

Vipnet Sustainability Report 2013



CONTENT

- 1. Letter from the CEO 3
- 2. About Vipnet 4
 - 2.1. Coporate culture 6
 - 2.2. Governance structure and sustainability management 7
 - 2.3. Key impacts, risks and opportunities 9
 - 2.4. Economic indicators11
- 3. Sustainable development strategy12
- 4. Suppliers13
- 5. Employees13
 - 5.1. Benefits for employees16
 - 5.2. Investing in employees' professional development17
 - 5.3. Healthy and safe working environment.....20
- 6. Customers and products.....21
- 7. Environment.....23
- 8. Community29
- 9. Report profile31
- 10. Indicators table.....32
- 11. Additional data35
 - 11.1. Governance structure of Vipnet35
 - 11.2. Comparison of key data of a social dimension with the previous reporting period37

1. LETTER FROM THE CEO

Dear stakeholders,

It is my great pleasure to present you Vipnet's Sustainability Report for 2013, the third report composed in accordance with the Global Reporting Initiative guidelines and UN Global Compact principles. Our motivation for this report was to provide a transparent and concise presentation of our business operations. We are aware of our influence on the environment and the society and, in the scope of our business operations, we would like to create common values for the benefit of the whole community. To that effect we invest in innovative and energy-efficient technologies, knowledge society, and equal access to information and education in all regions of Croatia. We provide all customers with access to the latest technologies and we continuously invest in the development of employees who are the main pillar of our success.

As a result of long-lasting recession, regulatory and fiscal burdens, adverse economic conditions and strong competition, entire telecommunications sector in Croatia has been declining for fifth consecutive year already. However, by investing in the development of our network infrastructure we continued to pursue our convergence strategy, which started in 2011 with the acquisition of B.net. As a result of acquisition of a number of local cable operators and the purchase of additional 4G licenses, 2013 has brought us new opportunities and a new growth potential. In that same year, Vipnet acquired Digi TV and offered for the first time Vip SAT TV (digital satellite television) to the population throughout Croatia. We continued to invest in and develop our advanced communications infrastructure, which significantly increases our competitiveness and reduces inequalities affecting the population between rural and urban areas.

Since the very beginning, Vipnet has been paying particular attention to operating in an innovative and environmentally friendly manner, globally recognized. We have received several awards for our "green" operations,

for instance the Global Telecom Business Award, which is only presented to companies behind the most innovative projects. Vipnet won the Global Telecom Business Award three times, including twice for power supply with renewable energy, which provides for considerable power savings with no environmental impact. We systematically implement programs to recycle paper and other waste using renewable energy at the same time, whereby our employees are actively involved in environmental protection projects. Our offer of e-bills and environmentally friendly devices, as well as the repurchase and recycling of used devices also demonstrate our environmental responsibility.

Vipnet is a long-term partner of the Croatian Mine Action Center, and our donation in 2013 contributed to the successful clearing of part of the Mrežnica river bank in the municipality of Generalski Stol in the Karlovac County. Owing to Vipnet's donations, almost 1.5 million square meters of land have been cleared from mines, which makes us the largest private donor for mine-clearing in Croatia.

We have been at the top of the list of winners of the Employer Partner certificate for several years already and, at the same time, one of the most desirable employers in Croatia. This is the path we want to follow, regardless of the challenges ahead. Companies failing to think and act in social responsibility terms will not be able to survive in the future, which is the main reason why sustainability must be part of the business strategy of every single company. As one of the signatories of UN Global Compact, it is our objective to raise the level of responsibility of our daily operations and to use our own example to exercise a positive influence on other Croatian companies.

2. ABOUT VIPNET

As a leader in innovations on the Croatian telecommunications market, Vipnet has continuously been developing new technologies and services for 1.84 million of its customers. Its brand portfolio consists of Vip, B.net and Tomato integrates mobile voice and internet services, mobile payment, smartphone applications, TV as well as fixed telephony and internet

services. It is among the best operators worldwide in terms of quality of network and services and partners with Vodafone, world's leading mobile operator.

In 2013, Vipnet continued to implement its convergence strategy and expanded its operations to provide integrated communications services. After the acquisition of B.net, Croatia's leading cable operator which offers fixed telephony, broadband internet access and TV services, in 2011 Vipnet took over Digi TV, one of the leading digital TV service providers on the Croatian market, and four cable operators in Zagreb and in the surroundings, in Šibenik, Dubrovnik and Istria.

Vipnet is a joint-stock company fully owned by the [Telekom Austria Group](#), which operates successfully in eight European countries.



Picture of Europe with TAG operating countries highlighted

Vipnet has been a member of UN Global Compact since 2007 and a member of the Croatian Employers' Association, in which its Management Board member Adrian Ježina holds the office of President of the ICT Association. Mladen Pejković, the CEO of Vipnet in 2013, is also Vice-President of the Croatian-Austrian Chamber of Commerce and advisor at

the Faculty of Electrical Engineering and Computing of the University of Zagreb.

Awards and distinctions in 2013

- Employer Partner Certificate
- Business Best Buy Award

2.1. CORPORATE CULTURE

Vipnet employs more than one thousand people and works with a large number of stakeholders, such as suppliers, regulatory authorities, NGOs, while it also has a significant influence on the society with its business operations. In its business operations and relations with stakeholders, Vipnet is guided by corporate values and internal documents, such as the Compliance Guidelines and the Code of Ethics, which cover different aspects, such as competition, anti-corruption, sponsorships, donations and advertising. All internal documents are available in both Croatian and English, and all Vipnet's employees are familiarized with their content within the scope of internal education and communications.

In the first quarter of 2013, Vipnet presented new corporate values, which reflect the way in which the company operates:

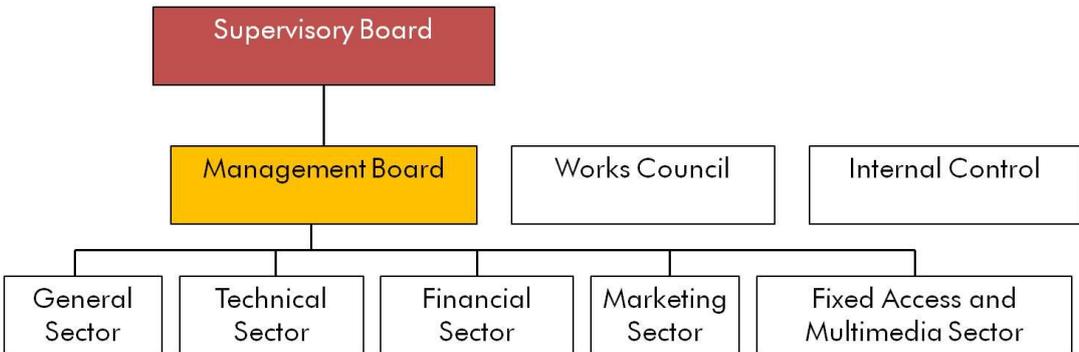
Honesty. Integrity. We are responsible. We know that communication plays a major role in the society and each person's life. We communicate openly, without any hidden agenda. We actively listen, provide and receive feedback. We keep our promises, without compromise.

Quality. We set challenging objectives for ourselves and we strive for excellence. This is reflected in our products, services and support. Attention to the smallest detail makes everything we do different and better. We learn from our own experience and continue to grow.

Simplicity. We are striving for intelligent and easy solutions in order to make our internal and external customers' life easier. If something is complicated, we will make it easier. We are solution-oriented. Our position is positive – everything is possible!

We push back the limits. We are constantly seeking new ideas and new solutions. We do not follow others. We are tireless. We assume the risks. We are curious, we investigate and propose changes. We are committed to the improvement of overall communications, today and tomorrow.

2.2. GOVERNANCE STRUCTURE AND SUSTAINABILITY MANAGEMENT



Vipnet CEO is also a member of the Group Sustainability Board of the Telekom Austria Group (TAG), which consists of members of the management boards of all Group companies. The Sustainability Board is part of the sustainability management system for the business strategy and brand strategy of all Telekom Austria Group companies. The Board meets at least three times a year to discuss the key issues related to the sustainability strategy and to define further steps in its implementation in the TAG companies. Board members assume responsibility for sustainability aspects in their respective field of operation and for promotion of international exchange between companies within the Telekom Austria Group.

The Corporate Communications Department of Vipnet assumes the responsibility for coordination and communication of sustainability aspects, implementation of the sustainability strategy, and cooperation with the TAG Group Sustainability Team.

2.3. KEY IMPACTS, RISKS, AND OPPORTUNITIES

Jiří Dvorjančanský, CEO, Chief Officer for Marketing, Sales and Customer Service

Besides the fact that from the very beginning it has always been seeking innovative solutions and has always been ready to invest in new technology as well as in new people, Vipnet also considers that it is of the utmost importance to continuously invest in responsibility and sustainable operations. As a large company with more than a thousand employees and significant market share, Vipnet is very well aware of its role in the community and its responsibility towards each member thereof. While we are, on the one hand, oriented towards our customers, employees and suppliers, on the other hand we pay the same attention to the community in which we operate, because this is the only sustainable mode of operation which provides foundations for long-term success. Whether with reference to investments in education, health, environment or new technologies, it is precisely because of our influence and ability to contribute to social changes that we assume the responsibility to be the first to set the wheel of economic and technological growth and, last but not least, social development in motion.

Bernd Schmutterer, member of the Management Board and CFO

Having foreseen the downward trend in mobile telephony revenues as well as the harmonization with EU roaming regulations, Vipnet has adopted a convergence strategy in order to ensure long-term sustainable business operations on the Croatian market. By extending its operations in the field of the provision of fixed communications services, while continuing at the same time to implement the strategy for the provision of integrated communications solutions, Vipnet has defined the future direction of the company's long-term development and growth. In 2013, this direction was reflected in the takeover of one of the leading digital TV service providers on the Croatian market, a number of local cable TV operators and the acquisition of an additional frequency spectrum license for 4G mobile communications services.

However, in addition to developing and ensuring the best technological solutions, Vipnet also demonstrates the same innovation and commitment in developing and maintaining a partnership with the society, which constitutes the precondition and the foundations for long-term success. By operating in such a manner, which assumes an understanding of its own responsibility and influence on the society, Vipnet knowingly contributes to economic and technological growth.

Adrijan Ježina, member of the Management Board and CTO

According to the Digital Agenda, high-speed broadband must be available to all citizens by 2020. Therefore, we are developing our own HFC (Hybrid Fiber Coaxial) network, which is one of the pillars of the European Digital Agenda program. Last year we acquired certain companies providing cable TV services and we are now upgrading these networks so that they could provide ultra-high-speed internet and high-resolution TV services, i.e. all other advanced technologies. In the field of fixed internet, we have the best technology and with speed as high as 120 Mbit/s ensuring coverage for more than 350 thousand households in Croatia. The use of LTE and LTE-Advanced technologies in the mobile segment is experiencing significant growth. We follow the trend of the strong expansion in video streaming with classical IPTV, DWB-C and satellite solutions, but we are also making a strong entry in interactivity and OTT, which is the solution for the future. In addition to the development of innovative services based on new technologies, Vipnet is investing a lot in reducing its environmental impact by introducing environmentally friendly hybrid network power supply systems, but also by using renewable energy on Vipnet's campus. In 2013, we demonstrated our innovation leadership again in the technologies we are using, by being the first operator in Europe to introduce the PSI system, which provides not only for significant reduction in power consumption but also for increase in capacity of our system at base stations, which are operated using renewable energy. This is particularly important considering the continuous increase in the number of smartphone users, and thus in data traffic volumes, as well as the need for an increased network capacity during the tourist season. An LTE

technology orientation will bring long-term benefits to the community, result in easier operations and the development of innovative solutions in different fields of human activities, as well as further encourage lifelong learning.

2.4. ECONOMIC INDICATORS

A new regulation became effective upon the adhesion of Croatia to the European Union, which had an impact on the decrease in Vipnet's revenues. In 2013, the company achieved revenues totaling € 389.2 million, which is 7.4 percent less than a year before. Consolidated EBITDA decreased by 13.9 percent and amounted to € 117.6 million. When compared with 2012, consolidated operating profit decreased by 25.4 percent to € 51.8 million. Besides the new regulation, economic indicators were also affected by increased costs of marketing, sales and integration resulting from five acquisitions in 2013.

During the same period, Vipnet invested a total of € 82.4 million, i.e. 4.5 percent more than in 2012, mainly in the development of the LTE infrastructure and fixed network. The sum of € 23.1 million was paid to the National Treasury for the 5 MHz spectrum of the digital dividend, which fulfills the precondition for LTE growth in the forthcoming years.

Since Vipnet is a Telekom Austria Group company, the financial statements are published on quarterly, semiannual and annual basis in accordance with the Vienna Stock Exchange rules. The financial statements can be found on the website of the [Telekom Austria Group](#).

3. SUSTAINABLE DEVELOPMENT STRATEGY

Dialogue with stakeholders

Vipnet communicates on regular basis with all its stakeholders and engages them in decision-making process for major issues.



Employees and employee representatives

- All employees
- Trade unions
- Works Council



Competent national authorities/ministries

- Ministry of Maritime Affairs, Transport and Infrastructure
- Central State Administrative Office for e-Croatia
- Croatian Post and Telecommunications Agency
- Competition Agency
- Ministry of Environment and Nature Protection
- Ministry of Health
- Ministry of Interior



Market

- Customers
- Business partners and suppliers
- Association of Mobile Communications of Croatia
- Croatian Chamber of Economy
- Croatian Employers' Association



Scientific and educational institutions

- CARNet (Croatian Academic and Research Network)
- Faculty of Electrical Engineering and Computing
- Students

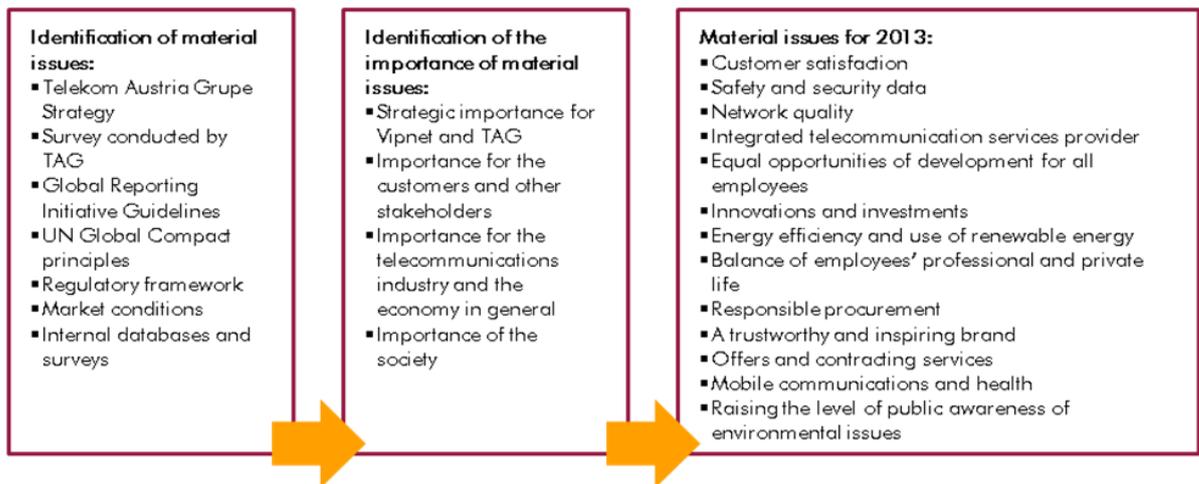


Media and the public

- National electronic, print and new media individuals
- Individuals
- Owners

Material issues

As a Telekom Austria Group company, Vipnet observes the Group sustainability strategy, while adapting certain segments to local specifics and requirements. Guided by the Group strategy, Vipnet completed the process aimed at defining material aspects in accordance with the Global Reporting Initiative Guidelines, the UN Global Compact principles, the regulatory framework, market conditions and internal databases. The Management Board of the company has identified the material issues with the support of the key departments in order to bring them into compliance with the business strategy.



4. SUPPLIERS

Vipnet expects transparency, innovative approach and business ethics from its suppliers. The company considers that each supplier and its subcontractors contribute to the business results; as a consequence, it treats its suppliers in accordance with the values that it expects from them.

Relationships with suppliers are regulated by the Sustainability Guidelines, the Code of Ethics and the General Terms and Conditions of Purchase, which are available to suppliers on Vipnet's website. Furthermore, Vipnet has a supplier verification system in place, which includes various financial and non-financial parameters; the verification is performed once a year. The system also provides possibility for suppliers to rate Vipnet, in particular in the segment of promotion of entrepreneurship and business transparency. By doing so, the company ensures that the relationships with suppliers are based upon the best practices and that their mutual relations are continuously improved.

5. EMPLOYEES

Vipnet is recognized as one of the most attractive private employers thanks to the human resources management strategy, which provides all employees with equal opportunities for professional development. As a member of an international Group, Vipnet provides its employees with

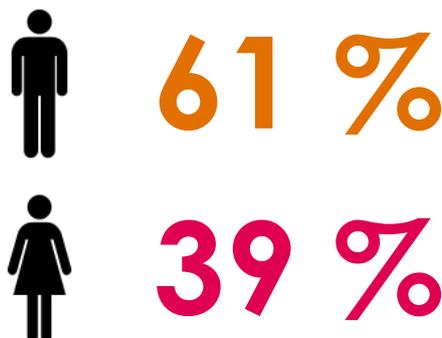
exchange programs and opportunity to gain experience in an international environment, while colleagues from other Telekom Austria Group companies come to Vipnet. In 2013, foreign nationals represented 8.8 of Vipnet's senior management, which is 0.5 percent less than a year before.

At the end 2013, Vipnet's staff consisted of 1,138 experts, i.e. 2.1 percent less than in the previous reporting period. The average age of Vipnet's employees is 38. Most employees – 96 percent of men and 97 percent of women – were hired on permanent basis.

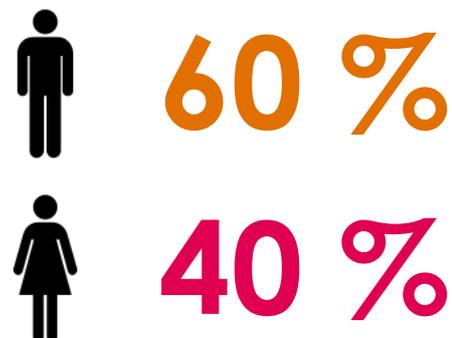
Last year, 70 employees were on parental leave, and 33 of them returned to work in the course of the year. The remaining 37 employees remained on parental leave.

Monthly salaries of Vipnet's employees are above the Croatian average, and in 2013 the standard entry-level salary exceeded the minimum salary by 68% percent, which is insignificantly lower than in 2012, when the standard entry-level salary exceeded the minimum salary by 68.6%. Recruitment and the level of monthly salaries are determined exclusively on the basis of competences and achievement of objectives. Accordingly, Vipnet does not engage in collective bargaining and does not offer collective agreements.

**Percentage of employees
by gender**



**Managerial positions by
gender**



Number of employees by region and by gender

REGION	MEN	WOMEN	TOTAL
Zagreb	551	386	937
Split	73	23	96
Osijek	34	13	47
Rijeka	41	17	58
TOTAL	699	439	1138

Number of employees by age

AGE GROUP	16-19	20-29	30-39	40-49	>50
NUMBER OF EMPLOYEES	0	128	600	350	60

Number of new employees in 2013 by age

< 30		30-50		> 50	
men	women	men	women	men	women
26	20	23	11	1	0

Number of employees on parental leave and number of employees who returned to work after a parental leave in 2013

Number of employees on parental leave		Number of employees who returned to work after a parental leave	
men	women	men	women
0	70	0	33

Number of employees who returned to work after the end of their parental leave and who have been working with Vipnet for twelve months after their return

Number of employees on parental leave in 2012		Number of employees who have been working with Vipnet for 12 months after their return	
men	women	men	women
0	65	0	63

Number of new hires and employee turnover in 2013

< 30		30-50		> 50	
men	women	men	women	men	women
7	10	28	27	3	0

5.1. BENEFITS FOR EMPLOYEES

Vipnet has conceived a series of benefits, which may help employees to balance their professional and private life. Owing to its employment practices, Vipnet is one of best 15 employers according to public choice, and it has also been awarded the Employer-Partner Certificate holding the first place in the segment of human resources strategies and processes.

SEGMENT	DESCRIPTION OF BENEFITS
Professional development	<ul style="list-style-type: none"> • Paid leave for all employees enrolled in a graduate or post-graduate course of study, related to their field of expertise in the company • Education opportunities at the Telekom Austria Group Business School • x.change program, which enables work in other Telekom Austria Group companies
Rewards for top performance	<ul style="list-style-type: none"> • Bonus according to the system of level of competence and achievement of objectives • Program for top performers – a system to reward employees

	<ul style="list-style-type: none"> displaying top performance, applies to all employees Reward for innovations
Mobility	<ul style="list-style-type: none"> Special mobile rates for all employees Mobile devices - every two years, each employee receives a mobile device according to his or her competence within the company (regardless of whether he or she is working on temporary or permanent basis) Company car for employees in key positions, regardless of whether they are working on a temporary or a permanent basis
Family	<ul style="list-style-type: none"> Membership in the closed-end pension fund (AZ VIP fund) and annual subsidy for pension fund members (offered to all employees) Parents Bonus – cash grant for a child's birth Cash gift for a newborn child (for all employees) Opportunities for teleworking during a pregnancy and upon return from a parental leave Private nursery school on company grounds available to the children of all employees More favorable loans - lower interest rates on bank loans for all employees (banks make distinction between temporary and permanent employment) Cash grant in case of death of a close family member (available to all employees)
Health	<ul style="list-style-type: none"> Supplementary health insurance covering annual health check-ups and specialist medical examinations according to the level of competence (offered regardless of the type of contract) Subsidized costs of the gym and fitness programs for all employees Indemnity for sick-leave in the duration of more than 90 days (for all employees)
Miscellaneous	<ul style="list-style-type: none"> Christmas bonus (offered to all employees) Jubilee reward for 10 years of employment (for employees hired on a permanent basis)

5.2. INVESTING IN EMPLOYEES' PROFESSIONAL DEVELOPMENT

Performance review and creation of a career development plan for each employee are part of career management process at Vipnet. Until now there has been no need for assistance at the end of the career for Vipnet's employees because none of them has retired. In addition to education oriented towards professional development, anti-corruption

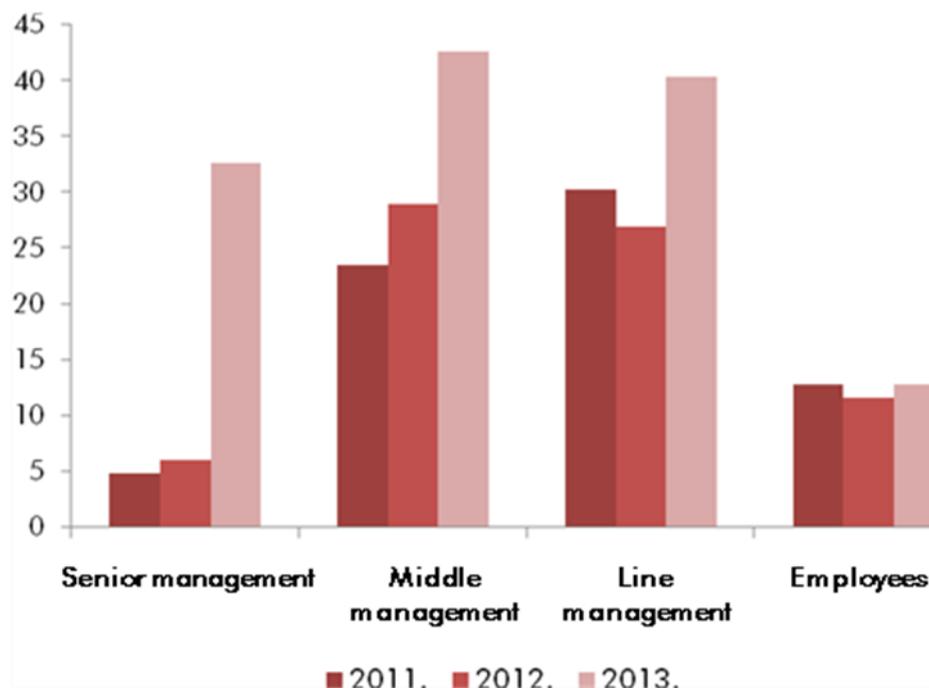
training has also been organized in 2013 and was attended by 179 employees.

In the course of 2013, emphasis was placed on education of managers who were involved in trainings and development activities closely related to corporate culture and further development of leadership skills in accordance with the Telekom Austria Group standards. The number of hours of education does not include “on the job” trainings which are mainly attended by Sales and Customer Service employees.

Average hours of training



Average hours of training per year and per employee, by gender and employee category



In addition to opportunities for external education and education at the Telekom Austria Group Business School, Vipnet offers different programs to its employees in the scope of its development@vipnet initiative, which are aimed at increasing their knowledge and skills:

<ul style="list-style-type: none"> • Training related to development of competences and corporate values • Training in managerial skills for managers and development programs for new managers • Specially tailored training for specific teams and groups • Personal efficiency training • Functional training 	<ul style="list-style-type: none"> • In-house academies (Marketing, Finance, Sales, Technology, Fixed) • Development activities and programs – job shadowing and x.change • Development programs for talents – LARD, JUMP, GRROW and GURU • IDP – development program for managers tailored to individual needs • Orientation for new employees • Executive training for managers
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Objectives for the forthcoming period:

- *Introduction of the Individual Development Plan (IDP) for all employees*
- *Launch of Vip alumni program providing young people who graduated in 2013 with an opportunity for their further professional development and for gaining relevant work experience in their field of expertise*
- *Continuous investing in manager development programs in accordance with leadership standards*
- *Active participation in the TAGisfaction survey and working on improving results*
- *Continuation of the talent development program*
- *Continuation of the top performers program*

5.3. HEALTHY AND SAFE WORKING ENVIRONMENT

A healthy and safe working environment stimulating creativity and innovation is indispensable in order to enable our employees to achieve top performance. This is the reason why Vipnet established the Safety Committee, which consists of six employees, and the Safety-at-Work Committee, which consists of nine employees. The committees are in charge of evaluating security and safety at work and of suggesting improvement measures. The Company also has Occupational Health Commissioner, representing employees' interests in the field of safety-at-work.

Ten cases of work-related injuries were recorded in 2012, i.e. 0.82 percent of the total share of work-related injuries, while 12 cases of injuries were recorded in 2013, which represents 1 percent of the total share of injuries. However, in comparison with the previous year, a loss of 180 days was recorded in 2013, i.e. 20 percent less than in the previous year.

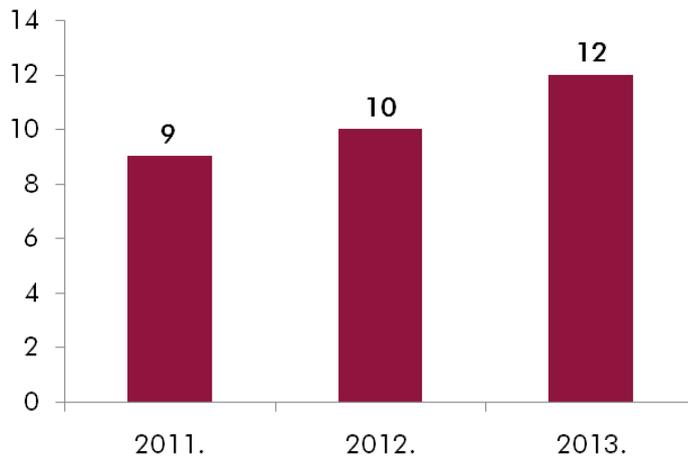
Number of work-related injuries and loss of days in 2013

Number of work-related injuries by gender		Loss of days due to work-related injuries	
men	women	men	women
8	4	98	82

Number of work-related injuries by region in 2013

REGION	Zagreb	Split	Rijeka	Osijek
NUMBER OF INJURIES	9	3	0	0

Number of work-related injuries from 2011 to 2013



Work-related injuries are categorized as minor, serious and fatal. Among work-related injuries recorded, 11 of them were considered minor, while only one injury was serious. A total of 180 working days were lost due to work-related injuries, while occupational diseases were not recorded.

Work-related injury rates are recorded in internal records and reported to the Ministry of Labor according to the proscribed procedure. Causes of injuries are thoroughly analyzed, and thereafter necessary improvements are implemented in order to prevent injuries of the same kind in the future.

In 2013, one case of harassment and violation of employee's dignity was reported to the Commission for the protection of the employees' dignity. Upon completion of the procedure, the Commission for the protection of the employees' dignity concluded that the petition was not grounded. Vipnet abides by all legal provisions in the communication of significant changes in its business operations.

6. CUSTOMERS AND PRODUCTS

Outstanding service and innovative products complemented by quality communication with the customers are the pillars of Vipnet's success. Vipnet's employees talk to several tens of thousands of customers daily, resolving their issues within the shortest possible time.



7.7% more contacts with customers

In 2013, Vipnet's Customer Service realized 3.41 million contacts with customers, i.e. 7.7 percent more than in the previous reporting period. In order to respond to all customers' questions and requests, Customer Service employees regularly undergo education courses, which consist of special training to familiarize them with customer relations management, one-on-one training, work in small groups, management of stress situations and e-learning. An individual mentorship program oriented towards specific skills started in 2013.

Customer satisfaction with Vipnet's services and network quality is also illustrated by the results of the 2013 customer satisfaction survey, which show:

- **a total increase in customer satisfaction to 73%**

In the scope of the 2012/2013 Business Best Buy Award survey, Vipnet was ranked first by votes of business customers as a symbol of the best quality-price ratio, which helps them in their business.

Seven reports of customer personal data breaches were received in the course of 2013, but none of them were well-founded. During the same period, Vipnet filed a report with the Personal Data Protection Agency on the disclosure of part of the former database of B.net's customer personal data. The Agency performed supervision and did not find irregularities in Vipnet's treatment of customer personal data. Likewise, no cases of nonobservance of the regulations or codes were recorded in relation to marketing communications, and no legal proceedings were conducted for infringements of free competition rules. For advertising and

promotional activities, Vipnet selects third-party suppliers who comply with professional standards, are members of the Croatian Association of Marketing Communications Agencies and observe the Code of Advertising of the Croatian Association of Marketing Communications Agencies (HURA).

Objectives for the forthcoming period:

- *Development of innovative products and services*
- *Increase in customer satisfaction*
- *Further investments in network quality*
- *Intensifying communication with customers on social networks*

7. ENVIRONMENT

In 2013, Vipnet reduced environmental impact:

- Reduction in carbon dioxide emissions	9.52%
- Increase in energy efficiency	6.00%
- Reduction in electricity consumption	7.14%
- Increase in the recycling rate	1.00%

Reducing power consumption and recycling are at the heart of Vipnet's strategy aimed at reducing environmental impact. One of the most significant steps to that effect is the construction of energy self-sufficient technological and business facility on Vipnet's campus in Zagreb, which propelled Vipnet among the few companies in Croatia to have secondary generators besides primary ones. In addition, Vipnet also installed solar panels, which generated 33,538.04 kWh of electricity in 2013.

For the purpose of reducing environmental impact of mobile networks, Vipnet was the first in this part of Europe to introduce a hybrid system of base stations in 2011, which uses fuel cells in addition to solar and wind energy to produce electricity. In 2013, Vipnet was the first company in Europe and one of the first in the world to implement the PSI system to base stations, which operate using renewable energy. This resulted in

additional electricity savings of as much as 40 to 50 percent, while 3G coverage has been ensured for customers on locations where a significant increase in data traffic volume is recorded in particular during the summer. Vipnet's network consists of 50 transmitters and 16 base stations which use renewable energy to produce electricity, while a *free-cooling* system has been installed to 145 base stations, which makes it possible to use external low temperature air for cooling during winter.

Consumption of steam for central heating and water consumption have been reduced since 2011 as a result of installation of energy-efficient equipment, a change in operating mode and higher quality of supervision and maintenance of equipment.

Consumption of resources in 2013

Resource	2011	2012	2013
Electricity (kWh)	43,484,062	47,118,644	39,376,409*
Gas (m ³)	5,400	6,828	6,638
Steam for central heating (t)	5,291	3,730	3,759
Water (m ³)	50,068	36,868	31,964
Fuel	402,870	397,090	379,029

*does not include data for B.net by October 1, 2013

Upon the acquisition of B.net, different types of packaging for TV, fixed telephony and internet services were replaced by two uniform types of packaging made of recycled material. By doing so it has been possible to avoid the storage of a large number of different types of packaging in addition to reduction of environmental impact.

Vipnet implements different initiatives aimed at reducing environmental impact caused by employee transportation. In addition to the use of videoconference to perform meetings at remote locations, the company encourages rational travel planning and optimization of the number of visits to different locations. In order to further reduce environmental

impact in this segment, Vipnet replaced part of its vehicle fleet by 12 Toyota Auris Hybrid passenger vehicles.

Uncap and drop



In the course of 2013, Vipnet's employees joined large-scale "PVC Caps for Expensive Drugs" campaign; polyethylene caps collected and recycled in the scope of this campaign were used to subsidize the purchase of expensive drugs for the treatment of members of the Leukemia and Lymphoma Patients Association. Special boxes for the collection of PVC caps were placed at several well-frequented places within the company. Although the initial idea was to collect caps during a few months, good employee response turned "Uncap and drop!" into a permanent cap collection campaign.

Initiatives for customers

Vipnet implements a number of initiatives which provide customers with an opportunity to actively reduce their carbon footprint. In cooperation with company specialized in collection, recycling or further distribution of mobile devices, Vipnet has been running the "Old for New" campaign for three years now. It consists in assessing value and repurchasing mobile devices regardless of their working condition, and offering to the customers a discount on the purchase of a new product of value corresponding to assessed value of the used device. The purpose of this campaign is to extend the lifecycle of a device by putting it back into circulation on the market, which reduces the quantities of electronic waste both locally and globally. In order to achieve this objective, Vipnet

sells the repurchased mobile devices on third markets with such a demand. All defective devices are disposed of in an environmentally friendly manner in accordance with the highest environmental standards.



7,965 used mobile devices collected in 2013

Vipnet also makes it possible for its customers to receive electronic bills for mobile services, which is referred to as e-billing. Ten million sheets of paper were saved thanks to e-billing in 2013, which is equivalent to 50 tons of paper. Since it takes 24 trees to produce a ton of office paper, according to estimates, Vipnet's customers saved 1,200 trees last year. However, due to habits of customer who prefer to receive a bill by mail, the percentage of customers using e-billing to receive and pay their bills decreased from 40 to 28 percent in 2013. Nonetheless, Vipnet will continue to raise customers' awareness of the benefits of e-billing.

Striving to contribute to the promotion of the use of bicycles as a pollution-free means of transport, in the course of the previous reporting period Vipnet added a mobile payment option to its mTransport service for rental of public bicycles in the nextbike system.

Waste disposal

In 2013, total volume of waste at Vipnet amounted to 98,142 tons, whereby collected hazardous and non-hazardous waste account for a similar share.

Hazardous waste	accumulators and batteries, electronic waste, fluorescent tubes, Freon gas from air-conditioning systems, bio waste	48,292 tons
Non-hazardous waste	wood, bulky and mixed waste, paper, cardboard, plastic, market waste, fats and oils	49,850 tons

Vipnet handles waste by treating it, i.e. reusing it or disposing of it through the intermediary of authorized waste treatment and disposal companies. The mode of disposal depends to a great extent on the category of waste, whereby certain subcategories may be disposed of in several ways. The waste disposal methods are determined on the basis of information received from waste recoverers.

Some of the disposal procedures used by Vipnet included incineration, various forms of disposal and discharge, biological and chemical-physical treatment as well as preparatory activities and storage. Vipnet also treated waste by applying procedures for energy recovery, recycling and reclamation, use of waste as fertilizer, exchange of waste and temporary storage. A total of 1,134 tons of hazardous waste and 7,282 tons of non-hazardous waste were exported, i.e. 8,416 tons of waste consisting of EE waste, bio waste and market waste.

Total weight of hazardous and non-hazardous waste by disposal method

Disposal method	Weight in tons
Recycling	74,320
Composting	7,282
Disposal	16,540

Total weight in tons by type of waste in 2013

Type of waste in 2013	Total weight in tons
Accumulators	2,543
Batteries	0,023
Bio waste	5,902
Wood	1,900
EE and IT equipment	44,068
EE and IT equipment	0,685
EE and IT equipment	0,449
Fluorescent tubes	0,087
Freon (air-conditioning)	0,437

Bulky waste	12,780
Grease and oil	7,900
Metals	0,078
Mixed waste	3,760
Market waste	1,380
Paper and cardboard	5,440
Paper mix	8,510
Plastic	2,200
Total	98,142

Total weight of hazardous and non-hazardous waste in tons

Type of waste	2009	2010	2011	2012	2013	Total	Average
Accumulators	15,710	7,220	43,951	5,397	2,543	74,821	14,964
Batteries					0,023	0,023	0,023
Bio waste		6,270	9,651	0,529	5,902	22,352	5,588
Wood	7,000	17,840	1,205	0,970	1,900	28,915	5,783
EE and IT equipment	27,202	30,850	25,855	41,440	44,068	169,415	33,883
EE and IT equipment					0,685	0,685	0,685
EE and IT equipment					0,449	0,449	0,449
Fluorescent tubes					0,087	0,087	0,087
Freon (air-conditioning)					0,437	0,437	0,437
Bulky waste	12,720	13,060	5,480	34,700	12,780	78,740	15,748
Air-conditioning equipment	18,600	5,340	3,300	0,580	0,000	27,820	5,564
Grease and oil	12,979	4,552	2,600	2,960	7,900	30,991	6,198
Metals	3,800	7,500	0,390	0,600	0,078	12,368	2,474
Mixed waste				0,350	3,760	4,110	2,055
Market waste		2,270	1,213	0,061	1,380	4,924	1,231
	3,860	12,210	18,490	9,691	5,440	49,691	9,938
Paper mix					8,510	8,510	8,510
	0,532	1,195	1,425	0,965	2,200	6,317	1,263
Toner				0,059	0,000	0,059	0,030
TOTAL	102,403	108,307	113,560	98,302	98,142	520,714	

Objectives for the forthcoming period:

- *A 30% reduction in carbon dioxide emissions by 2020*
- *Increase of sustainable energy share to 70% by 2020*
- *A 20% increase in energy efficiency by end 2015*
- *A 10% increase in the recycling rate by end 2015*
- *A 10% reduction in paper consumption by end 2015*
- *Additional increase in the generation of power using renewable energy for own purposes by end 2015*

8. COMMUNITY

Vipnet's employees participate in cleaning of the environment

Vipnet joined the Great ECO Action, a project aimed at cleaning the inland and waters organized by the "24sata" daily newspapers, as a partner. In the scope of the action, 150 cubic meters of waste were removed from sea and land. Vipnet's employees, including the CEO, volunteered to clean Vlački Grad in the Velebit Mountain.

The major private donor for mine-clearing

Vipnet has been helping to clear Croatia from mines since 2002 in the scope of its "Movement.Communication.Life" program and is the biggest private donor for mine-clearing in Croatia. With last year's donation of 500,000 kunas to clear the forest area on the right bank of the Mrežnica River, across from the Dobreniči municipality in the Karlovac County, Vipnet rounded up the value of its donations so far to 11 million kunas, which were used to clear almost a million and a half square meters of land in Croatia from mines. This donation brings the Karlovac County one step closer to solving the problem of leftover landmines completely.

Children and youth protection

On the occasion of the tenth anniversary of strategic partnership with Vodafone, new services were presented to protect smartphone and tablet users. Particular attention was paid to the protection of the youngest ones with free Vodafone Guardian application, which makes it possible for parents and children to use smartphones in safe and responsible manner and protects everyone who might become a victim of mobbing or receive unsolicited calls and messages. Vipnet also participated in the "Hrabri telefon" project aimed at protecting children on the internet, while company representatives held an internet safety workshop for children and parents called "Safe Click" ("Siguran klik") at the Scientific Picnic. A special brochure on internet safety for children and a guide for parents were also published on that occasion. Parents have also been given the possibility to control postpaid rates through the introduction of an option to set limits.

Making communication easier for persons with sight and hearing impairments

Vipnet wishes to ensure mobile communications to persons with sight and hearing impairments so its offer includes Smart HSGN tariff, which is used by 800 members of the Association of the Deaf-Blind. Members of the Association may also benefit from a 50% discount on the *Bez limita 111* ("No Limit 111") tariff during 24 months as well as a discount on the purchase of a device.

Vipnet's sales outlets are highly adapted for persons with special needs. At least one employee who is able to communicate in sign language is available in Vipnet's sales outlets in Zagreb. Furthermore, a special device has been installed in Vipnet's sales outlet on Ibler Square in Zagreb, in cooperation with the Croatian Association of the Deaf and Hard Hearing; this device provides persons with hearing impairments a better sound reception via their hearing aids. In addition, all Vipnet's sales outlets are adapted to physically disabled persons and have moving ramps at their entrances.

Innovation for the benefit of health

In order to help improve the quality of health care in Zagreb, in 2013 Vipnet joined the project aimed at installing defibrillators with their respective cabinets in certain locations in the city. The defibrillator cabinet has a built in GSM module, which establishes the connection with the Institute of Emergency Medicine of the City of Zagreb. Vipnet, which provides the connection, has thereby also designed a technical solution, which makes it possible for Emergency Services to find the location from which the call was placed.

Objectives for the forthcoming period:

- *Involvement of 15 percent of employees in corporate volunteering program*
- *Promotion of positive trends in employment of educated young people and providing them with opportunity to gain their first professional experience*
- *Investment in the development of local communities by restoring facilities that are used by the major part of the population*
- *Completion of the partnership project of Vipnet and the Croatian Mine Action Center (HCR) aimed at clearing three areas in the Velebit Mountain from mines - Delukino Vrelo, mountain paths and area around the mountain refuge near Štirovac and Tulove Grede*

9. REPORT PROFILE

The report was prepared in accordance with the Global Reporting Initiative Guidelines G3.1 and using the Telecommunications Sector Supplement.

Publisher	Vipnet d.o.o. Vrtni put 1 10000 Zagreb
Reporting period	1.1. - 31.12.2013

Date of last report	October 2013
Reporting cycle	annual
Contact	Corporate Communications of Vipnet Vrtni put 1 10000 Zagreb

10. INDICATORS TABLE

GRI 3.1 INDICATOR	PAGE	UN GLOBAL COMPACT PRINCIPLE
1. Profile 1.1 Statement by the CEO 1.2 Description of key impacts, risks and opportunities	3,9	Permanent support statement
2. Organizational Profile 2.1 Name of the organization. 2.2 Primary services. 2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, joint ventures, and other companies owned by it. 2.4 Location of organization's headquarters. 2.5 Number of countries where the organization operates, and names of the countries with either major operations or that are specifically relevant to the sustainability issues covered in the report. 2.6 Structure of ownership. 2.7 Markets served by the organization (including geographic breakdown, sectors served and types of customers/beneficiaries). 2.8 Number of employees and total income, ownership structure. 2.10 Awards received in the reporting period.	4-7, 32	
3. Report Parameters 3.1 Reporting period for information provided. 3.2 Date of most recent previous report.	31-32	

3.3 Reporting cycle. 3.4 Contact point for questions regarding the report or its content. 3.6 Boundary of the report.		
4. Governance, Commitments, and Engagement 4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight. 4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided. 4.8 Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental, and social performance and the status of their implementation. 4.13 Memberships in associations or national/international advocacy organizations. 4.14 List of stakeholder groups engaged by the organization.	7-8	
ECONOMIC DIMENSION		
EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	11	
EC3 Coverage of the organization's defined benefit plan obligations.	16	
EC5 Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	14	Principle No. 1
EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	14	Principle No. 6
ENVIRONMENTAL DIMENSION		
EN1 Materials used by weight or volume.	27	Principle No. 8
EN3 Direct energy consumption by primary energy source.	24	Principle No. 8
EN5 Energy saved due to conservation and efficiency	24	Principle No. 8 and Principle No. 9

improvements.		
EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	23	
EN22 Total weight of waste by type and disposal method.	27	Principle No. 8
LABOR PRACTICES AND DECENT WORK		
LA1 Total workforce by employment type, employment contract, and region, broken down by gender.	13	Principle No. 6
LA2 Total number and rate of new employee hires and employee turnover by age group, gender, and region.	15	Principle No. 6
LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	16	
LA4 Percentage of employees covered by collective bargaining agreements.	14	Principle No. 3
LA5 Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	21	
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.	19	Principle No. 1
LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	20	Principle No. 1
LA10 Average hours of training per year per employee by employee category.	18	
LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	18	
LA12 Percentage of employees receiving regular performance and career development reviews, by gender.	17	
LA14 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	14	
LA15 Return to work and retention rates after parental leave, by gender.	14	
HUMAN RIGHTS		

HR4 Total number of incidents of discrimination and corrective actions taken.	21	
SOCIETY		
SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs.	29	
SO4 Actions taken in response to incidents of corruption.	17	Principle No. 10
SO7 Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	22	
PRODUCT RESPONSIBILITY		
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	21	
PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	23	
PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	22	
PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	22	
TELECOMMUNICATIONS SECTOR SUPPLEMENT		
PA2 Policies and practices to overcome barriers for access and use of telecommunication products and services.	30	

11. ADDITIONAL DATA

11.1. GOVERNANCE STRUCTURE OF VIPNET

Changes in the Management Board

Since August 1, 2014 the CEO of Vipnet is Jiří Dvorjančanský. He replaced Mladen Pejković, who took over the position of Chief Technology

Development Officer of the Telekom Austria Group and the position of member of the Management Board and CTO of Velcom, the leading Byelorussian operator.

Supervisory Board

The Supervisory Board consists of members who are appointed by the company General Assembly, with the exception of the employee representative. The Supervisory Board supervises business operations of the company – inspects and controls business records, adopts business strategy and plans, supervises reports on achievement of plans and financial operations and adopts the Rules of Procedure of the Management Board.

Members of the Vipnet Supervisory Board are:

Marijan Kostrenčić, Chairman of the Supervisory Board

Hannes Ametsreiter (TAG), Deputy Chairman

Hans Tschuden (TAG)

Silvia Buchinger (TAG)

Johann Pichler (TAG)

Claudia Winkler (TAG)

Silvestar Andrić (Vipnet), employee representative

Supervisory Board meetings

Meetings of the Supervisory Board are held at least once per quarter of a business year. In addition to members of the Supervisory Board, the meetings are also attended by members of the Management Board and by colleagues who can contribute to agenda, due to the fact that company business reports are being submitted at these meetings. Upon submission of the operating reports and plans for the forthcoming period, company's business plan and the budget are submitted, which reflect all current business needs and are subject to the Supervisory Board's approval. In the segment concerning the company's strategy, topics of

importance for long-term business operations are discussed. Resolutions previously adopted by the Management Board, if the Corporate Governance rules so require, are presented and explained to the Supervisory Board, which will discuss them and then pass a resolution on their adoption.

Employee representative on the Supervisory Board

Employee representative on the Supervisory Board is elected every four years in the elections in which all company employees have voting rights. In addition to representing employees' interests in the Supervisory Board, employee representative may, but does not necessarily have to be a member of the Workers' Council at the same time.

11.2. COMPARISON OF KEY DATA OF A SOCIAL DIMENSION WITH THE PREVIOUS REPORTING PERIOD

Comparative overview of the number of employees

	2012	2013
Total number of employees (as per 31.12)	1,163	1,138
Share of women in the company	42%	39%
Share of men in the company	58%	61%
Number of employees hired on a permanent basis	1,114	1,096
Number of employees hired on a temporary basis	49	42

There has been no change in the segment of shares of employees by region compared to the previous reporting period.

Comparative overview of the number of employees by region

REGION	2012	2013
Zagreb	965	937

Split	95	96
Osijek	48	47
Rijeka	55	58
TOTAL	1,163	1,138

Comparative overview of the number of employees by age

AGE GROUP	16-19	20-29	30-39	40-49	>50
Number of employees in 2012	0	133	674	304	52
Number of employees in 2013	0	128	600	350	60

Education of employees by position, by number of hours

