged, as well as a discount on the price of each additional exam. Occupational safety ensures that all employees who work more than four hours a day at the computer regularly check their eyes.

The Collective Agreement also regulates the area of Occupational Safety and the employer's obligations regarding the application of regulations and improvement of occupational safety, as well as the tasks of the Occupational Safety Coordinator: Audit risk assessment of occupational safety for HT was completed in March 2012, and was adopted at the session by the Management Board of HT (27.3.2012).

Personal safety equipment

In order to protect the body and body parts which are subject to certain types of risks and hazards during work, employees are provided with personal protective equipment, if the risk (hazards and harms) cannot be eliminated by other measures of protection.

Based on the identified risk - Risk assessment of jobs as a fundamental document in the field of occupational safety, in accordance with statutory regulations, the Regulations on the Occupational Safety of Hrvatski Telekom d.d., the employer has determined the jobs and tasks requiring the use of an instrument, depending on the degree of danger and adversity, for which indicative time frames for the allocation and use of protective equipment are determined.

Training employees for safe work

Pursuant to the provisions of the Occupational Safety Act and Regulations on Occupational Safety of Hrvatski Telekom, the employer conducts training for employees aimed at educating them how to work in a safe manner - before the employee commences employment, during changes in the work process, or when changing jobs or workplace.

Assessment of practical qualifications is conducted in the workplace. The Occupational Safety Work Unit performs the training of employees for safe work, based on the authorization obtained from the competent authority, the Ministry of Economy, Labour and Entrepreneurship through their experts theoretically, electronically via e-learning, and in practice in the work place.

Improving the impact of products and services on health and safety

When it comes to electromagnetic emissions, Hrvatski Telekom fully complies with the current Croatian legislation. In Croatia the Ordinance on Protection Against Electromagnetic Fields (OG 98/2011) issued by the Ministry of Health applies, and all telecommunications equipment is subject to the provisions of the Ordinance on the Limitation of the Strength of Electromagnetic Fields for Radio Equipment and Telecommunications Terminal Equipment (OG 89/2011). The international standard for limiting exposure to time-varying electric, magnetic and electromagnetic fields (up to 300 GHz) has been issued by the International Commission on Non-Ionizing Radiation Protection (ICNIRP). These safety limits have been adopted by the World Health Organization and the UN on a global level, and HT also adopts them.

However, compared to these standards, the Croatian regulations are up to 6.25 times stricter. The border levels for the power flux density in the areas of occupational exposure in the Republic of Croatia are 5 times stricter, and in areas of increased sensitivity 6.25 times stricter than those in the European Union. GSM base stations have been developed, tested and commissioned in accordance with international standards and requirements. HT receives the certificates proving that the base stations comply with the security requirements of ICNIRP and with a series of standards for product safety, electromagnetic compatibility and general technical regulations from the equipment manufacturer. Also, all base stations are certified as conforming to a range of European and international standards issued by the Croatian Post and Electronic Communications Agency.

Being a responsible telecommunications company, Hrvatski Telekom supports and encourages extensive and detailed scientific research and follows the research activities on the impact of electromagnetic radiation conducted by many organizations, independent groups, expert teams and scientists. All the research that have been conducted so far and the latest scientific findings show that the electromagnetic fields in the mobile communication systems have no harmful effect on human health, with the confirmation of the World Health Organization.

Independent measurements were conducted on more than 1500 basic stations in 2012 and 2013 and the results have been delivered to the Ministry of Health. All sources of the EM fields in the T-Mobile network have the resolution for their use which is issued by the Ministry of Health.

Safe mobile devices

All mobile devices marketed by Hrvatski Telekom meet the safety requirements on the SAR values. SAR (Specific Absorption Rate) is a measure of specific absorption rate, or the unit that describes the speed of absorption of electromagnetic energy per unit mass of tissue, and is expressed in W/kg. According to the recommendation 1999/519/EC of the European Union on limiting exposure to electromagnetic fields (0 Hz to 300 MHz), the permissible limits of SAR amount to 2 W/kg for every 10g of tissue for the head and torso. The limitation has been taken over by the Croatian Ordinance on the Protection From Electromagnetic Fields (OG 98/2011). The SAR value of mobile phones marketed by HT is less than 2 W/kg. HT does not

produce products that have an impact on the environment. However, HT seeks by way of a contract to respect all legal provisions for all suppliers from whom HT buys products for further resale.

Zdravko – "Healthy" Intranet sites

An important part of a large study on employee satisfaction, conducted once every two years, are series of issues pertaining to the health of employees, especially their exposure to stress and balance between work and private life, since they are important factors that affect the general well-being of employees. The continuous care about employee health has been complemented by Intranet pages dedicated to the preservation of health and prevention of illnesses with the Zdravko programme. Since most of the employees spend their working hours at the computer, a film with exercises which the employees can do at the work place has been produced by using our own resources. The "healthy" pages provide the employees with the opportunity to read interviews with physicians, specialists of a certain area and a series of useful advice regarding health care. Also, some specialized clinics offer discounts to employees of HT.

Sports and recreation

Amateur sports is a tradition of the employees of Hrvatski Telekom who engage in various organized sports and recreational activities. The company offers its full support in that by allocating annual funds for these purposes. A number of amateurs are dedicated to practising throughout the year, as reflected in the annual sports meetings of our employees, and sporting events often go beyond the limits of our country and see them engaging in friendly competitions with colleagues from other telecommunications companies.

Employees' education

Indicators for 2012 and 2013 include only 'classical' types of education. However, in the last two years, a great deal of specialist knowledge was used and programs that include internal knowledge transfer - HT Academy, T-coaches, Knowledge on Thursdays - are being intensively developed. E-learning is of special importance in the adoption of new knowledge - as a digital company it is insisted on e-learning programs, which allow access to the contents in time and place as chosen by the employee. E-learning content is available to all employees in the company and it covers various areas from expert to soft skills.

- General increase in the number of training hours per employee (not counting the additional e-learning and internally organized training and education programs) as compared to 2012.
- As opposed to 2012, the average number of training hours per employee in 2013 (counting the total number of employees in the company, and not only those who participated in an educational program) was higher for women than for men.
- A greater number of training hours for managers can be explained by postgraduate studies.

Type of positions	Total hours	HC	Average hours per employee	Participants of education programs	Average hours per participants of education programs
2012					
Executive	44,420	5,137	8.65	1,914	23.21
Managerial	5,636	304	18.54	246	22.91
Grand Total	50,056	5,441	9.20	2,160	23.17
Row Labels	Total hours	HC	Average hours per employee	Participants of education programs	Average hours per participants of education programs
M	34,904	3,429	10.18	1,446	24.14
F	15,152	2,012	7.53	714	21.22
Grand Total	50,056	5,441	9.20	2,160	23.17
2013					
Executive	45,984	4,925	9.34	1,908	24.10
Managerial	4,622	307	15.06	196	23.58
Grand Total	50,606	5,232	9.67	2,104	24.05
Row Labels	Total hours	HC	Average hours per employee	Participants of education programs	Average hours per participants of education programs
M	30,835.50	3,270	9.43	1,263	24.41
F	19,770.50	1,962	10.08	841	23.51
Grand Total	50,606.00	5,232	9.67	2,104	24.05

Lifelong Learning

Hrvatski Telekom provides the conditions in which employees can continuously develop their skills and thus their personal competitiveness.

Already by joining the company, there is a program of introduction to business through which a new employee is familiarized with the company's strategy; he is introduced to the business, and in the development of both professional and business competences he receives help from an assigned mentor. A glossary of terms and abbreviations used by HT employees in business on a daily basis has been prepared for new employees so as to help them manage working in the Company.

Strategic human resource planning identifies business needs necessary for the achievement of the company's strategy. Technical, Sales and Marketing Academy are just some of the programs resulting from the business needs where employees acquire new skills and learn about new trends. Based on the defined criteria, employees even attend postgraduate studies, MBA, or are educated in numerous professional programs within the DT Group. There is also a wide range of training programs for the development of business skills - communication, negotiation, presentation, time management.

With the help of the enormous expert potential of company's employees, the internal transfer of knowledge is approached in innovative ways. Through e-learning our employees adopt knowledge and skills from different areas in a quick and easy way, by learning where and when it best suits them. The world of

telecommunications, services and company processes, professional skills and financial knowledge are just some of the topics covered by e-learning.

Performance and Individual Development Evaluation

All workers are included in a system of performance management and career development program. Performance management system is based on monitoring the achievement of long-term strategic, but also short-term objectives of the company by linking company objectives with individual objectives of each employee.

The goal of Performance Management System is to enable every employee to clearly link his personal performance with success of the company. Hrvatski Telekom has several models of performance management, depending on the type of work that employees perform. Employees at the company receive information on their performance in a way that they are first given objectives, after which their progress is monitored through the year, and, finally, their performance is evaluated, and depending on that estimate, rewards are paid.

Career development program for employees allows each employee an overview of their performance, competence level and potential and offers further opportunities for development. The program covers all employees. Other than the opportunity for the development of their competence, knowledge and skills - depending on the assessment of potential, employees have the opportunity to align mutual expectations and guide their development through quality dialogue with their superiors.

Respect for human rights

In 2012 and 2013, there were no procedures that were the subject of an opinion or evaluation in terms of respect for human rights. In this context, there was no record of cases of human rights violations in 2012 and 2013.

The Ethics line has been established in Hrvatski Telekom as a system providing the employees and customers with a confidential and, if desired, anonymous means of reporting misconduct or violations against the Code of Conduct. Also, a separate organisation unit and function were established in Hrvatski Telekom (Data Privacy Officer) which ensures protection of personal data of customers and employees in order to protect privacy as a fundamental human right.

Hrvatski Telekom, and its Procurement department operate ethically and fairly in all business relationships with suppliers and other legal persons with whom it does business. HT is dedicated to instructing all participants in the procurement process to act in accordance with the relevant legal regulations and internal regulations of the company, and in particular in accordance with the Code of Conduct and the Social Charter of HT and all other applicable internal regulations and decisions relating to the company, but not limited only to anti-corruption activities, prevention of conflict of interest and so on.

Procurement believes that suppliers adhere to the provisions of the Labour Act for suppliers within the country. Foreign, global suppliers are checked by a special service for business sustainability that has professional and trained staff on ad-hoc checks.

Hrvatski Telekom does not carry out activities that could significantly be threatened by the realization of the right to freedom of association and collective bargaining that include risk of child labour, as well as the risk of forced or compulsory labour.

Education on Human Rights

Formal education on human rights has not been implemented, but via company journals and especially Intranet, employees are informed and educated on the Code of Conduct and the Social Charter whose principles which regulate human, social and economic rights of workers Hrvatski Telekom adheres to and regularly reports on them. Furthermore, employees are regularly educated on privacy protection on different training programs. Also on company's Intranet it is visible how employees can submit a complaint in case of violation of human rights.

Discrimination against Employees

In 2012 and 2013, there were no confirmed cases of discrimination. Also, in the same period, there were no complaints of violating human rights. The Code of Conduct and the Social Charter of HT, which are based on the highest ethical principles, ban discrimination. However, if it should occur in spite of standardized processes, it can be reported through the "Tell me" portal, which serves as a tool for anonymous reporting of the violation of the ethical code and the Code of Conduct. Hrvatski Telekom protects the dignity of the worker, and the worker has the right to make a complaint to the authorized person in connection with all forms of discrimination and protection of dignity.

2. Worker's rights

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

4th principle: Elimination of all forms of forced labour;

5th principle: The effective abolition of child labour; and

6th principle: Elimination of discrimination in respect of employment and occupation.

The main highlights of the reporting period:

- The ratio of basic salary of male and female managers in 2013 indicates that women managers on average have 2% higher salaries than their male counterparts

Distinguished projects:

- Employer Partner – thanks to the long excellent practices in human resource management that ensures career development in a motivating international environment, personal growth of employees and selection of best candidates, Hrvatski Telekom was given the prestigious Employer Partner Certificate for excellence in human resources management.

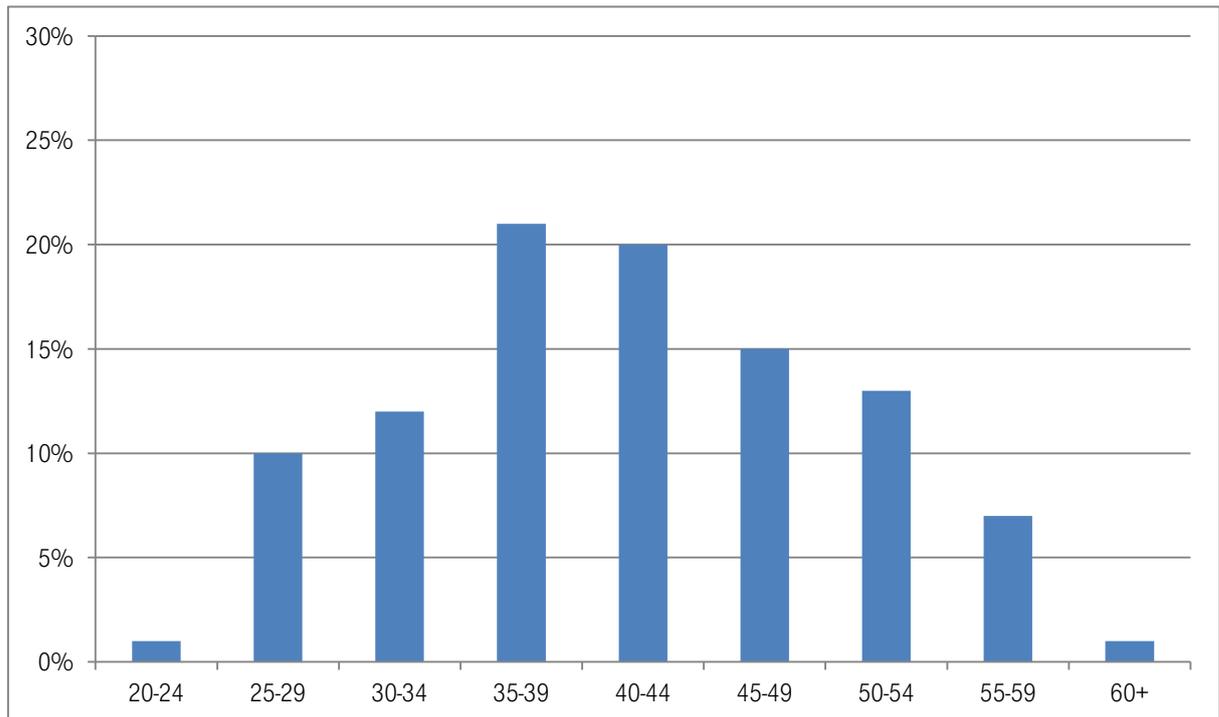
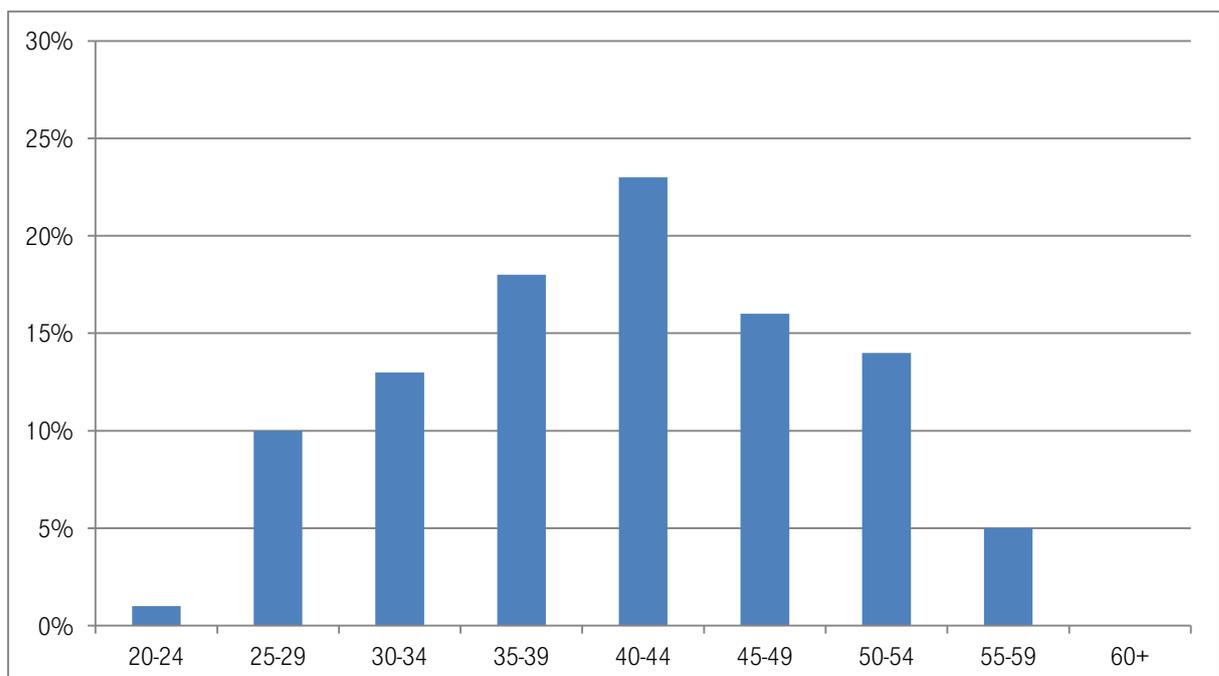
Number of employees who left the company				
2012				
Sex	Younger than 30	30-50	Over 50	Total sum
Male	29	139	173	341
Female	18	89	73	180
Total	47	228	246	521
2013				
Sex	Younger than 30	30-50	Over 50	Total sum
Male	27	70	215	312
Female	33	62	91	186
Total	60	132	306	498

New employments				
2012				
Sex	Younger than 30	30-50	Over 50	Total sum
M	79	31	1	111
F	99	23		122
Total	178	54	1	233

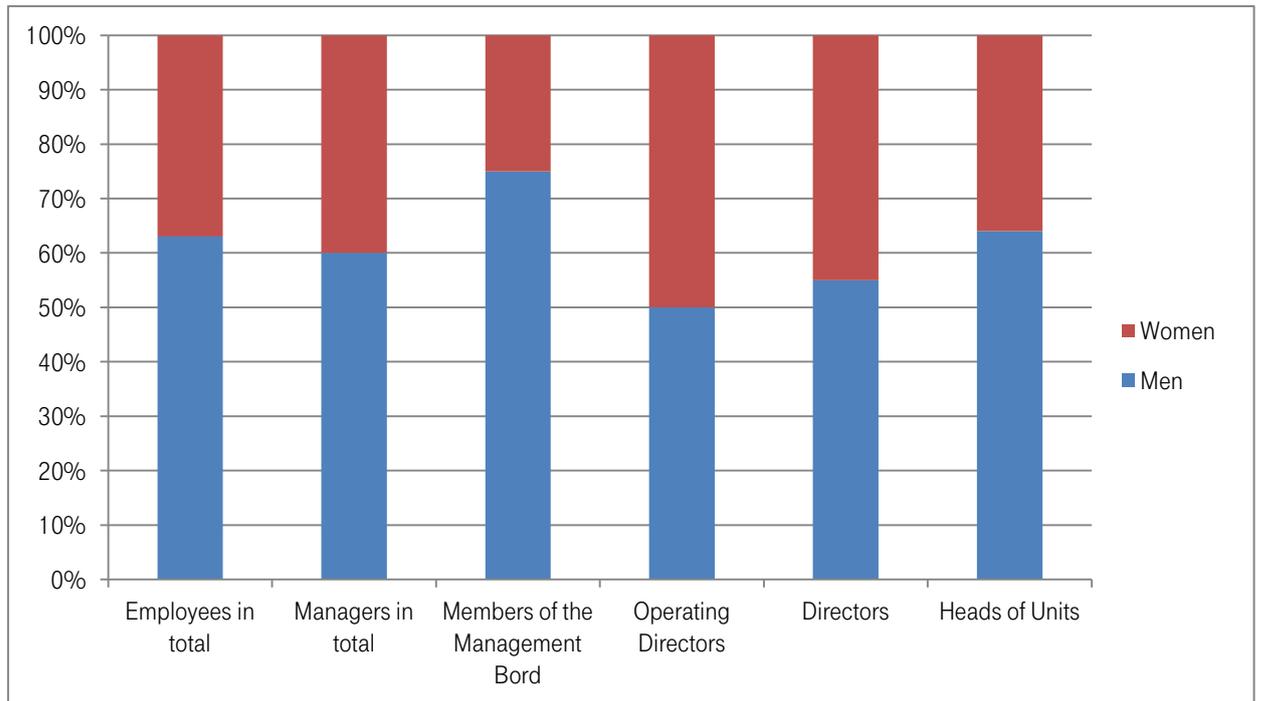
2013				
Sex	Younger than 30	30-50	Over 50	Total sum
M	87	61	1	149
F	110	26		136
Total	197	87	1	285

A respect for diversity and equal opportunities for all is proved by the fact that the proportion of women in managerial positions not only increased by 3% from 40% compared to 2011, but is still higher than the share of women in total number of employees. The Management Board of Hrvatski Telekom comprises two women and five men. Number of female operating officers (first level of management below the Board) totals 45%, while there is 44% of female directors.

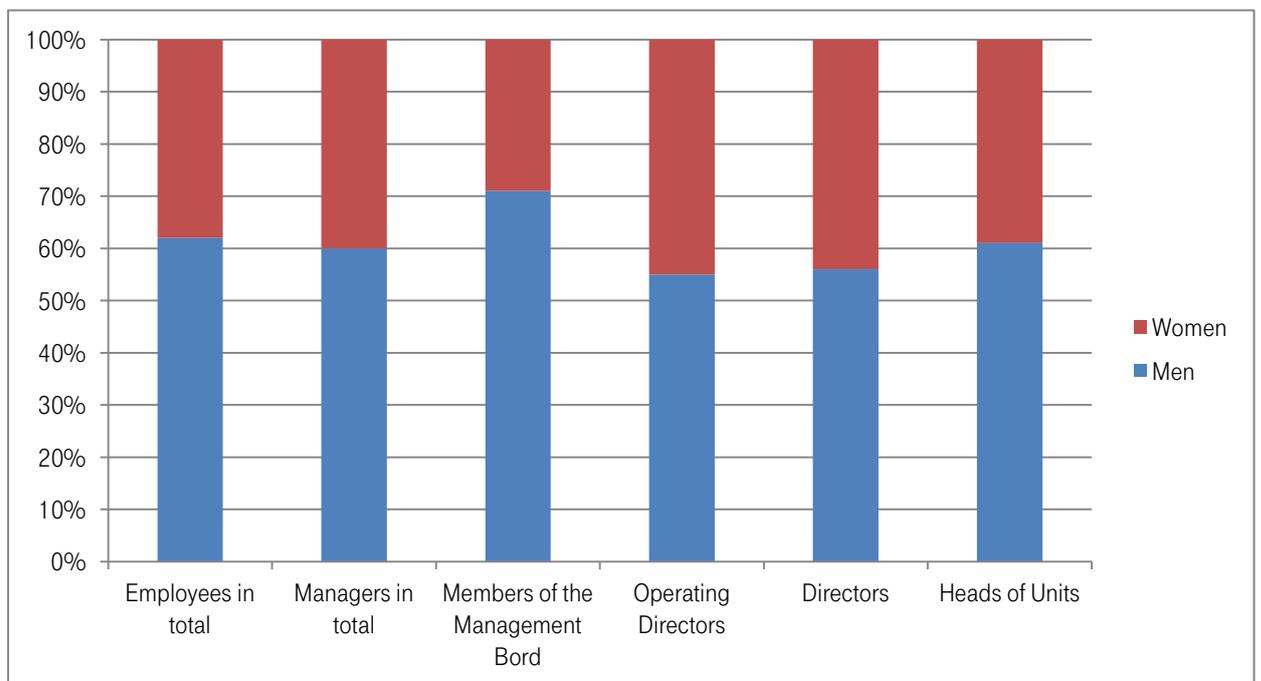
Structure of employees by category, sex and age - by number of years					
2012					
Position category	Sex	Younger than 30	30 - 50	Over 50	Total sum
Manager	M		138	22	160
	F	4	96	11	111
Manager / sum		4	234	33	271
Employee	M	319	2,113	837	3,269
	F	297	1,323	281	1,901
Employee / sum		616	3,436	1,118	5,170
Total sum		620	3,670	1,151	5,441
2013					
Position category	Sex	Younger than 30	30 - 50	Over 50	Total sum
Manager	M	2	135	23	160
	F	1	100	12	113
Manager / sum		3	235	35	273
Employee	M	297	2,085	728	3,110
	F	305	1,313	231	1,849
Employee / sum		602	3,398	959	4,959
Total sum		605	3,633	994	5,232

Structure by age in Hrvatski Telekom in 2012**Structure by age in Hrvatski Telekom in 2013**

Structure by gender in Hrvatski Telekom in 2012



Structure by gender in Hrvatski Telekom in 2013



The ratio of basic salary and fees for men and women by employee category and by location

- The ratio of basic salary of male and female managers in 2012 indicates that women managers on average have 5% higher salaries than their male counterparts. The reason lies in the structure and distribution of jobs within the company. For the same reason the average salary of men is 4% higher than the average woman's salary.
- The ratio of basic salary of male and female managers in 2013 indicates that women managers on average have 2% higher salaries than their male counterparts. The reason lies in the structure and distribution of jobs within the company. For the same reason the average salary of men is 4% higher than the average woman's salary.

Return to work and retention after maternity leave

Year of using maternity leave	M	F	Total	Retained in employment over the following year	
2011	14	233	247	2012	236
2012	10	218	228	2013	207
2013	11	193	204		

Organisation obligations regarding pension plan

In accordance with the applicable legislation, Hrvatski Telekom is obligated to regularly pay contributions for all employees in the generational solidarity system at a rate of 20%, applicable in the 1st pillar. For policyholders who are insured in both mandatory pillars, the contribution rate for the first pillar is 15%, whereas in the second pillar pays a contribution of 5% is paid to personal accounts in mandatory pension funds. The third pillar is, just as the second one, based on individual capitalized savings, but a member of the fund determines the amount and dynamics of contributions through voluntary payments.

Hrvatski Telekom is the founder and patron of Closed voluntary pension fund of HT with favourable terms and benefits for employees who join it. The collective agreement allows each employee the option of deciding whether he or she wants the employer to pay the HRK 3,000 gross in the form of monthly payment in the Closed voluntary pension fund of T-HT or as a reimbursement for taking the annual vacation.

Range of ratios of standard entry level wage

Each position in Hrvatski Telekom is evaluated in terms of: the impact the activities of that workplace have on the operation of HT, the values of the same jobs in the Croatian labour market, key responsibilities of the job, the difficulty of the job and working conditions under which activities are conducted and is accordingly classified in the appropriate salary range. Salary ranges incorporate groups of jobs that are identical or similar in level of complexity, responsibility, knowledge, experience and competencies required for their successful performance, and the salary of each employee is within the range in which the position is classified, depending on the performance of the employee and the necessary knowledge, experience, responsibility and quality of work.

The employee's salary is determined by employment contract in the gross amount increased by the amount of salary supplements for working in special conditions (overtime, night work, shift work, work on Saturdays, Sundays, holidays, awards, etc.), rewards and remuneration. The gross basic salary for a job in the lowest, first salary range amounts to HRK 5,000.00. Other increases to the salary are added to that

amount. The average monthly gross salary paid during 2013 amounted to HRK 11,515.00, which is by 2.9% more than the average gross salary paid in 2012 amounting to HRK 11,191.00.

Procedures for local hiring and proportion of senior management hired from the local community

The recruitment process begins by defining the need of the business for new employees and the approval of the request in accordance with the plan. Candidates are selected from several sources, primarily through internal competitions, and external candidates are selected by reviewing the candidates' database, at jobs fairs, through contacts and collaboration with the academic community, using specialized executive search agencies and external competitions. The selection process involves a classic psychological test, an interview aimed at checking competency and an interview with a representative of the business area and a business partner. Following the decision on hiring and salary adopted at the salary committee, the future employee signs a letter of intent and the employment contract is prepared. Business processes in Hrvatski Telekom are governed by managerial staff through four levels of management within the appropriate organizational units: Management Board (CEO and Board members), Operating Director, Director and Head of the Work Unit.

Proportion of senior management hired from the local community in 2013 was 97,4%, (2012 98,4%), while the proportion of local community in the total number of employees is nearly 100%.

3. Environmental protection

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

8th principle: Undertake initiatives to promote greater environmental responsibility,

9th principle: Encourage the development and diffusion of environmentally friendly technologies.

The main highlights of the reporting period:

- Reduced use of packaging material by weight compared to the last reporting period
- Increased number of locations with wind-solar power
- Reduced direct energy consumption (from non-renewable sources) compared to the last reporting period
- Reduced total greenhouse gas emissions compared to the last reporting period
- Reduced number of business trips
- Reduced total NO₂ and SO₂ emissions
- Reduced total weight of waste, especially hazardous waste
- Changing trend of electricity consumption: in 2012 growth of consumption was stopped (consumption was reduced by 2% compared to 2011), and in 2013 a stable level of consumption was maintained
- Increased total environmental protection expenditures and investments by type
- 696 devices and systems containing chlorofluorohydrocarbon were withdrawn from use, with ecological disposal of over 43 tons of such devices and equipment

Distinguished projects in the reporting period:

- Hrvatski Telekom has initiated and funded a donation project Solar sunflowers with the amount of HRK 400,000, and implemented it in collaboration with UNDP, showing once more in practice it is fully aware of the importance of the notion of sustainability. As part of this project, ten primary schools throughout Croatia received solar trackers. The project is aimed at educating elementary school students about renewable energy - solar, wind, river flows, tidal energy and waves, geothermal energy and biomass energy. The following elementary schools were involved in the project - Veli vrh (Pula), Fran Krsto Frankopan (Omišalj), Hvar (Hvar), Ljudevit Modec (Križevci), Đuro Deželić (Ivanić-Grad), Tin Ujević (Zagreb), Siniša Glavašević (Vukovar), Šimun Kozičić Benje (Zadar), Ostrog (Kaštel Lukšić), Lapad (Dubrovnik). At the awards ceremony for the best communication projects of the DT Group Magenta Award, HT was awarded the Bronze award for this project. Within the project completely innovative solar billboards were put up in Dubrovnik, Pula, Vukovar, Zadar and Zagreb. What makes them quite unique is that they are partially done with a dye sensitive to parts of the UV solar spectrum, which is why a displayed picture varies during day and night, depending on the amount of sunlight to which it is exposed.
- In 2012, Hrvatski Telekom, as a partner company, joined the environmental action "S manje gnjavaže do reciklaže" (Hassle-Free Recycling), organized by the Faculty of Economics in Zagreb. In June 2013 it launched a new service "Zamijeni i uštedi" (Swap and save) through which customers can bring their old mobile devices to the T-Centre and get a discount for the new purchase.

Energy consumption

Hrvatski Telekom consumes energy directly from non-renewable sources, of which natural gas and fuel for the fleet are used the most. Electric power and thermal energy from heating plants are used as an indirect energy.

In order to rationalize energy consumption, the boiler rooms using extra light fuel oil are constantly replaced with ones fuelled by gas, which is a more cost-effective, energy-efficient and environmentally friendly energy source. Gas as energy source is introduced wherever possible, and is introduced in the new generation of boilers during construction and reconstruction. In 2012 and 2013, a total of five boiler rooms were shut down, three were replaced by a newer generation while five boiler rooms were, in accordance with the joint agreement, given to the Croatian Post that now owns and manages them. During the reporting period, replacement of boiler rooms with extra light fuel oil was done in facilities where number of employees was being reduced, which led to a significant reduction of the heated space. These boiler rooms are replaced by small gas loads whose consumption is almost negligible compared to the total consumption of gas boiler rooms. The boiler rooms are equipped with automatic regulation which adjusts the parameters of consumption and contributes to the more efficient use of the resources and lower emission into the environment, while regular maintenance of the boiler rooms still presents the basis for the reduction of emission into the environment.

Compared to 2011, Hrvatski Telekom has increased the number of locations with wind-solar power. On base stations of mobile networks of HT in 2013 a total of 14 wind-solar systems were set up, and on some of them the installed capacity was increased. Wind-solar systems are set up to supply the location of mobile networks where there is no power from the public power network, and the electricity generated by them is used exclusively for their own use. Compared to the total power consumption of Hrvatski Telekom, the amount of electricity produced by wind-solar systems is negligible.

Direct energy consumption by primary source of energy in GJ	2011	2012	2013
Total direct energy consumption (from non-renewable sources)	173,894	147,270	133,945
Natural gas	61,167	45,680	35,071
Fuel for the fleet / petrol, diesel, lpg	81,462	75,373	76,769
Other fuels	31,265	26,216	22,105

Indirect energy consumption by primary source of energy in GJ	2011	2012	2013
Total indirect energy consumption (from non-renewable sources)	559,251	549,819	558,162
Purchased electricity	522,720	515,828	523,123
Thermal energy from heating plants	36,531	33,991	35,039

Development of new services, increasing network capacity and other global trends followed by Hrvatski Telekom inevitably lead to a steady increase in the consumption of energy. For instance, electricity consumption for mobile networks is constantly increasing due to network expansion and the introduction of new broadband technologies. However, a number of initiatives of HT for more effective and rational treatment still slow down its growth.

In the middle of 2011, an energy efficiency project was launched in Hrvatski Telekom, at the level of the whole company. The project encompasses all the activities in the domain of energy efficiency at the level of the entire company and should provide better results in consumption through the synergy of various activities. The following are priorities of the project: analysis of existing activities and possibilities of improving or expanding initiatives due to consideration on a larger scale; analysis of the planned and unrealized initiatives and the possibility of improving or expanding initiatives due to consideration on a larger scale; ensuring communication channels that would enable various proposals in this domain to be taken into consideration.

	2011	2012	2013
Energy saved due to the improvement of processes achieved with the help of saving and energy efficiency (GJ)	0	21,384	13,608

An analysis of more than 50 potential measures for improving energy efficiency was carried out as a part of the project. During 2012 nine measures that resulted in a decrease in consumption of 21 384 GJ were implemented. In 2013 a total of 19 measures that resulted in a decrease in consumption of 13 608 GJ were implemented. The most important measures refer to the optimization of PSTN ports, modernization of cooling systems, exclusion of obsolete and redundant telecommunications equipment, optimization of rectifiers and installation of a free cooling system. All measures undertaken in the energy efficiency project are in compliance with the goals set under the ISO 14001 Environmental Management System.

ISO 14001 Environmental Management System, which was introduced in Hrvatski Telekom, energy is evaluated as one of the most significant aspects of the environment. An Energy Management procedure was established in order to monitor these environmental aspects, while continuous improvement in the part pertaining to energy consumption and energy efficiency is ensured through both general and individual goals as well as through related measures and programs. The Management Board of Hrvatski Telekom has adopted Energy Policy that directs activities to be implemented in HT regarding energy and energy efficiency management.

Apart from the process of Energy Management itself, energy management in specific business processes in HT in which energy is used in any form, or in which the identified environmental aspect "energy

consumption" is rated as highly relevant, is described in the procedures of Environmental Management System that refer to these processes:

- Environmental practice in offices
- Property maintenance
- Handling of substances that deplete the ozone layer
- Planning, preparing and building of networks
- Managing user terminal equipment
- Environmental practice in the use of official vehicles
- Relations with suppliers and external contractors
- Maintaining the energy engineering infrastructure of technology facilities and premises
- The fleet of Hrvatski Telekom comprises 205 LPG-powered cars (in 2013 there were 203 cars), which contributed to reducing CO₂ emissions. Reduction of direct energy consumption from fuel for the fleet is followed by a 10% reduction in the number of vehicles in 2012 and 2013 compared to 2011. In addition to that, results regarding greater use of environmentally friendly fuels (LPG) and the rationalization and optimization of driving routes were achieved and improved.

Paper

Paper is used for office purposes and for printing of telephone bills. As Hrvatski Telekom introduced the ISO 14001 system, the procedure Environmental practice in offices sets guidelines for the establishment of the Green Office, thanks to which the consumption of paper is continuously decreasing. The digitization of internal processes and the transition to e-business contribute to reducing the consumption of paper for office purposes. In case of consumption of paper for printing bills, the number of users of e-invoices is continuously increasing, resulting in a reduction in the number of printed invoices. Telephone directories are no longer issued in printed form.

Data on packaging made of paper/cardboard, wood and other polymer materials are given in the table below:

Used material by weight or volume	2011	2012	2013
Paper Consumption (tons)	138	131	108
Packaging in total	116	94	89
Paper/cardboard packaging (tons)	71.7	50.2	48.9
Wood packaging (tons)	38.5	37.8	33.7
Packaging of other polymer materials (tons)	5.5	6.0	6.8

Water

Hrvatski Telekom uses water from the water supply network, for drinking, sanitary purposes, air conditioning systems and fire fighting systems. ISO 14001 Environmental Management System recognizes water consumption as an environmental aspect and is described in detail in the process "Environmental practice in offices", which describes the effects of staff when working in the office and the application of the principles of the Green Office.

There was an increase in water consumption in 2013 due to extensive construction work on the reconstruction of the object in Selska Street in Zagreb where a brand new data centre was being built. Also,

another reason for increased consumption is the rupture of underground pipes and uncontrolled water leakage at two facilities in Zagreb (Kruge 26 and Folnegovićeva 5).

Total water withdrawal by source	2011	2012	2013
Total water withdrawal (in thousands of litres)	79,250	80,890	86,820

Due to the nature of its activities, Hrvatski Telekom produces no waste water associated with power plants. It uses water from the water supply network, for drinking and sanitation purposes and in specific business processes (fire extinguishing systems, air conditioning).

Hot water can be discharged only in sewage outfalls. It is important to note that none of the business processes of Hrvatski Telekom represent a danger of pollution of watercourses. Where there is a risk of oil spills into the sewer, we apply appropriate technical means (oil separators and grease filters). Business activities of HT do not cause any significant spills that could damage the soil, water, air, biodiversity and human health.

Biodiversity

The facilities of Hrvatski Telekom in locations owned, leased, or managed within protected areas or in their immediate vicinity and on areas of high value in terms of biodiversity outside protected areas have little or negligible impact on biodiversity. ISO 14001 Environmental Management System, introduced in Hrvatski Telekom, in the process of Planning, preparing and building of networks gives a definition of actions that minimize environmental impact and visual impact to the environment.

When setting up base stations of mobile networks in protected parts of the nature, HT works closely with the Ministry of Environmental and Nature Protection, the Ministry of Physical Planning and Construction, Ministry of Culture, the local community, managements of protected areas, mobile operators and other relevant stakeholders, where necessary.

Additionally, Hrvatski Telekom and other mobile operators, members of the Mobile Communication Association of Croatia (UPKH) have started the initiative of minimizing the number of actions taken within the landscape while building the basic mobile network stations. The Ministry of Environmental and Nature Protection and the Ministry of Physical Planning and Construction have also supported this initiative and thus today mobile operators are building joint locations. Such activities minimize the mobile networks' impact on the landscape, especially in the protected parts of nature. Since 2009 Hrvatski Telekom cooperates with other mobile operators in finding common locations for telecommunications equipment, and in implementing these locations in spatial plans of cities and counties. Furthermore, when it comes to joint interventions in space HT is completely guided by the provisions of the Ordinance on manner and conditions of access and shared use of electronic communications infrastructure and associated facilities

The business processes of Hrvatski Telekom have only indirect and insignificant impact on biodiversity. The company's greater potential lies in the protection of biodiversity through sustained action in the area of climate protection (use of energy-efficient equipment and devices, offering services that help reduce the impact on the environment for the customer, sponsoring environmental activities - reforestation of burned areas, conservation of habitats of endangered species, etc.).

Greenhouse gases

Total direct and indirect emissions of greenhouse gases by weight (in tons of CO ₂)	2011	2012	2013
Total greenhouse gas emissions (direct and indirect emissions)	60,322	56,372	56,292
Total direct emission of CO ₂ (from non-renewable sources)	10,860	9,790	9,003
Natural gas	2,964	2,213	1,699
Fuel for the fleet (petrol, diesel, lng)	5,632	5,281	5,368
Fuel oil	2,264	2,295	1,935
Total indirect emission of CO ₂	49,462	46,582	47,289

Total direct and indirect emissions of greenhouse gases by weight have been calculated according to the GHG Protocol. According to ISO 14001 Environmental Management System, emissions are recognized as an important environmental aspect and are placed under surveillance in the procedure of Handling of substances that deplete the ozone layer.

The percentage reduction in CO ₂ emissions to the levels of HT parallel with the previous reporting period	2012/2011 %	2013/2011 %	(average 2012+2013)/2011 %
Total greenhouse gas emissions (direct and indirect emissions)	-6.55%	-6.68%	-6.61%

In addition to the stagnation of electricity consumption, related greenhouse gas emissions depend on the emission coefficient of CO₂/kWh of generated electricity, resulting in reductions in indirect emissions in 2012 and 2013. Also, a number of initiatives in HT related to direct emissions resulted in lower energy consumption and thus lower emissions. As part of the introduced ISO 14001 Environmental Management System, a procedure of Environmental practice in the use of official vehicles has been established.

Emissions during fuel use in the fleet were somewhat reduced in 2012 and then they increased slightly in 2013, which depends on the dynamics of business activities of the company and intensifying work on migration of subscribers to new technologies that require an increased number of visits to users.

Use of Telargo IT fleet management system enables optimization of the use of means of transport along with reduction in fuel consumption. Users of official vehicles can further contribute to environmental protection complying with the guidelines for eco-driving, taken over from the European Commission for Energy (instructions are posted on the Intranet sites and are available to workers).

Through established Environmental Management System according to ISO 14001, goals regarding the reduction and prevention of emissions of harmful gases into the air are regularly defined, such as: replacement of boiler rooms, replacement of the heating system (abandon the heating system with boiler rooms, install heat pumps for space heating and cooling), reconstruction of boiler rooms, increase in the use of gas as fuel in cars running on alternative fuel with gas/petrol.

	2011	2012	2013
Number of business trips	29,707	26,549	25,710

Of other indirect emissions, Hrvatski Telekom considers those emissions resulting from business trips by public transport as the most significant ones (travels by official vehicles from own fleet are included in direct emissions of greenhouse gases). Exact data on types of means of transport and mileage are not monitored and therefore unavailable. Total number of business trips, where planes/trains/rented cars and taxis are the most used means of transport, still had a decreasing trend in the reporting period compared to previous years. Compared to 2011, Hrvatski Telekom reduced the number of business trips in 2012 by 10 percent. Further reduction in number of business trips was recorded in 2013.

During the study period, an upward trend in use of audio and video conferencing as a replacement for physical meetings was present at all levels of the company, which further reduced the need for business trips, especially over longer distances where air planes are mainly used for transport. Audio conference has become a standard method for holding regular meetings and consultations at the DT Group level, especially when the presence of participants from several national companies is required, which has resulted in significant reduction in the number of trips in order to hold physical meetings, and thus in emissions caused by such trips.

	2011	2012	2013
Reduced total greenhouse gas emissions compared to the previous year (tons)		3,950	80

As part of the introduced ISO 14001 System, several procedures have been established that deal with greenhouse gas emissions. In the procedure of Handling of substances that deplete the ozone layer, monitoring and activities management pertaining to the maintenance of various equipment that contains substances that could potentially affect the atmosphere has been established. Operational objectives were defined based on this procedure: replacement of air-conditioning devices that use HCFC (R-22), reconstruction of boiler rooms, encouraging the use of gas as fuel in cars running on alternative fuel with gas/petrol, replacement of the heating system.

In the middle of 2011, a program called "Internationalization Climate Change Strategy" was set up at the DT Group level and a working group for climate changes was established. Hrvatski Telekom participates in both the program and the working group. As part of the program, a model for monitoring the existing emissions was worked out and a reference year in terms of which greenhouse gas emissions are monitored was determined (2008). A tool for prediction of emissions until 2020 was also created. The prediction results for HT show the expected emission reductions in the fixed network, mainly due to the modernization of technology, as well as the increase in emissions in mobile network, mainly due to the anticipated growth in the use of broadband internet. At the end of 2013, the Management Board of DT set goals for emission reductions, applied also by Hrvatski Telekom. Compared to 2008, a reduction in emissions by 20 % is expected by 2020.

Compared to 2011, total emissions in 2012 decreased by 3,950 tons, and in 2013 it was reduced by an additional 80 tons. It is the result of implementation of positive energy initiatives and measures in real estate and fleet aiming at efficient and rational use of fuels such as: use of environmentally friendly fuels, rationalization and grouping of resolving errors in the field, regular maintenance of boiler rooms, and replacement of outdated boiler rooms.

The use of electricity as a resource in 2013 represents as much as 79 % of indirect greenhouse gases emissions so its growth has the greatest impact on emissions.

NO _x , SO _x and other significant emissions into air by type and weight* in tons	2011	2012	2013
Total emission NO ₂	6.12	1.86	4.73
Total emission SO ₂	7.13	5.69	4.60

* for boilers with power over 100 kW

In accordance with current legislation, measurement of emissions is performed every two years, and the cost of measuring for all boilers in the last measurement period (2012-2013) was 10 per cent lower than in the previous measurement period (2010-2011).

By the beginning of 2014, the Fund for Environmental Protection and Energy Efficiency issued a decision on emission fees which consisted of the actual calculation of the amount of fees for two years back and the provisional calculation (advance) for the current year based on the amount of emissions from two years ago. Since the final calculation of fees based on actual emissions for years in the reporting period has not yet been completed, there is still no decrease in costs of emission fees.

Hrvatski Telekom classifies cooling and air-conditioning devices in large systems with more than three kilograms of controlled substances and small air conditioners with only a few kW of cooling effect with less than three kilograms of controlled substances. In the period from the beginning of 2011 by the end of 2013, 38 devices with more than 3 kg of R22 controlled substances were shut down, in accordance with the company's plans for the implementation of the Regulation on substances that deplete the ozone layer and fluorinated greenhouse gases.

Hrvatski Telekom is in the process of transforming digital telecommunications network to the telecommunications network based on the internet protocol. Replacement of large systems with R22 controlled substances with new devices is done gradually in accordance with cooling demands. It is to be expected that cooling demands will be reduced so a part of large cooling systems is going to be replaced with smaller air-conditioning devices where appropriate. Funds for replacement of remaining devices through the planning period are planned.

Waste

Total weight of waste by type and disposal method in tons	2011	2012	2013
Total weight of waste	1,185	894	1,036
Hazardous waste	418	305	264
Non-hazardous waste	767	589	772

Hrvatski Telekom deals responsibly with the waste generated in the business processes, in accordance with the certified ISO14001 Environmental Management System procedures and the applicable legislation that complies with the relevant EU directives. ISO 14001 established the Waste Management procedure. Waste prevention by encouraging the reuse of unnecessary assets, reducing wastage to a minimum, separate collection of waste containing useful ingredients to enabling its recycling and proper disposal are the backbone of the activities in the field of waste management in the company.

For the purpose of reuse of unnecessary assets, a prescribed procedure for its sale to interested external customers as well as employees of the company is conducted. In this way the amount of waste produced is significantly reduced, the lifespan of sold tangible assets is expanded and savings on resources (raw materials) required in the production of new equipment and devices are achieved.

These activities were intensified during 2012; equipment of one telephone switchboard that was shut down and dismantled in the network modernisation process was sold. This continued into 2013 when the equipment of another five telephone switchboards and 11 remote subscriber stages (RSS) was sold. Likewise, employees bought in the reporting period and under special conditions a larger amount of unnecessary small inventory including official mobile devices with expired lifetime.

All waste generated in the business process is to be sorted according to the place of origin, and is collected in separate containers and delivered for further care to authorized companies and concessionaires.

Total weight of waste is determined by weighing. In 2012 a total of 894 tons of various types of waste was collected and disposed, while in 2013 this amounted to 1036 tons. In the reporting period, the amount of hazardous waste is declining as a result of the sale of equipment of disassembled switchboards that was previously disposed of as electronic waste, and as such was classified as hazardous waste. The amount of non-hazardous waste has slightly increased as a result of the intensification of activities in the network and increased amounts of copper cables that are excluded from use and disposed of as useful waste.

The share of recycled waste depends on the category and type of waste and is calculated on the basis of accounts/records and available information on recycling.

Hrvatski Telekom submitted all generated hazardous waste exclusively to authorized waste collectors in the Republic of Croatia. For each submission of waste to the disposal HT has an Accompanying document for waste, while data on waste are to be found in the Records, all in accordance with the relevant Croatian regulations on waste. Hrvatski Telekom has no possibility of monitoring further treatment of waste.

	2011	2012	2013
Collected and disposed of used mobile phones	11,200	6,869	6,835

These data vary depending on age, given that the disposal of mobile phones depends on business decisions, such as disposing of old and faulty mobile phones from internal use.

Apart from the permanent possibility of returning old mobile phones and batteries to all T-Centres, in the past few years specific actions with the objective of encouraging users to a greater turnout have been organized.

Initiatives to minimize impact on the environment

The telecommunication sector belongs to the so-called "clean" technologies and Hrvatski Telekom does not significantly affect the environment with its activities, from the traditional point of view. Through the certified Environmental Management System, since 2002 HT has controlled all its impacts on the environment. On the input side of the material, paper consumption is continuously reduced, and on the output side of the various initiatives higher energy efficiency is achieved and energy consumption and greenhouse gas emissions are slowed down.

The Energy Efficiency Project, which HT launched in 2011, is still ongoing, and the result is reflected in the change of trend of electricity consumption: in 2012 growth of consumption was stopped (consumption was reduced by 2% compared to 2011), and in 2013 a stable level of consumption was maintained. Main initiatives here include effective systems of air-conditioning and power supply, modernization of telecommunications equipment, real estate portfolio optimization and renewal of assets owned by HT in accordance with the principles of energy efficiency, greater use of IT resources, and many other activities that contribute to economical energy consumption.

A large number of technologies and technological solutions from the area of mobile, fixed and Internet network represents an enormous challenge when it comes to electric power consumption and energy efficiency. Hrvatski Telekom tries to find solutions for its products and services that save energy and natural resources.

In terms of the mobile network, it started the evolution of the radio access network: new multifunctional equipment is being installed, which is more efficient in the implementation of new technologies and it also minimizes the need for adding new network elements, which leads to a reduction in the consumption of electricity. Through the "Rationalization of electricity consumption in mobile networks of Hrvatski Telekom" project we have launched pilot initiatives for a more rational use of energy: a new design of mobile sites (construction with only the external base station), a new generation of base stations that consume less electricity, as specified by the manufacturer, use of software solutions for optimized utilization of base stations in accordance with telecommunication data, etc. Energy efficient equipment also allows for the installation of more renewable energy sources, and helps to reduce the environmental impact by direct electricity consumption.

The environment in which each network had its individual services is transformed into a single multi-service platform. Integration of mobile, fixed and Internet services significantly reduces the number of network devices and platforms, which is why the availability of space and optimization of cooling adds to the overall energy performances.

In addition to advanced telecommunications technologies, where Hrvatski Telekom follows the latest international trends in telecommunications, but also in environment protection, the so-called auxiliary systems are changing: air conditioning, lights, DC power systems, etc.

Since the residential and non-residential buildings make a significant contribution to the overall consumptions of energy, the savings potential in this segment and favourable effects for the environment is high. HT has joined the initiative for the improvement of energy efficiency in buildings and has been implementing the optimization of space. Furthermore, buildings and technological facilities of HT are renewed by applying technologies and solutions in the field of green building and energy efficiency. Additionally, HT boasts intelligent buildings in which the degree of automation of energy parameters has been elevated to the highest level, which allows for significant energy savings.

Both in 2012 and in 2013, HT continued with the implementation of activities by which it seeks to contribute to reducing the use of materials by its customers, with a focus on customer needs and advancement of e-business. In addition to the already existing service e-bill that reduces the use of paper, a number of other services that protect the environment and reduce the consumption of resources and energy were introduced.

Hrvatski Telekom continued with the development of new services "in the cloud" in the reporting period. Services "in the cloud" are primarily aimed at business customers and have been centrally designed and enabled on HT's own network. Through them HT reduces the customers' need for devices and equipment, thus contributing to the protection of the environment.

Waste prevention, reducing it to a minimum, separate collection and proper disposal are everyday activities in the field of waste management in the company.

Knowledge has been recognized as the basis of further development and when it comes to environmental protection, every employee's contribution matters. Therefore, HT strives to encourage a strong understanding of environmental issues amongst its staff and thus conducts an extensive program of staff training, with special emphasis on energy efficiency and green office policies. In total, majority of employees attended seminars on environmental protection, while over 2 000 of them finished the online education (e-learning). Also, during the reporting period, more than 120 new employees passed the initial training on implementation of environmental protection in the company. Furthermore, employees rated the lecture on the impact of electromagnetic fields of HT basic mobile network stations, which was held as a part of an internal education program "Knowledge on Thursdays" as very interesting.

In 2012 and 2013, HT actively supported the global ecological initiative for the minimization of the climate changes "Sat zemlje" (Earth Hour) by shutting down the lights on locations throughout Croatia and by dimming product and service ads. Also, in the same reporting period 696 devices and systems containing chlorofluorohydrocarbon were withdrawn from use, with ecological disposal of over 43 tons of such devices and equipment. In accordance with legal regulations, Hrvatski Telekom is working intensively on a full withdrawal from use of all equipment containing the cooling substance chlorodifluoromethane (commonly known as Freon R22).

	2011	2012	2013
Total environmental protection expenditures and investments by type	24,256,975	31,911,222	37,342,255

As a part of the certified ISO 14001 Environmental Management System, a working instruction Monitoring of costs of environmental protection was laid down. The costs include: fees for emissions into the environment (CO₂, SO₂ and NO₂); measurement of emissions into the environment; maintenance of cooling devices; maintenance of boilers; repair, cleaning and measurement of the fuel tank (for heating and aggregates); disposal of waste materials; fee for electrical and electronic waste management; fee for packaging waste disposal; measurement of electromagnetic fields - refers to the T-Mobile network; energy audits and certification/ ISO 14001 certification and inspection; the cost of staff assigned to the protection of the environment.

Return of old devices

For many years, even before it became a legal requirement in Croatia, Hrvatski Telekom has encouraged mobile services users to return old mobile phones, their batteries and equipment to HT stores. Such actions have been organized since 2005 with an excellent response from the users what is proven by over 125,000 disposed used mobile phones. All disposed devices, equipment and batteries are submitted to authorized concessionaires for further treatment and recycling, thus contributing significantly to environmental safety. In 2012 Hrvatski Telekom, as a partner company, joined the environmental action "S manje gnjavaže do reciklaže" (Hassle-Free Recycling), organized by the Faculty of Economics in Zagreb. In June 2013 it launched a new service "Zamijeni i uštedi" (Swap and save) through which customers can bring their old mobile devices to the T-Centre and get a discount for buying goods from our offer.

Administrative or judicial proceedings due to non-compliance with laws or regulations relating to environmental protection

During the reporting period, there was no case of non-compliance with the laws or regulations relating to environmental protection, and therefore Hrvatski Telekom has not been the subject of a single administrative or judicial proceeding that could result in a fine, neither at the national nor at the international level.

4. Anti-corruption

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

The main highlights of the reporting period:

- During 2012, workshops were held with all relevant business areas as the basis for the publication of the revised anti-corruption policy, which was adopted at the end of 2012.
- In the second quarter of 2013, training program for managerial staff of business areas was held: human resources, sales, procurement, internal audit, finances and technology.

Analysis of corruption risk

On an annual basis Hrvatski Telekom conducts risk assessment, in which risks associated with active and passive corruption are assessed (especially receiving benefits from business partners and providing incentives to business partners). A compliance risk assessment is carried out according to the methodology that is consistent throughout the entire DT Group.

Risk assessment includes responsible persons from all business areas, support and management function, technical support and business function, and the percentage of business units analysed in the assessment of the risk of corruption was 100%.

Based on the results of the assessment, the Business Compliance Department develops an annual program and takes appropriate action presented to the Business Compliance Committee, Management, and Audit of the Supervisory Board. The Compliance Officer is responsible for implementing the compliance program. A total of 27 risks relating to business compliance were identified, including passive and active corruption and conflict of interest, but also a host of other risks concerning possible breaches of regulatory obligations and various transgressions. Each risk is divided into a number of different scenarios that may occur, according to the experience of telecommunications companies. The total risk portfolio changes from year to year in a way that it is enriched with new knowledge and forms. In total, over a hundred of these scenarios are considered in each risk assessment round.

The assessment itself is carried out in two steps: relevance of risk for each business area and general (gross) risk through its perceived likelihood and financial importance are assessed first, and then company's resistance to the specific risk through evaluation of existing control mechanisms in five categories is assessed - (1) existence of processes and controls, (2) quality of communication, (3) existence of adequate training programs for employees, (4) existence and quality of the internal rules on a specific topic, and (5) adequacy of control and reporting system. Applying a pre-defined evaluation system leads to final risk assessment, so-called net risk. If this value is significant, measures that are being implemented through the work program of the Business Compliance Department for the following period are then planned. Measures are implemented under the supervision of the said Department, as well as of the Audit Committee of Hrvatski Telekom (the supervisory board), which ensures quality control of their implementation, and further revision of success. The described method includes all business units of Hrvatski Telekom.

In 2012 and 2013, there were no confirmed cases of corruption. During the reporting period, one case was reported but after checking it was confirmed as unfounded.

Training on anti-corruption policies of the company

Hrvatski Telekom complies with legal requirements and as an additional measure provides its employees and executives with transparent rules of procedure through a Policy for Preventing Corruption and Other Conflicts of Interest, published in the internal Journal of HT and available to all employees via the Intranet site.

During 2012, workshops were held with all relevant business areas as the basis for the publication of the revised anti-corruption policy, which was adopted at the end of 2012.

In the second quarter of 2013, training program for managerial staff of business areas was held: human resources, sales, procurement, internal audit, finances and technology. In accordance with the corruption risk assessment, 70% of executives was invited, 92% of which responded.

In the third quarter of 2013, an e-learning campaign was carried out for all employees on the subject of Prevention of conflicts of interest and corruption, which was attended by 20,5% of employees.

During the last quarter of 2013, a special training on anti-corruption was held for the employees in business areas of sales and procurement according to risk assessment for the said positions. 63,4% of employees attended.

Also, during 2013 on two occasions there was an education on Policy for Preventing Corruption and Other Conflicts of Interest organized for new employees as part of the standard training program upon arrival at the company.

Results of the survey conducted in the last quarter of 2013 that were submitted to the managerial staff show that they are familiar with the work of the Business Compliance Department as well as with risks with which the said Department deals. 31,7% of managers participated in the survey.

Public policy and lobbying

Hrvatski Telekom as a company operating in the electronic communications sector, must comply with numerous regulations, from corporate law, commercial law, employment law, regulations on construction, competition law and user protection law to regulations that apply only to companies that operate within the electronic communications sector.

In this regard, Hrvatski Telekom has been named an operator with significant market power in the relevant markets on the basis of procedures for the determination of the relevant market and assessment of the existence of operators with significant market power by the national regulatory body, Croatian Post and Electronic Communications Agency (HAKOM) and in accordance with the Electronic Communications Act (ECA). Also, HAKOM has designated Hrvatski Telekom as the operator of universal services in the Croatian territory with certain obligations. Among other things, Hrvatski Telekom therefore offers special pricing systems tailored to the needs of disadvantaged groups of end-users such as discounts for special categories of customers.

Consequently, Hrvatski Telekom must comply with regulatory requirements regulated by the ECA, by-laws and decisions of HAKOM that significantly affect the provision of electronic communications services of HT and HT's future investments in new modern electronic communications infrastructure that supports high-speed transmission data and high speed internet access and the provision of new advanced services to end customers. Given that the existence of the electronic communications infrastructure is a prerequisite for the development of Croatian society of knowledge and competitiveness of the Croatian economy, its realization is the subject of intense dialogue of the political sector, regulatory bodies and operators. It is important to have a clear strategy for the sector of electronic communications, including the development of optical, broadband infrastructure, and to set up a regulatory framework in accordance with this strategy. All of the above is particularly important in light of Croatia's accession to the EU, because Croatian society

and economy will not be able to compete with other EU member states if it does not ensure the development of this very important infrastructure and supporting services and facilities.

In addition to working independently with the aim of facilitating the realization of the above mentioned goals through media appearances and participation in round tables and conferences, Hrvatski Telekom, as an operator of electronic communications services, operates at the national level through membership in the Employers' Association, the Mobile Communication Association of Croatia (UPKH) and the Telecommunications Association at the Croatian Chamber of Economy, which publicly represent the common interests of their members. Hrvatski Telekom is also a member of international associations of electronic communications network operators, European Telecommunications Network Operators' Association and the GSM Association, which serve to promote the interests of operators of the electronic communications sector at EU level.

Hrvatski Telekom makes no political contributions, including donations to politicians, political parties or political organizations. Also, the Company does not support political parties, and does not in any way interfere in political activity and political attitudes and commitment of its employees and executives. Hrvatski Telekom requires its employees to separate their political activities, attitudes and orientations from the company and professional duties they perform there. This is covered by HT's Anti-corruption policy and the Group's Donation policy.

Freedom of Competition

On 14 December 2012, Croatian Competition Agency launched a procedure for determining the distortion of competition by way of abusing a dominant position in the relevant market for television programs with fee payment. The procedure is still ongoing.

On 5 September 2013, Croatian Competition Agency launched a procedure for determining the distortion of breaches of dominant position within the meaning of Article 13 of the Competition Act (OG 79/09, 80/13; hereinafter: CA) for the period from 2011 until today, and of Article 102 of the Treaty on the Functioning of the European Union for the period from 1 July 2013 until today in the relevant wholesale markets, because there are indications that it abused its dominant position in the above mentioned markets by refusing to provide wholesale services to alternative operators that can be seen in stalling tactics regarding the provision of wholesale services.

Breaches of regulatory obligations

During 2012 and 2013, three final judgements with a significant fine were established (in the amount of HRK 100,000) in misdemeanour proceedings for breaches of regulatory obligations stipulated in the Electronic Communications Act. None of the above judgements is final as the Company filed an appeal and therefore there were no final judgements with significant fines in 2012 and 2013.

Also, several misdemeanour proceedings for alleged violations of the Consumer Protection Act and the Electronic Communications Act were initiated, but no final judgements were formed by which HT would be obligated to pay substantial fines.

5. Review of major GRI indicators

UN Global Compact Principle	GRI 3.1. indicator	Text page
<p>1st principle: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence;</p>	<p>LA1 Total workforce by employment type, employment contract and region, broken down by gender</p> <p>LA3 Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation</p> <p>LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.</p> <p>LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender</p> <p>LA15 Return to work and retention rates after parental leave, by gender</p> <p>HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained</p> <p>HR11 Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms</p>	21-31
<p>2nd principle: Make sure they are not complicit in human rights abuses</p>		
<p>3rd principle: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</p>	<p>LA2 Total number and rates of employee turnover by age group, gender, and region</p> <p>LA4 Percentage of employees covered by collective bargaining agreements</p> <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>LA12 Percentage of employees receiving regular performance and career development reviews, by gender</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>	32-37
<p>4th principle: Elimination of all forms of forced labour</p>		
<p>5th principle: The effective abolition of child labour</p>		
<p>6th principle: Elimination of discrimination in respect of employment and occupation</p>		

<p>7th principle: Businesses should support a precautionary approach to environmental challenges</p>	<p>EN1 Materials used by weight or volume EN3 Direct energy consumption by primary energy source EN4 Indirect energy consumption by primary energy source EN5 Energy saved due to conservation and efficiency improvements</p>	38-49
<p>8th principle: Undertake initiatives to promote greater environmental responsibility.</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 EN8 Total water withdrawal by source</p>	
<p>9th principle: Encourage the development and diffusion of environmentally friendly technologies</p>	<p>EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas EN16 Total direct and indirect greenhouse gas emissions by weight EN17 Other relevant indirect greenhouse gas emissions by weight EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved EN20 NO_x, SO_x, and other significant air emissions by type and weight EN22 Total weight of waste by type and disposal method EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation EN27 Percentage of products sold and their packaging materials that are reclaimed by category EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations</p>	
<p>10th principle: Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>SO2 Percentage and total number of business units analysed for risks related to corruption SO3 Percentage of employees trained in organization's anti-corruption policies and procedures SO4 Actions taken in response to incidents of corruption SO5 Public policy positions and participation in public policy development and lobbying SO6 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country SO7 Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations</p>	50-52

Contact person

Antonija Jergović

Acting Director of Corporate Communications

Roberta Frangeša Mihanovića 9, 10110 Zagreb

pr@t.ht.hr