



# THE SUSTAINABILITY REPORT

2014



LIFE IS FOR SHARING.

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## STATEMENT OF THE PRESIDENT OF THE MANAGEMENT BOARD OF HT

Dear Reader,

our latest HT Group Sustainability Report aims at giving an integral and balanced picture of the turbulent environment and of our efforts to realise strategically important business priorities, with a long-term and sustainable look towards the future.

Six years of recession, accompanied by a decline in the purchasing power of citizens, and intensified regulatory and tax pressures made 2014 a year full of major challenges. Our response to those challenges were innovations and transformation measures, which we believe made HT a more efficient and better organised company. In so doing, we had to make some tough decisions as well, convinced that in overcoming short-term difficulties, we were building the basis for our long-term progress and sustainable business operations.

We did not incorporate social responsibility in the basis of our business operations to create a better image of ourselves, but because we are aware of our responsibility for our actions and the impact we have on the society and the environment. It springs from a sincere belief that a long-term sustainability is achievable only if we persistently and consistently review the impact our decisions have on the welfare of the society. Therefore, when we advocate continuous improvements and innovations, our purpose is not only to increase our profit, but also to respond to our customers' wishes and requirements, aware that in applying such an approach, we are developing sustainable profitability. When we protect the environment, we protect a strategic resource, aware that it is neither inexhaustible nor non-expandable, as a pledge for the future, which we shape by our actions today. We invest in different projects, such as "Together We are Stronger", which we have been implementing for nine consecutive years, convinced that we are making our contribution to enriching the lives of all citizens of Croatia and the local communities we operate in.

HT is not only a signatory to the UN Global Compact initiative, but it also prepares its reports in accordance with the leading world sustainability reporting standard – the Global Reporting Initiative (GRI) G3.1 Guideline. This standard is also the basis for the preparation of non-financial reports, which are to be obligatory prepared as set out in the Directive of the European Union on non-financial reporting for particular companies, such as those quoted on stock exchanges and those having more than 500 employees.



**Davor Tomašković**, President of the Management Board of HT and CEO

Finally, in view of the turbulence and high demands of the environment, there are many reasons to be proud of the achievements and progress we made in 2014. However, there is still lot to do in order to improve our practices and change processes with a view to continuing with the improvement of responsible business practices. In this respect, the views and expectations of our customers, employees, suppliers, business partners, and owners have an immeasurable and increasingly important role, because only together we can shape a better and more sustainable world.

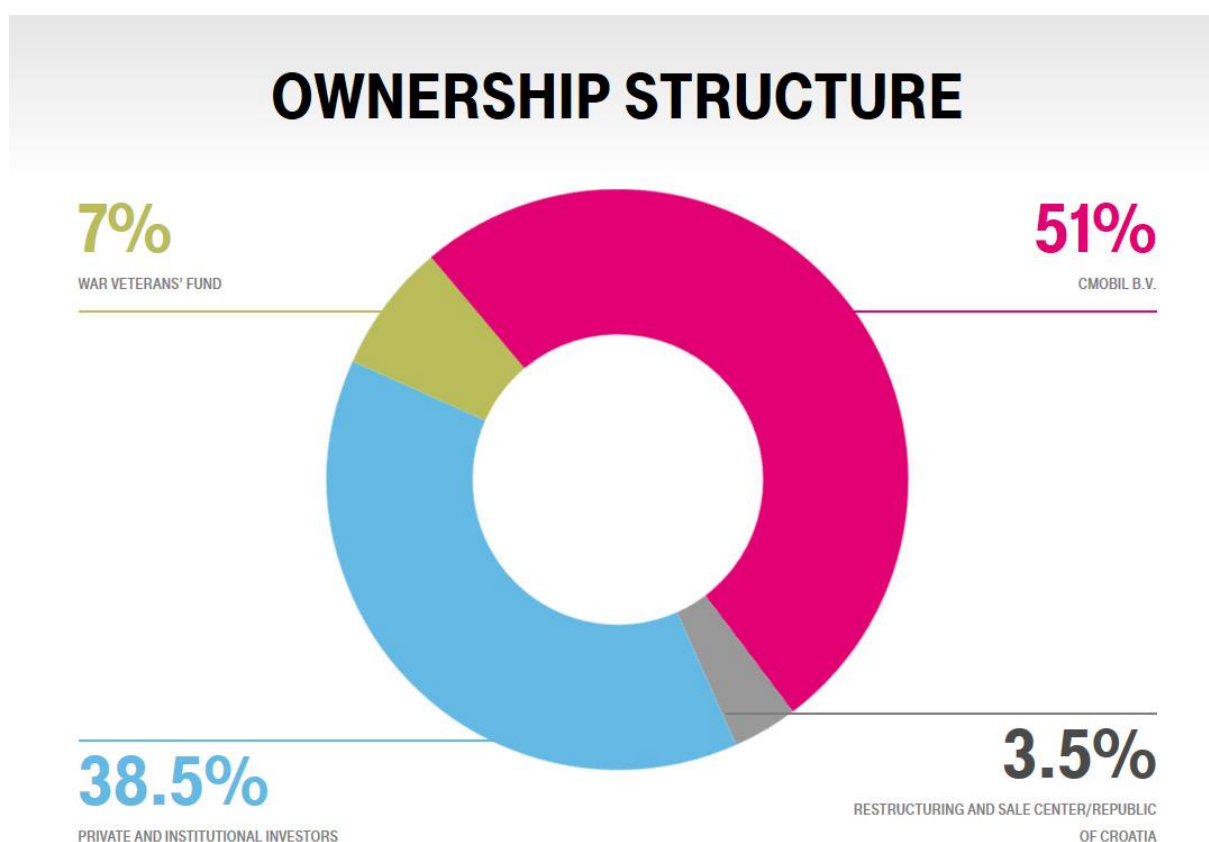
DAVOR TOMAŠKOVIĆ



## GROUP PROFILE

Hrvatski Telekom (HT) is the leading provider of telecommunications services in Croatia. In addition to HT, the HT Group also includes Iskon Internet d.d., Combis d.o.o., KDS d.o.o., E-tours d.o.o., and since 2014, OT-Optima Telekom d.d. The main activities of the Group include providing mobile and fixed telephony, design and construction of communications networks in the territory of the Republic of Croatia, and broadband Internet and data transmission services. HT also has shares in two companies in Bosnia and Herzegovina – HP d.o.o. Mostar and HT d.d. Mostar.

Hrvatski Telekom is a joint-stock company in majority ownership of CMobil B.V.<sup>1</sup> with a share of 51 %. At the end of 2014, the shareholders of Hrvatski Telekom were:



### The Most Important Changes in the Size and Ownership Structure of the Company

In addition to Iskon, a company providing broadband telecommunications services, and Combis, a company providing consultations on, developing, introducing, and maintaining turnkey integral information, application, and communication solutions, in 2014, Optima Telekom became a member company of the Group. In July 2014, after obtaining the approval of the Croatian Competition Agency, HT

<sup>1</sup> In April 2015, CMobil B.V. changed its name to Deutsche Telekom Europe B.V.

acquired 19.1 % equity capital in Optima Telekom and assumed management rights. The duration of the HT and Optima Telekom's concentration is limited to a four-year period. Also, HT entrusted Ericsson Nikola Tesla with network maintenance and development, resulting in a transfer of 640 employees working on those tasks from Hrvatski Telekom to Ericsson Nikola Tesla Servisi d.o.o., a newly established subsidiary of Ericsson Nikola Tesla, the latter being a member company of the global Ericsson Group.

## SCHEMATIC OVERVIEW OF THE HT GROUP



Each of the member companies of the HT Group, i.e. Iskon, Combis, KDS, E-tours, and OT-Optima Telekom, has its Management Board responsible for managing the business operations of the respective company.

This Report covers HT, Iskon, and Combis.

### HT AT A GLANCE

**2,252,396** mobile network customers (business customers: **475,198**; residential customers: **1,777,198**)

**1,165,569** fixed network customers (retail: **1,050,014**; wholesale: **115,555**)

**686,835** broadband Internet customers (retail: **614,231**; wholesale: **72,604**)

**393,461** TV customers

## IMPACTS AND OPPORTUNITIES

### A YEAR OF BIG CHALLENGES

The year 2014 turned out to be another year of big challenges. A six-year long recession led to a decline in the purchasing power of citizens, lower prices, an increasing need for cost reduction, and regulatory and tax pressures. At the same time, the need for further investments did not go down.

Increasingly faster technological changes resulted not only in a growth in the application of IT services, but also in significant changes in the way in which information and communication technologies were provided and applied.

This combination of various influences intensified the competition, while a decline in revenues resulted in a need to redefine the existing business models. At the centre of the focus was the creation of new services and comprehensive care about customer experience.

In order to respond adequately to such circumstances, HT focused on reorganisation, cost reduction, and the improvement of internal processes, taking into account the importance of maintaining good relations with customers, employees, suppliers, investors, regulators, vendors, and other groups that may have an impact on the success and long-term sustainability of the company.

#### THE MOST IMPORTANT IMPACTS IN 2014

- Deregulation of the fixed voice market and the retail leased line market – termination of HT's regulatory obligations in these two markets.
- Reduction of retail prices of services provided by HT on its already built optical network (FTTH).
- Increase of the right of way fee by 9 %, although in its comments to the Proposal of the Ordinance on Right-of-Way Certificate and Payment of Fees for Right of Way, the HT Group clearly pointed out that the fee “may not represent a disproportionate burden for the provision of electronic communications services and for the development of the electronic communications market”, which is the basic principle laid down in the Electronic Communications Act.
- A triple increase of the annual radiofrequency spectrum fee as an additional measure of 2014 fiscal consolidation at the cost side of the state budget, resulting in a direct HRK 138 million increase in costs for the radiofrequency spectrum fee. In response to this measure, HT increased the price of its mobile services by introducing a fee for mobile network access to the amount of HRK 8 + VAT for subscribers and 10 % of the existing voucher value for prepaid customers.
- Granting of the licence for the 1800 MHz radiofrequency spectrum band.
- Approval of the retail price for the data transmission universal service at the speed of at least 1 Mbit/s.

## NEW OPPORTUNITIES

Intensified competition requires new investments. The HT Group continued implementing its strategic project for the deployment of fixed broadband Internet access, enabling better network performances and creation of new capacities. In eleven big cities: Zagreb, Split, Rijeka, Osijek, Velika Gorica, Zadar, Šibenik, Vinkovci, Bjelovar, Čakovec, and Varaždin, we continued investing in the existing FTTH (Fibre to the Home) networks. Moreover, HT continued investing in its copper access network and thus modernising it, which considerably shortened the subscriber loop and the installation of very high data rate subscriber lines (VDSL). Another important HT's strategic project, migration of customers from the traditional PSTN (Public Switched Telephone Network) platform, enables the continuity of fixed voice services and an efficient transformation of the outdated TDM (time division multiplex) to IP (Internet protocol) technology, contributing to the creation of a new generation network and bringing a number of benefits to customers. This project should be completed in 2015.

HT is also strongly focused on increasing its fast network coverage in order to provide as many citizens as possible with access to advanced technologies. Accordingly, in 2014, HT additionally expanded 4G, i.e. LTE technology coverage, the fourth generation mobile network, enabling the fastest Internet on mobile phones, tablets, or computers. Following this expansion, customers in rural areas of Croatia for the first time had the opportunity to use fast data services at a ten times higher rates than earlier.

### CITIZENS RECOGNISE HT'S SOCIAL RESPONSIBILITY

Citizens recognise HT as one of the three biggest companies in Croatia when it comes to social responsibility, as shown by a major field research conducted by GfK in 2014, covering more than 30 biggest companies in Croatia from the following sectors: financial services, telecommunications services, trade, and production. HT is among the leading companies in the environmental protection segment (4), project sponsoring and donations (2), and respect and protection of its employees, clients, and business partners' rights (3). HT is also rated as the second most desirable employer and as a company capable of quickly adjusting to market changes.

In 2014, Iskon expanded its availability zone to 13 new Croatian cities. This modernisation allowed customers to opt for Internet rates up to 20 or 30 Mbps. The modernisation has continued in 2015.

## RISK MANAGEMENT

HT systematically monitors and regularly reports on significant business risks: regulatory and legal risks, financial risks, liquidity risks, credit, market, and operating risks, as well as risks related to potential impacts on the health, the environment, and business operations in the community. This monitoring covers Combis and Iskon. The systematic approach to risk monitoring and reporting is conducted on a quarterly basis and, where necessary, *ad hoc*, with a focus on the Management Board and supervisory controlling bodies: Audit Committee of the Supervisory Board, internal audit, and external audit. The risk management process also makes an integral part of the business planning process and financial reporting.



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### **Prevention of Corruption and Other Conflicts of Interest**

At the end of 2010, HT adopted an Anti-Corruption Policy clearly stating HT's position towards all negative occurrences in business operations and laying down a clear framework for the behaviour of all its employees and managerial staff. The Anti-Corruption Policy introduced clear criteria and responsibilities for the assessment of correctness in business operations and defined procedures for all matters of conflicts of interest. The Compliance Section is responsible for the interpretation of all provisions of the Anti-Corruption Policy, while the Compliance Committee evaluates individual cases and proposes corrective measures.

Following Deutsche Telekom (DT) Group's endeavour to standardise the approach to fighting corruption and the approach to business compliance, HT continued adopting new policies regulating the essential areas of business compliance. Accordingly, in 2012, three policies were adopted and in 2014, the following policies entered into force: Policy on Avoiding Corruption Risks when Working with Consultants, Antitrust Policy, and Guideline for Prevention of Conflicts of Interest. All policies building on the Anti-Corruption Policy relate to the issues such as accepting and granting benefits, work with external consultants, organisation of business events, and prevention of conflicts of interest, are harmonised with the relevant legal framework and include practical provisions on allowed and improper behaviour in business operations. At an annual level, HT conducts risk assessment, including the assessment of risks related to active and passive corruption.

Combis had also adjusted and adopted the Policy on Prevention of Corruption and Other Conflicts of Interest – Anti-Corruption Policy harmonised at a DT Group level, the Policy on Accepting and Granting Benefits, and the Event Policy in 2013, as well the Antitrust Policy and the Policy on Avoiding Corruption Risks when Working with Consultants in 2014.

Iskon adopted the Code of Conduct of the DT Group, the Policy on Prevention of Corruption and Other Conflicts of Interest, the Policy on Accepting and Granting Benefits, the Event Policy, the Antitrust Policy, and the Policy on Avoiding Corruption Risks when Working with Consultants.

### **Personal Data Protection**

HT takes special care of its customers' personal data and privacy protection. In addition to this area being governed by regulations, HT has adopted special acts establishing further, strict standards of personal data protection across the whole DT Group. The basic act binding for all HT's employees is Binding Corporate Rules Privacy (BCRP). HT has defined the issue of personal data and privacy protection in its General Business Terms.

The Terms also refer service users to an HT's contact point for issues concerning personal data protection, where each relevant request and/or complaint submitted by a customer or a supervisory body with regard to personal data protection is to be processed in good time.

There is a special organisational unit in charge of applying an efficient personal data protection system, which is responsible directly to the President of the Management Board. The Data Privacy Officer is in charge of education on the necessity and ways of protecting the rights of physical persons in relation to the processing of their personal data.

### **Care about the Environment and Employees' Health**

Owing to the development of mobile communications, in particular the introduction of 4G mobile networks based on LTE technology, resulting in an increase in the number of mobile services and their users in the whole Croatian territory, the need for a bigger number of base stations and antennas has increased as well. A high number of mobile customers and base stations oblige HT to be committed to the optimum placement of stations, which will satisfy customers' needs for high-quality and available mobile communications services and at the same time minimise potential risks. To that end, HT applies in practice an integrated environmental, health, and safety at work management system in compliance with ISO 14001 and OHSAS 18001 standards. Furthermore, HT fully complies with the valid Croatian regulations governing electromagnetic radiation. Protection of health against electromagnetic fields is regulated by the Ordinance on the Protection against Electromagnetic Fields, pursuant to the general provisions of the Non-Ionising Radiation Protection Act. For reasons of precaution, i.e. for the purpose of applying the precaution principle, the Ordinance concerned introduces considerably stricter limits compared to the Directive of the European Union and guidelines of the International Commission on Non-Ionising Radiation Protection, so that the electric field exposure level for general population is stricter by 60 %, and the allowed level of radiated power by 84 % in relation to the limits laid down in the EU Directive and Commission's guidelines. All telecommunications equipment is also subject to the provisions of the Ordinance on Limitations in Intensity of Electromagnetic Fields for Radio Equipment and Telecommunications Terminal Equipment.

## CORPORATE RESPONSIBILITY AND SUSTAINABILITY

The Guiding Principles define the values promoted by the HT Group in its day-to-day business. These are ethical conduct, mutual respect, teamwork, the highest efficiency in achieving the best results, open expression of opinions, assuming of responsibility, and shaping of an environment that stimulates, recognises, and appreciates excellent results. Responsibility towards the society is an integral part of all our business operations. Accordingly, in its approach towards decision-making, the Group encourages sustainable development, respecting at the same time its role and the responsibility assumed for its actions in the community and the society.

Corporate responsibility comprises three key strategic areas:

STRATEGIC AREA	CHANGE IN 2014
CONNECTED LIFE AND WORK	<ul style="list-style-type: none"> <li>■ “Friday in SLIPPERS” is an initiative designed to achieve a higher flexibility in work. Once a month, employees are allowed to work outside their office. Employees and their family members are also given the opportunity to use the most favourable mobile VPN World tariffs.</li> <li>■ Cloud VPN is the first HT’s commercial service delivered from the centralised pan-European network, where network functions are virtualised in data centres. This service provides a unique combination of functionality, simplicity, and automation in the field of safe communications, particularly suitable for small and medium-sized enterprises.</li> </ul>
CONNECT THE UNCONNECTED	<p>HT is the first operator in Croatia to introduce the 4G network, thus providing the fastest Internet access. Owing to such an access speed, residential and business customers are given the opportunity to use new tariffs customised to their specific needs.</p>
LOW CARBON SOCIETY	<p>The biggest contribution to the reduction of CO2 emissions comes from a decrease in electricity consumption. The most significant measure intended for the reduction of electricity consumption referred to the PSTN (Public Switched Telephone Network) platform migration project, PSTN ports optimisation, and cooling systems modernisation. The relocation of the company’s headquarters and a considerable number of employees to a new, highly energy efficient building also contributed to emission reduction.</p>

## RELATIONS AND DIALOGUE WITH STAKEHOLDERS

Open and transparent communication with customers, employees, investors, suppliers, and all other groups is at the heart of all HT's relations.

### CONDUCT AND INTEGRITY

HT's Code of Conduct sets clear standards of business conduct on the basis of the Company's Guiding Principles and desirable conducts, in particular "Respect and integrity guide our behaviour"

### Customers

On day-to-day basis, HT communicates with its customers on different social networks, such as Facebook, Twitter, YouTube, Flickr, LinkedIn, Google+, and Vine, in order to provide support in resolving problems and get feedback on products and services. Customers comment on posts made on social network, and frequently use this channel to resolve their problems. In particular, HT sets an example with regard to Facebook use. In early 2014, Socialbakers, a renowned analytical house specialised in social media analysis, published that HT was the first-ranked company in Croatia in the category of brands most committed to Facebook activities. HT's response to customers is 99 %, with an average 26-minute waiting time. The average response time of the second-ranked company of 59 minutes and of the third-ranked company of 835 minutes, i.e. more than a half of a day, bear witness to the successful work of our Customer Service employees, who on a day-to-day basis answer customers' questions.

In the preceding year, Hrvatski Telekom was also the frontrunner with regard to Facebook use, but with a 95 % response, which also was an excellent result.

### CUSTOMERS' COMMENTS

"I've got to give you credit for your donation to the Croatian Mountain Rescue Service. It is a true example of collaboration!"

"I've watched the first episode of the second season of True Detective. You've made me a believer – I will subscribe to HBO only to watch that series!"

"Please check why 4G is not functioning in Malešnica. Yesterday, everything was OK, but today, I cannot get the download speed I want."

2014 saw the continuation of communication via T-Blog, the first corporate blog in Croatia. T-Blog serves as a platform for exchanging opinions about issues related to telecommunications, technology, and similar topics concerning HT's services, as well as about trends in the wider field of telecommunications and ICT. In addition to the corporate blog, in 2014, HT started preparing a specialised ICT blog – BizIT – focused on specific business technological topics, which is expected to be launched in 2015. Moreover, HT is also strongly focused on constantly examining customers' needs and customer satisfaction in order to be able to create tailor-made services and minimise customer dissatisfaction. Apart from everyday

communication on social networks, in order to reach its goal, HT uses different researches, direct contact with customers, improved procedures for complaint resolution, and informing about different products and services.

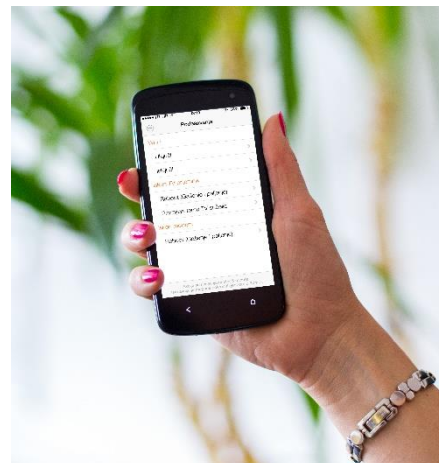
In 2014, T-Blog wrote about mobile advertising as part of its hit service Kupon2Go, about business services Cloud Server, Mini Cash Register, Cloud Call Centre, and Fleet Supervision, about the Together We Are Stronger ("Zajedno smo jači") donation competition, about interest for a job in the HT Group, about new mobile devices included in the HT's offer, and about other professional topics of interest.

For its communication with customers, COMBIS uses a Customer Newsletter to publish information about the company's events and initiatives. Customers also have the opportunity to directly contact members of the Management Board on the Internet page (<http://www.COMBIS.hr/hr/korisnici/vas-kutak>).

Communication can also take place on social networks, such as Facebook, LinkedIn, YouTube, and Twitter.

In 2014, Iskon Internet presented to its customer the Moj.Iskon application for service management and report of potential difficulties in work. Iskon was the first telecommunications operator to offer its customers the opportunity of establishing contact over an application, without a need for calling the customer service.

Customers can learn all news and follow the company-related information on the Iskon's official profile on social networks, such as Facebook, Twitter, LinkedIn, YouTube, and Instagram. Newsletters are created for the existing customers, while the official website allows for chat with call centre employees.



Iskon also uses researches and any opportunity to personally contact customers and get their feedback on service quality and stability, including suggestions and wishes regarding their further improvement.

## Shareholders

HT attaches considerable importance to transparent communication with investors in order for them to get a realistic picture of the current status and potential of the Group and to have the opportunity of fair valuation of the company. This communication includes quarterly business results and accompanying conference calls, *ad hoc* press releases for stock exchanges and for the public, and professional exchange of information and opinions. Emphasis is placed on quickly finding a solution to the problem and on the fair treatment of all shareholders, for which regular annual assemblies of shareholders and individual meetings are also used as a continuous activity throughout the year. Thus, in 2014, HT held more than 30 individual meetings with investors and attended several investor conferences. Direct contract can be established also by phone and e-mail.

## Suppliers

In 2014, the organisational unit in charge of procurement introduced a Business Sustainability Questionnaire for suppliers. A part of the Questionnaire is also dedicated to the ethical business principles, including questions about criminal prosecution and punishment of the bidder's managerial staff and/or legal entity and on potential conflicts of interest that may involve bidder's owners, founders, managerial staff, or employees, i.e. whether they are also employed with a company of the party inviting bids at such positions that allow for, i.e. bear the risk of independent and non-transparent decision-making with regard to the engagement of the bidder on tasks requested. The Questionnaire does not include questions related to the protection of human rights, child labour, and workers' rights of association, since our position is that these are laid down in the Labour Act and all HT's suppliers must guarantee that they operate in compliance with the valid legal regulations. This is described in the corresponding Articles of the Procurement Regulations of HT (Official Herald 11/2014), and in particular in Article 10 – Selection of the Bidder(s) (Compilation of the Long List of Potential Suppliers).

## Employees

HT is extremely sensitive to the needs of its employees and respects their opinion, which is regularly examined by means of employee satisfaction surveys and polls on topics important to employees. Their results are used as the basis for further improvements and changes in the company.

MyHR is HT's single point of contact for all employees' questions and requests related to human resources. This is a portal where employees can enter their questions and receive relevant answers in the shortest time possible.

Two persons have been appointed to receive and resolve employees' complaints concerning dignity protection. No longer than eight days after the submission of a complaint, they shall examine it and take all the necessary measures to prevent any further harassment or sexual harassment, if its occurrence has been established.

Each employee can report any misconduct or violations of the Code of Conduct. To that end, the Ethics Line has been established as a system providing the employees with a confidential and, if desired, anonymous means of reporting. The Ethics Line can be contacted by mail, phone, fax, e-mail, or a special tool available on the Internet.

## Trade Unions

HT's employees are organised in several trade unions, but only representative trade unions, i.e. those representing at least 20 % of the total trade union membership, participate in the negotiations on the Collective Agreement. The Collective Agreement concluded between the employer and the representative trade unions regulates the rights and obligations of all HT's employees. The employer communicates with the social partners regularly, i.e. on a weekly basis. In 2014, this communication was even more intense owing to the negotiations on the new Collective Agreement, the implementation of outsourcing of a part of business operations and employees to Ericsson Nikola Tesla Servisi d.o.o., and the HT's surplus management programme. The employees are informed via the corporate IntraNet of all important topics discussed or negotiated with the social partners. Depending on the importance of the topic, they may also be informed by an e-mail addressed to all employees. In COMBIS, internal

newsletters, announcements made by e-mail, on the Intranet, social networks, or other platforms for group communication, as well as direct communications are used for the communication with employees. A trade union branch office of the Croatian Union of Telecommunications is active in COMBIS. In 2014, 21.33 % of employees were members of this branch office.

### **Business Interest Organisations**

As a rule, the collaboration with business interest organisations is focused on information exchange and development of good practices in business operations, as well as mutual and public exchange of opinions. In addition to acting independently through public appearances in the media and the participation in round tables and conferences, HT, as an electronic communications services operator, acts at the national level by participating in the work of the Mobile Communications Association of Croatia and the Telecommunications Association at the Croatian Chamber of Commerce, which publicly represent common interests of the member operators. Moreover, HT is a member of the European Telecommunications Network Operators' Association and the GSM Association, international organisations of electronic communications network operators promoting the interests of the operators in the electronic communications sector at the EU level.

### **Community**

The community we operate in is an important factor of our success. As company's day-to-day activities affect a large number of people, we pay special attention to relations with the community. Our relations are focused on finding solutions to specific and general problems of the society, in particular to the problems related to a certain area and concerning and affecting health protection and safety and environmental issues of local communities. In such collaboration, different platforms are used, such as direct collaboration, donations, partnerships for sustainable development, and partnership programmes, as well as feedback received from direct communication and specific researches and assessments of health, safety, and environmental risks. The HT Group regularly collaborates with educational, cultural, training, and scientific institutions, non-governmental organisations, in particular those taking care of persons with special needs and the disadvantaged, and with organisations promoting the values of civil society. Mid-2014, after the catastrophic floods in Slavonia, HT particularly committed itself to organising help for the victims. At the initiative of our employees, the collection and delivery of supplies to the areas affected by floods were organised. Moreover, employees demonstrated a great devotion to quickly providing HT services at the moment they were needed the most.

## HELP TO VICTIMS OF FLOODS IN SLAVONIA

19 May 2014

In order to ensure their smooth communication, Hrvatski Telekom will provide all the victims in emergency reception centres in the areas affected by floods with free-of-charge Internet services and Wi-Fi zones, including a sufficient amount of SIM cards and vouchers. Moreover, HT will provide technical equipment so that the victims can communicate with their loved ones.

Hrvatski Telekom waives its rights and all revenues from calls to the humanitarian hotline 060 9011.

In addition, HT will provide help by purchasing foods and toiletries for all the victims.

Employees of Hrvatski Telekom also participate in helping the victims. Their contributions are collected at the agreed locations and transported to the emergency reception centres by company vehicles.

### **State Administration and Regulators**

Collaborative relations comprise exchange of opinions and collaboration with politically elected representatives, public administration and agencies, and authorities in charge of supervising the markets in which HT operates, as well as consultations on acts and procedures. Furthermore, HT directly collaborates, exchanges opinions, and collects data on good practices to eliminate unsustainable practices and increase its competitive strength, as well as to eliminate and avoid legal compliance. During 2014, HT intensively communicated with the Croatian Competition Agency about the HT and Optima Telekom's concentration. It exchanged opinions with the Croatian Regulatory Authority for Network Industries and participated in public discussions on the deregulation of the fixed voice market and the retail leased line market, the change of wholesale prices for services provided by HT on its already built network, the Ordinance on Right-of-Way Certificate and Payment of Fees for Right of Way, and the Ordinance on Amendments to the Ordinance on the Payment of Fees for Right of Use of Addresses, Numbers and RF Spectrum.

### **Non-governmental Organisations**

Where necessary and at regular intervals, HT exchanges information and opinions with certain non-governmental organisations, supervises the implementation of supported projects and initiatives, and reports on sustainability (two-way communication, donations, and partnerships). To that end, an e-mail address is made available to the public for all questions and information – [contact](#).



## AWARDS AND RECOGNITIONS

### Certificates

Since 2002, HT has been the holder of the ISO 14001 certificate and the certificate under the OHSAS 18001 standard. In May 2014, HT established an Integrated Environmental, Health, and Safety at Work Management System (Integrated System) and adopted a new Policy. In compliance with the requirements of the specified standards, in June 2014, Deutsche Telekom conducted an audit of the HT's Integrated System as part of the Integrated Management System of Deutsche Telekom Aktiengesellschaft. The audit confirmed that environmental care had been integrated in all work processes and that employees were highly aware of the importance of environmental protection.

HT also has the ISO 27001 certificate for information security. Furthermore, the management systems have also been certified to the ISO 9001 standard in HT's organisational units related to human resources and corporate strategy and business development.

Combis has the ISO 9001:2009 certificate and has defined a Quality Policy, which has been presented to all employees and put in a visible place in all company's premises. This Policy is reviewed in accordance with the changes in COMBIS's business operations. Moreover, COMBIS has also met the safety standard corresponding to the ISO 27001 requirements. The certification has confirmed that COMBIS has implemented the Information Security Management System, confirming thus its responsible conduct with regard to its and other's information.

### Awards

At the end of 2014, for the sixth consecutive year, HT was included in the CEERIUS Sustainability Index for 2015, the sustainability index of the Vienna Stock Exchange for the CEE region. The Sustainability Index is used to value, in terms of their social and environmental quality, shares of the leading regional companies, the shares of which are traded on the stock markets in the region.

In 2008, Oekom Research AG, one of the world's leading rating agencies in the field of sustainable investment, included HT in the PRIME category of companies, as a result of its corporate responsibility standards and sustainable development policy, and in 2014, HT again received the confirmation of this category.

In collaboration with the Zagreb Stock Exchange, in 2014, Poslovni dnevnik presented HT with the award for the third place in the category "Best Investor Relations", after in the previous two years HT won the first prize. HT also won the prize of the Belgrade Stock Exchange for best investor relations among sixteen companies from five countries in the region.

In 2014, Combis won the Microsoft Country Partner of the Year award, a prestigious recognition given by Microsoft, for its innovative work and excellent collaboration. Moreover, Combis became the first Oracle partner in the Adriatic region for Oracle Hyperion Planning, a top-quality Cloud planning and budgeting solution.

## MEMBERSHIPS

HT is a member of the European Telecommunications Network Operators' Association (ETNO). It has actively participated in the work of the Energy Association with the Croatian Employers' Association since 2013. The goal of the Energy Association is to provide a better and more sustainable economic environment by including energy production in the national strategic plan.

Since 2007, HT and Combis have been members of the United Nations Global Compact initiative. This Initiative connects the business sector with UN agencies, governments, and the civil society in supporting the basic social values in the areas of human rights, workers' rights, environmental protection, and fight against corruption. HT is a signatory to the Environmental Protection Charter, the Sustainable Development Charter, and the Corporate Responsibility Charter.

Since 2009, the companies have regularly prepared progress reports on the implementation of these principles.

## ECONOMIC INDICATORS

In 2014, HT, Iskon, and Combis generated HRK 6.751 million revenues. Compared to the previous year, the revenue decline, which in 2014 amounted to 4.1 % and in 2013 to 6.8 %, slowed down, while the companies maintained their leading position in all segments of the telecommunications market. Strong regulatory pressures, intensified competition with a high number of flat tariffs, and adverse economic circumstances had a negative impact on revenues and a considerable influence on citizens' purchasing power.

Stabilisation of mobile communications revenues and an increase in revenues from the ICT segment, mobile Internet, and TV services had an impact on the stabilisation of total revenues. Despite an increase in HT's transformation costs, the deterioration of the business environment, a new radiofrequency fee, and a change in the revenue structure, the actual EBITDA before exceptional items amounted to HRK 2.728 million in 2014, with EBITDA before exceptional items margin of 40.4 %. In 2014, the net profit of the whole HT Group amounted to HRK 1.142 million.

During 2014, Combis recorded a growth in net revenues at the group level (Croatia, Bosnia and Herzegovina, and Serbia) compared to the previous year. It also maintained the total level of revenues from international markets and the position of the leading system integrator in the Croatian market.

## OUR CUSTOMERS AND PRODUCTS

### CUSTOMER CARE AND RESPONSIBLE RELATION TO CUSTOMERS

Our customers are offered 24/7 support by phone, e-mail, postal mail, fax, and via social networks. Social networks have proved to be one of the best channels for direct communication with customers. More than 180.000 likes on the HT's Facebook profile and more than 100.000 likes on the Simpa's Facebook profile, as well as 10.000 Twitter followers bear witness to the customers' interest for this type of communication. The corporate website hrvatskitelekom.hr also offers an online chat facility. In addition to providing customers with information and support with troubleshooting on a day-to-day basis, HT's call centre agents also market products and services tailored to the customers' individual needs and consumption habits. HT generally tailors its services to take into account its customers' different needs, such as various discounts, shops accessible to disabled people, special packages for low-income customers, services for young people, and discounts granted to Croatian Homeland War disabled veterans. Parents can also use the parental protection service, allowing them to supervise the way in which their children use Internet contents. There is also the possibility to have your mobile phone insured and to choose from a whole range of billing options, including WebBill, voice billing, and e-billing. As part of customer care, HT uses the standard customer journey mapping technology, enabling employees to fully experience all stages of the customer journey for any new product proposition prior to its market placement. In marketing communications, advertising, sponsorship and promotion, HT standardly uses Deutsche Telekom's guidelines for the communication of the brand and HURA code of advertising.

### LOYALTY AND CUSTOMER SATISFACTION

#### Hrvatski Telekom

HT monitors customer loyalty using the TRI\*M methodology, while customer satisfaction is monitored within the ICCA (International Customer Contact Analysis) project. The ICCA project is implemented in all members of the DTAG Group. It examines customer satisfaction with all HT's touch points (call centre, IVR self-service, T-centres, field technicians, and HT website) by means of everyday polls and customers' comments. ICCA is used to monitor customer satisfaction with the staff whom they have contacted and with the quality of that interaction. The goal is to improve customer satisfaction by using valuable feedback provided by customers in satisfaction polls. The TRI\*M survey is used to monitor customer loyalty and to ask specific questions about products, prices, touch points, and processes. The results are monitored and reported to all levels from the Management Board to each individual employee (depending on the responsibility level). In filling out satisfaction polls, customers are given the opportunity to exercise a direct influence on changes in the existing company processes, services, and products. Employees from HT offices also spend time at the coal face, becoming "Christmas helpers" in the shops. This initiative provided HT's managers an opportunity to speak directly to customers and hear their comments about products and services.



**Goran Toplek,**  
Director of the Access Networks  
Development Department

„A telecom's basic task is communication, which, nowadays, necessarily implies Internet access. Through the Internet, we are all part of the same global village, and each resident should have the opportunity to participate in the common communication space. Our Fibre to the Home service provides this opportunity to residents of not only major Croatia cities, but also of an increasingly higher number of smaller places, at the price which already now is affordable. I believe that with further network development, the price will become even more affordable. The construction of the fastest 3G and 4G networks in Croatia contributes not only to strengthening our company, but also to developing the whole economy and to connecting all parts of Croatia with the world. In doing so, we increase our profitability, but also build the foundation for developing a multitude of other services intended for all those who use our network. By developing ourselves, we also develop others.”

The 2014 results show a total 96 % realisation of the set customer satisfaction index. Customers considered the interaction with T-Centres, field technicians, the official HT website, and the call centre to be the best. They also pointed to potential improvements of the IVR self-services. The goal is to further improve customer experience by using valuable feedback provided by customers in satisfaction polls.

### **Combis**

Each year, Combis conducts an employee satisfaction survey. Accordingly, in 2014, it conducted the employee satisfaction survey by means of a questionnaire consisting of 53 questions. The results showed that almost 90 % of the respondents would recommend Combis. The reason for such strongly expressed satisfaction, as a customer put it, is professional relation of Combis to customers, professional and high-quality employees, and quick response. In particular, customers highlighted that the employees of Combis are “always at service”.

## A YEAR OF BREAKTHROUGHS – PRODUCTS AND SERVICES

### A New State-of-the-Art Platform for Future Advanced Services

HT has been gradually transforming its traditional telephone network, PSTN (Public Switched Telephone Network), into a modern IMS (IP MultimediaSubSystem) platform. This platform has been recognised as the most efficient solution for IP transformation in terms of technology and costs, because it allows for the combination of the best of what the telecommunications and Internet world has to offer. HT initiated this transformation with a view to developing new multimedia and customer-oriented services based on IP (Internet Protocol) technology. IP is a new generation technology bringing a radical change in the technology basis. This change will allow HT to provide future advanced services to its customers. The transfer to IP technology will put an end to the interdependence of networks and services and enable the provision of convergent fixed/mobile services (Fix Mobile Convergence – FMC). The migration to IP technology and the simultaneous introduction of FMC have resulted in the provision of services to the customer, regardless of whether they are voice, data, or television transmission services, any place, any time, and by means of any devices and access technologies available to the customer. The next step in the evolution of service provision in the customer experience segment, which is enabled by IP technology supported by optical network development, is the realisation of complete information on the availability of broadband services in the shortest time possible.

The transfer to a new platform and the use of the Net Phone service package offer a number of possibilities for business customers to improve their business operations without making any capital investments

In conducting transformation, HT has been gradually replacing its obsolete digital telephone exchanges with new IP-based technologies, at both the control and access network level, while conducting the migration over a longer period of time. Accordingly, during 2014, 35 local exchanges were shut down, including the corresponding remote subscriber stages, and more than 400.000 customer connections were migrated, reaching 46 shut down local exchanges and a total of 882.609 customers across Croatia whose connections were migrated to IP technology. This process will be finalised by the end of 2015.

### New Cloud Services for Easier Day-to-Day Work

During 2014, in addition to expanding its offer of standard information and communications services (Information and Communications Technology – ICT), HT continued developing Cloud services, bringing customers a number of benefits and making their work easier, such as Office 365, Cloud Storage, Cloud Network Protection, and Cloud Mobile Device Supervision.

The expansion and improvement of standard ICT services covered services such as ICT Equipment, Cloud Server, and Mini Fiscal Register, including the launching of Kata&Data, a new communications



Cloud Fax - povoljniji način slanja i primanja faks poruka!

platform. Kata&Data is actually an online campaign aimed at educating business customers on all the advantages offered by Cloud services.

### Data Centre

In June 2014, Hrvatski Telekom finalised a HRK 62.5 million investment with the opening of a Data Centre in Zagreb. This challenging project was realised in collaboration with the KONČAR Group. The work of Croatian experts resulted in one of the most modern Data Centres in this part of the European Union, in the operation of which the highest technological, environmental, and safety standards are used. In the Data Centre, Hrvatski Telekom offers to its customers ICT infrastructure hosting, remote monitoring, and management, thus allowing for considerable savings in business operations, as well as a safe and optimal functioning of the equipment.

The construction of the Data Centre is one of the biggest Hrvatski Telekom's investments in the strategically important ICT sector, and with the realisation of this project, HT has continued investing in development projects. In addition to being a leader in the field of telecom services in Croatia, HT has been achieving important results in the ICT segment for several years. Together with Combis, HT is the leading ICT services provider in Croatia and one of the leading ICT companies in the region. Precisely the offer of ICT services is one of the key products intended to be used to further expand business operations in the region and increase the export of products and services.

“The construction of a big Data Centre in the heart of Zagreb was a major challenge, but in collaboration with the colleagues from the Končar company, relying on our common knowledge and experience, we managed to get the work done within the deadline and in accordance with the standards placing us at the European top. We often hear that some countries use more advanced technologies and that we should learn from others. We learn all our lives, and it is safe to say that we should acquire new knowledge and experience, but we should not belittle our own knowledge and experience, on the basis of which new technical solutions are developed, suitable to our circumstances and conditions. We have installed several completely new technological solutions in the Selska Data Centre, thus demonstrating that others can also learn a thing or two from us, as proven by several inquiries addressed to us by visitors in terms of receiving technical consultations from the HT team. The data centre business segment is a novelty in the world, and I am very pleased to have been able to participate in such an innovative project, ensuring HT a better business future and opening of new jobs.



**Siniša Zmijanac,**  
Senior Programme  
Manager in the Investment  
Planning and Rollout  
Management Section

## **Microsoft Office 365**

In expanding its ICT offer with Office 365, HT has established a strategic collaboration with Microsoft. Office 365 is a service enabling customers to do so much more than just use programmes such as Word, Outlook, PowerPoint, and Excel, because they now can use these programmes not only on one computer, but on five different devices over the Internet. This service also allows customers to share and work on documents (SharePoint Online), communicate by chat and/or video messages (LyncOnline), make use of a 50 GB inbox (Exchange Online), and have 1 TB online space for storing data and documents (OneDrive for Business). The novelty is that customers are not obliged to sign a contract of certain duration for this service, which is paid in monthly instalments and not the whole year in advance. In addition, HT has ensured free-of-charge support with the migration of data related to certain services, while all customers can also use local 24/7 support free of charge.

## **CloudStorage**

Cloud Storage makes it possible for customers to store, send, receive, and share big files by means of Hrvatski Telekom's Cloud. In addition, customers can make comments on files in order to make their work faster and more efficient. The service can be accessed from a computer, a tablet, or a mobile phone, all the customer needs is an Internet connection. The customer can benefit from the automated data synchronisation of different devices, making data always up-to-date, regardless of whether they are accessed from a computer, a mobile phone, or an Internet browser. Data are always available and protected to a maximum degree, because they are kept in the HT's data centre in Croatia, including maintenance in accordance with the highest safety standards.

## **Cloud Network Protection**

The Cloud Network Protection service protects computers, tablets, and mobile phones against viruses, protecting at the same time data accessed by employees at different locations and from different devices. This is particularly important as everyday technological progress leads to an increased possibility of malicious attacks on computers and data. Therefore, in addition to standard computer protection against unauthorised physical access and good anti-virus programmes, it is very important to have a secure Internet access. The service also makes it possible to determine sites which the employees will be able to visit and the so called failover option, allowing for an uninterrupted Internet connection. If there is an Internet connection failure, failover also allows for an automated switch to another available connection, thus ensuring the continuity of operations. This is ideal for the companies which base their business operations on e-mail communication, meaning that an Internet connection failure automatically results in profit loss.

## **Special ICT Solutions**

In 2014, HT continued to develop, deliver, and implement complex ICT solutions, thus contributing to business success, growth, and recognisability of HT in this market. In particular, the ICT solution developed by HT in collaboration with Combis for a chain store is to be pointed out. This solution resulted in the improvement and simplification of processes in different business segments (internal budgeting, analysis, reporting, etc.).

## Kupon2go

Kupon2go is a new, unique service, which for customers selects and suggests offers made by partners and sends an SMS coupon to customers' mobile phones when they are in the vicinity of a partner's location. Since its launch in December 2014, the following companies have been part of the service: Konzum, Tisak, Kozmo, Allianz, Avenue Mall, Cinestar, dm drogerie markt, e-Tours, Herald, Hrvatska lutrija, Kućica na drvetu (Prodis), L'Occitane, Oxbo (Hilton), Samsung, Tekstilpromet, Meblo, and Westgate. The goal of the service is to offer what is important to the customers, at the time and place where the customer is located. Benefits vary from discounted prices of certain products and services to free-of-charge products and services in addition to the bought one.

"In the telecom industry, the business success is crucially conditioned by customer satisfaction. We work with people and for people. We strive to have a high-quality communication with our customers, and the Moj.Iskon application is a good step forward in that direction. An increasingly higher number of Iskon's customers prefer social networks to customer centres. Consequently, an application offering service management and reporting of potential difficulties was the next logical step. I am pleased that the application was assessed as practical and useful by customers, but this does not mean that we will not continue improving it. At the moment, Iskon is the only Croatian operator offering customer support by means of a smartphone application, but certainly not for long. It is time for something new, and Iskon has already demonstrated its innovative strength."

**Alan Rakvin**, Iskon IT Director

## Combis Enterprise Marketplace

Based on many years of experience, Combis has developed Combis Enterprise Marketplace as the first solution of this kind in Croatia. It is intended for companies selling different items and products and companies with a big volume of daily transactions and a number of different products. The concept of this service is developed on the philosophy, principles, and technology of Internet business, i.e. the service uses all the advantages and possibilities offered by the Public Cloud solution in the Private Cloud segment. Furthermore, the service, for example, also allows for the provision of services of higher quality to customers, advanced sale and promotion possibilities, easier management of IT resources required by companies, and operating savings.





**Mario Mustapić**, Combis  
Specialist Programme Engineer

"When developing the COMBIS Enterprise Marketplace for market purposes, we were not only guided by the ambition to create a new sales and marketing tool, but also to enable customers to open new sales channels and increase sales activities. In addition to the aforementioned, the COMBIS Enterprise Marketplace also provides flexibility in terms of marketing and sales, because the application user can immediately respond to the market status using pre-defined sales models, such as time-based discounts, quantity discounts, etc. Such an automated business process ensures that the customer can process a bigger volume of sales transactions in peak times and perform tasks faster at lower transaction costs. Six improvements contained in only one tool."

### **Combis Big Data Platform – Husky**

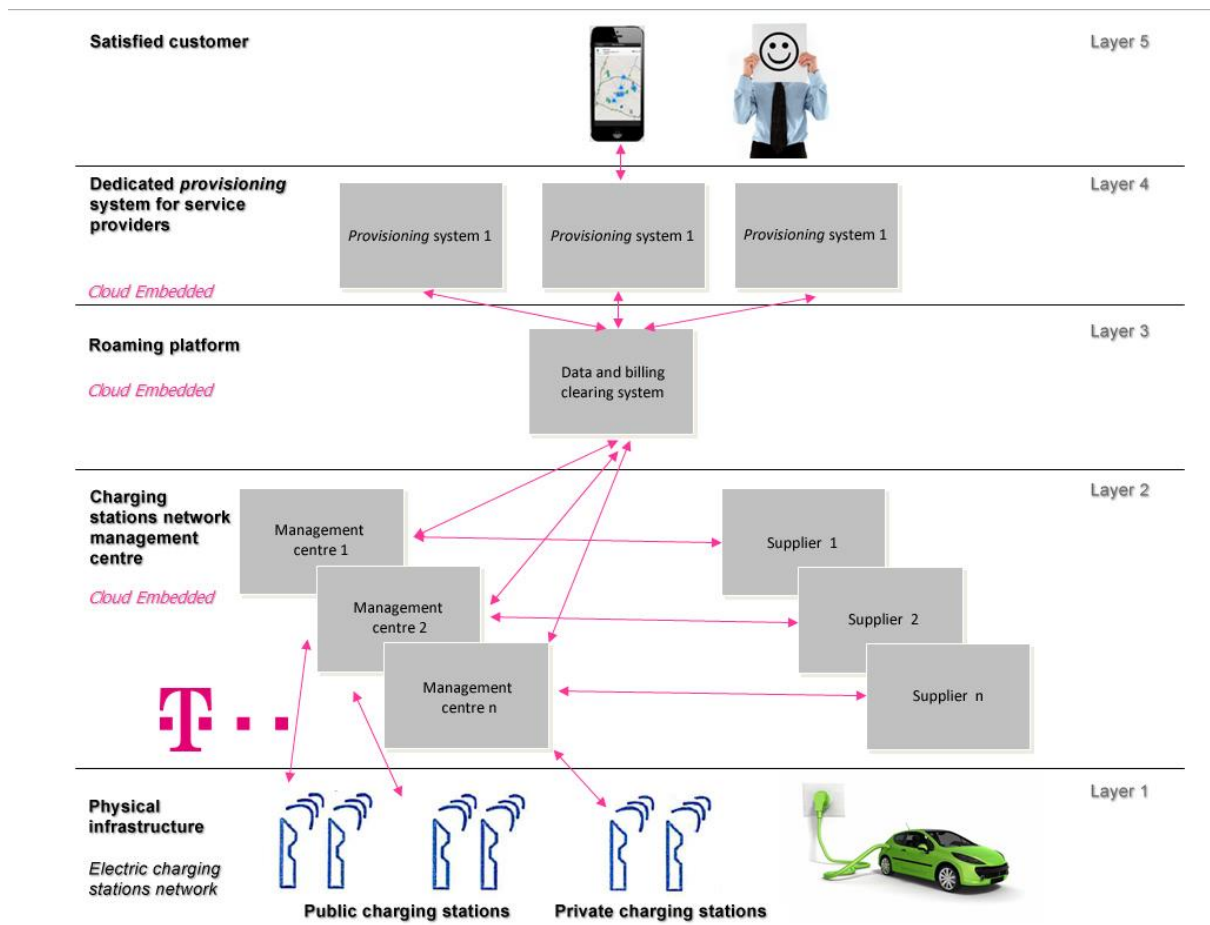
With its multi-disciplinary solutions, Combis has improved business concepts that use different technologies, placing an emphasis on Big Data analysis, including confidential data. In the business intelligence segment, the Big Data service brings the opportunity not only to reflect on, but also to create new business concepts. With relatively small investments and simple expansions, the Combis Big Data platform allows for higher flexibility in solution application.

### **Electric Vehicles**

By the end of 2020, Croatia will be obliged to install an adequate number of publicly available charging stations for electric vehicles, thus enabling their use in cities and suburbs, as well as in other densely populated areas, and, where necessary, within the networks determined by the EU Member States. This obligation is laid down in the EU Directive on the deployment of alternative fuels infrastructure from 2013. At the moment, Croatia has only fifteen such charging stations installed, meaning that the intensive work in this segment is yet to be done. The total investments in the required infrastructure are estimated to approximately EUR 100 million and potential revenues generated from the provision of advanced services to minimum EUR 50 million.



Since 2012, HT has been participating in the MOBINCITY project (Smart Mobility in Smart City), the aim of which is to develop a completely new ICT technology ecosystem. This new system should allow for an efficient use of electric vehicles by connecting them with the energy infrastructure (electric charging stations network), the traffic infrastructure, and users of electric vehicles. In the specific case of the connection with the energy infrastructure, a multilayer ICT architecture will be used to connect charging stations for electric vehicles with charging stations network management centres (advanced Cloud ICT solutions) and provisioning systems to support the provision of electric mobility services (dedicated CRM, Billing, and Customer Care) to customers. In May 2014, HT demonstrated a part of its solution providing technical support to Nikola Tesla EV Rally 2014, the first electric vehicle rally. So, just before the start of the Rally, HT connected over its LTE network the smart charging station installed in Smiljan with the management centre. This charging station is equipped with two sockets with 2 x 22 kW nominal power, enabling simultaneous charging of two typical electric vehicles in approximately 40 minutes (the example refers to an empty standard battery of 16 kWh capacity). In addition to connecting charging stations for electric vehicles, for the purpose of the rally, HT also provided for the use of the Cloud Fleet Supervision service, thus enabling the judges and spectators to follow electric vehicles in real time. The Nikola Tesla EV Rally also served as an opportunity to test whether the 4G network can be used as a replacement for other networks under certain conditions.



## HT GROUP – BIG EMPLOYER

### HT GROUP

The HT Group is a big employer with a total of 4.883 employees, 99.05 % of which are employed for an indefinite period. The biggest employer is HT with 4.325 people, 41.55 % of which are women. The ratio of men and women holding managerial positions is almost equal to the ratio of employed men and women and amounts to 60:40 in favour of men. The ratio of basic salary of male and female managers in 2014 indicates that female managers on average have 2.7 % higher salaries than their male counterparts. The average salary of male employees not holding managerial positions is 4.7 % higher than the average female employees' salary at the same positions. The reason lies in the structure and distribution of jobs within the company.

In 2014, Iskon had 197 employees, 43.65 % of which were women. In the same period, Combis employed 361 experts, 24 of whom were women. In Iskon, men in total have 9 % higher average salary than women.

### EMPLOYEE BENEFITS

All employees of the HT Group have equal benefits, regardless of whether they work full-time or part-time and of the type of work they do. HT employees are paid bonuses, Christmas bonuses, and vouchers for Easter, as well as other benefits laid down in the Collective Agreement, including severance payment when they retire. Managers are not entitled to bonuses and vouchers for Easter. In addition, all employees are covered by an accident insurance policy with an authorised insurance company for 24 hours in the case of death due to accident, permanent disability, accident, and hospitalisation coverage. On IntraNet pages, all employees can find a special offer of the companies offering their products and services at discounted prices. This offer is supplemented each year with new items. During December 2014, HT contracted special holiday offers with additional discounts only for its employees. In 2014, HT introduced a one-day paid leave for parents whose children started the first class of the primary school. In the framework of employee health care, Hrvatski Telekom provides free-of-charge medical check-ups.

Iskon's employees are entitled to medical check-ups, Christmas bonuses, Easter bonuses, gifts for workers, gifts for children, and jubilee awards for service. Furthermore, all employees can use specially contracted benefits in Iskon, including offers of banks, insurance companies, travel agencies, shops, sports facilities, etc. The following benefits are also provided: transportation allowance, allowance for the use of a private vehicle for business purposes, mobile subscription, and bonus pay-out.

In Combis, the employees are provided with the following benefits: health care, pension insurance, accident insurance, transportation allowance, allowance for the use of a private vehicle for business purposes, mobile subscription and costs approved in accordance with the job position, favourable crediting conditions provided by the company's bank partners, voluntary health insurance, one-time payment for the birth of a child, one-time payment for children's gifts, bonus pay-out to all employees if the revenue/profit plan has been realised, and one-time allowance in the case of the death of a close family member. All employees who have a company vehicle at their disposal are entitled to buy it after leasing expiry at a preferential price.

In the reporting period, Combis contracted voluntary health insurance for all its employees, including medical check-ups and other medical examinations where necessary.

## COLLECTIVE AGREEMENTS

The Management Board of HT is engaged in a continuous dialogue with social partners, trade unions, and employees' representatives in the Workers' Council. The new Collective Agreement entered into force on 1 July 2014 (valid through 31 December 2015), reflecting a high degree of workers' rights in HT. The rights from the Collective Agreement apply to all employees with the exception of managers.

The Collective Agreement provides for the payment of bonuses, Christmas bonuses, and gift vouchers for Easter to employees. Moreover, at the beginning of December, each employee receives a HRK 600 financial gift for each child up to 15 years of age (if both parents are employed with the company, each of them receives such a payment for each child). For the birth or adoption of a child, the employee is entitled to a compensation in the non-taxable amount in compliance with the Income Tax Ordinance (if both parents are employed with the company, each of them receives such a payment for each child). For the use of the second six months of the maternal leave, HT pays to employees a gross amount of HRK 1,200.00 a month. For uninterrupted sick leave exceeding 180 days, the company pays an annual gross amount of HRK 10,000.00. A gross amount of HRK 3,000 is paid to children of the workers who are single parents, children with developmental disorders, and children of the workers with four or more children, to each worker per child up to 15 years of age completed in the current year. Each employee is entitled to an additional day of the annual vacation for each child up to 15 years of age, single parents are entitled to two additional days, as well as parents of children with serious development disorders. Furthermore, parents of children with serious development disorders are entitled to a 32-day annual vacation, while the annual vacation of other employees is limited to 30 days. HT has also provided its employees with a one-day paid leave for voluntary engagement in socially responsible activities (Alpine Rescue Service etc.). HT's employees who are voluntary blood donors are entitled to two days of absence from work for each blood donation. All employees have an additional accident insurance policy.

Iskon and Combis do not have collective agreements. The elected representatives and employees are being continuously informed of important changes in business operations immediately after the adoption of decisions of the Management Board, while important decisions, which enter into force eight days following their publication in accordance with the legal regulations, are published on the company's notice board and on the Intranet. At regular meetings, the Management Board informs sector directors of changes, who then in return inform members of their respective sectors. Furthermore, particular care is taken of the common meetings which the Members of the Management Board hold with all employees on average twice a year. For a number of years, the Combis Marketing and Communications Department has been issuing once a month an internal newsletter available to all employees, which always contains all the information the employees may find important. Through monthly internal newsletters for employees, Iskon communicates the most important news published on the Intranet in the given period.

## EDUCATION, DEVELOPMENT, AND REWARDING

HT provides conditions and a working environment in which its employees can develop their knowledge and increase their personal competitiveness. After joining the company, the employees enter a job introduction programme intended for making each employee familiar with the strategy and business operations of the company, where each employee is assigned a mentor who helps the employee to develop his/her professional and business competencies. A glossary of terms and abbreviations used by our employees on a day-to-day basis has been prepared for new employees to help them cope with their work in the Company.

Strategically planned human resources prepare employees to achieve the set company goals. Technical, Sales, and Marketing Academy are just some of the programmes arising from business needs, where employees acquire new skills and learn about new trends. Based on the set criteria, employees even have the opportunity to attend postgraduate studies and MBA, or to receive education in a number of professional programmes within the DT Group. There is also a wide range of training programmes to develop business skills – communication, negotiation, presentation, and time management. Relying on the considerable professional potential of our employees, we have introduced an innovative way of conducting a number of internal education courses, such as HT Academy, Knowledge on Thursdays, Closer to the Customer, and T-Trainers. E-learning allows our employees to adopt knowledge and skills in different areas in a quick and easy way, when and where it best suits them. The world of telecommunications, services, company processes, professional skills, and financial knowledge are just some of the topics covered by e-learning.

All employees, regardless of their gender, are covered by a performance management system and a career development programme. The performance management system has been applied in HT for a number of years, and it is based on monitoring the achievement of long-term strategic, but also short-term objectives of the company by linking company objectives with the individual objectives of each employee. The performance management system aims at enabling each employee to clearly link his/her personal performance with success of the company and to receive an adequate reward for his/her contribution to the achievement of goals and for work invested. HT has several performance management models, depending on the type of work. Regardless of the model, the performance management process starts with the setting of employee's objectives, the achievement of which is monitored in the given period (month, quarter, or year). At the end of the period, the performance is evaluated and the employee is paid a bonus accordingly. Employees actively participate in each stage of the performance evaluation process through a two-way communication with their superiors, who provide feedback on the work employees have done so far and the potential for further development. In 2014, changes and adjustments were introduced in the performance management system with a view to more successfully managing new challenges, facing changes in business operations, and additionally motivating employees.

In Iskon, internal education courses are organised for permanent and temporary employees and for students. Internal trainers work with all attendants on developing sales skills and mastering the service portfolio. On an annual basis, Iskon provides for (co-)financing its employees to receive education outside the company, including certificates, soft education, skill development, and professional training, depending on job requirements. The company also financially supports formal education, such as pre-graduate and post-graduate studies and MBA programmes.

The majority of Iskon's employees have been covered by a performance management system for a number of years. The performance management system is based on monitoring the achievement of long-term strategic and short-term objectives of the company by linking company objectives with the individual objectives of each employee. The performance management process starts with the setting of employee's objectives, the achievement of which is monitored in the given period (month, quarter, or year). At the end of the period, the performance is evaluated and the employee is paid a bonus accordingly. Employees actively participate in each stage of the performance evaluation process through a two-way communication with their superiors, who provide feedback on the work employees have done so far and the potential for further development. The percentage of employees whose performance and individual development are evaluated on a regular basis is 61 % in total for both genders, which are equally represented.

Combis's employees participate in a considerable number of technical education courses, seminars, training courses, and conferences, in compliance with business requirements and market demands. The Company financially supports formal education, such as pre-graduate and post-graduate studies and MBA programmes. In 2014, a request for financial support for a professional pre-graduate study was approved. A smaller number of education courses is intended for developing certain soft skills; such courses are arranged for a certain group of employees (members of the Management Board, directors, and heads).

For many years, Combis has already been applying a developed rewarding system based on employees' performance, i.e. a regular evaluation of performance and individual development has been an integral part of developing high-quality relations with employees and maintaining their satisfaction. In the reporting period, each employee underwent the evaluation process at least once, including monitoring of employee's progress, his/her competences, interests, wishes, and ambitions. Based on the results of such an evaluation, the company actively participates in career development of its employees, directing them towards improvements in certain areas. The evaluation of employees is a two-way process, including a special education-related used by the superior to plan, together with the employee and in accordance with employee's ambitions, skills, and job requirements, the education required for the following period. The evaluation, which is conducted twice a year, results in formal evaluations given to employees based on their performance and personal development in the reporting period. The improvement area depends on an individual employee's job position.

In the reporting period, the employees of the member companies of the HT Group did not take part in formal education on policies and procedures concerning human rights. However, the employees of HT, Combis, and Iskon were informed of the Code of Conduct by means of internal newsletters.

## SAFETY AT WORK

HT has organised the work of four Safety at Work Committees and the Central Safety at Work Committee. The Committees meet on a quarterly basis to systematically consider the improvement of safety and health protection of employees and persons at work, prevention of injuries at work, and prevention of occupational and other work-related diseases. The Committees operate in the following areas: North and Zagreb headquarters, West – Rijeka, South – Split, and East – Osijek, while the Central Committee

operates in Zagreb. The percentage of the total labour force covered by the formal common health and safety committees, which consist of Management Board's and workers' representatives, is between 50 % and 75 %.

The Collective Agreement regulates the area of safety at work, in particular the employer's obligations concerning the application of safety at work regulations and improvements, as well as the tasks of the work safety representatives. For the purpose of safety at work, employees who are during their work exposed to certain types of dangers and harmful influences are provided with personal protective equipment if risks cannot be eliminated by other protective measures. HT organises the training of employees for safe work in the following cases: before the employee commences employment, if there are changes in work processes, and when changing job or place or work. The practical competence for work is evaluated at the place of work. The training of employees for safe work is conducted through e-learning, while the practical part of the training is organised at the place of work.

There are no organised trade unions in Iskon, i.e. there are no health and safety issues covered by formal agreements with trade unions. Nevertheless, in 2014, Iskon earmarked funds for free-of-charge medical check-ups for all employees. In addition, a 50 % discount on additional medical examinations for employees and their close family members was provided. Apart from that, a Safety at Work Committee consisting of six employees from all management level operates in Iskon.

Under the law, all employees of Combis and Iskon are obliged to take part in the training on safety at work and the training on fire protection. Moreover, all employees who work more than four hours at the computer are trained for "Work with Computers" in compliance with the Training Plan and Programme of the company, after which they have their eyes examined by an occupational medicine doctor. Employees working in warehouses must be trained in "Material Handling". Employees working with fork-lifts must be trained adequately, and every two years they must undergo a medical examination by an occupational medicine doctor. In Combis, all employees must take part in training and undergo a medical examination by an occupational medicine doctor every second year if they are put in the category of the "Regulations on Work under Special Working Conditions". In accordance with the definition of work given in the Regulations, employees have been equipped with protective accessories and equipment. The company has established a Safety at Work Committee, which consists of the Safety Research and Development Service, a doctor specialised in occupational and sports medicine, and a representative of the employer.

## ENVIRONMENT AS A VALUABLE RESOURCE

In its day-to-day work, HT protects environment in various ways, from continuously taking care of waste and its proper disposal, participating in eco-actions and eco-events, to promoting and using alternative energy sources. Old mobile phones are disposed of not only on account of demonstrating our awareness of the importance of environmental protection, but as a response to customers' demands. T-Mobile Hrvatska was the first company in Croatia that started organised collection and disposal of old mobile devices, long before such obligations were provided for by law. The first such action was organised back in 2005, and so far, more than 127.000 old mobile phones have been disposed of in an environmentally friendly way. Moreover, HT has been continuously taking care of the proper sorting and collection of all types of waste, including paper, for the purpose of its further processing and reuse. In doing so, we



preserve forests, reduce water and air pollution, and save the expensive landfill space. For each tonne of collected paper, 20 tree saplings are saved. HT has actively participated in and sponsored a multitude of eco-events and eco-projects, such as the “Reforestation of Burnt Land” project, the “Earth Hour” initiative, the “Retention of Endangered Species’ Habitats” project, the “Solar Sunflowers” project, etc. HT’s fleet has 177 gas-powered vehicles, a good example of responsible and cost-effective business operations. Fleet renewal and the procurement of new company gas-powered vehicles are an important step forward towards improving the quality and efficiency of the fleet and reducing harmful environmental impacts.

## ENVIRONMENTAL, HEALTH AND SAFETY AT WORK POLICY

HT accepts social responsibility for protecting its employees and the environment, and our thoughts and actions are geared towards a sustainable business model in the interest of future generations.

- We attach a high priority to environmental protection, health, and safety at work. The Management Board is directly responsible for the establishment and implementation of the Company's Environmental, Health and Safety at work Policy. We employ modern management systems to ensure efficiency in the implementation of our Environmental, Health and Safety at work Policy.
- Environment, health, and safety at work are indispensable components of our corporate success, and they constitute an important factor in our economic efficiency, in the quality of our work, in our corporate culture, and in the satisfaction of our employees.
- We take a proactive approach to environmental, health and safety at work issues. We deem the legal provisions to be minimum requirements we strive to exceed or improve wherever we can.
- We are constantly working on the improvement of environmental protection, health, and safety at work in our entire company.
- We strive to find solutions for our products and services that are energy efficient, save natural resources, and do not impair the health of our employees as well as users of our services.
- We actively involve our employees in our environmental protection, health, and safety at work measures. They, and our contractors and suppliers, are obliged to comply with respective regulations and to ensure they are implemented.
- We inform the general public and interested parties of our engagement in environmental protection, health, and safety at work, and so promote a constructive dialogue.

## OPTIMISING ENERGY CONSUMPTION

In compliance with the ISO 14001 and OHSAS 18001 standards, HT has introduced an Integrated Environmental, Health, and Safety at Work Management System. Energy consumption and greenhouse gas emissions have been recognised as important aspects of the HT's environmental impact. With a view to efficiently managing these impacts, we have established an Energy Management procedure, while the introduction of general and individual objectives and related measures and programmes has provided for constant improvements in the part relating to energy consumption and energy efficiency. In 2007, the Management Board of HT adopted an Energy Policy gearing HT's activities towards the energy management and energy efficiency segment.

In addition to the Energy Management procedure, energy management in specific business processes in HT where energy is used in any form whatsoever, i.e. where the "Energy Consumption" environmental aspect is rated as very important, is described in the procedures of the Environmental Management System that refer to these processes, in particular:

- Environmental practice in offices;
- Property maintenance;
- Handling ozone-depleting substances;
- Planning, preparing, and building of networks;
- Managing customer terminal equipment;
- Environmental practice in the use of company vehicles;
- Relations with suppliers and external contractors;
- Maintaining the energy engineering infrastructure of technology facilities and premises.

Mid-2011, HT launched an energy efficiency project covering all energy efficiency-related activities and providing for better consumption results through the synergy of various activities. The project priorities are to analyse the current activities and improvement possibilities, to analyse the planned, but still not implemented initiatives, improvement possibilities, and the expansion of initiatives as a result of their examination in a wider context, and to provide for communications channels to take into consideration various proposals related to this field.

A number of potential energy efficiency improvement measures were analysed, and all measures within the energy efficiency project were harmonised with the set objectives of the Integrated Environmental, Health, and Safety at Work Management System. In 2014, eight measures in total were implemented, resulting in a total 19,080 GJ decrease in energy consumption. The most important measures referred to the optimisation of the traditional telephone network (Public Switched Telephone Network – PSTN) and the modernisation of cooling systems, while the PSTN migration project made the biggest contribution to reducing electricity consumption.

The traditional telephone network is based on voice channel switching technology, requiring separate systems for fast data/Internet traffic transmission. By migrating from PSTN to IP (Internet Protocol) new

generation networks, voice and data are transmitted by the same systems, allowing for the replacement of old, big exchanges with smaller cabinets that use less electricity and take less space.

<b>DIRECT ENERGY CONSUMPTION IN 2014</b>	<b>HRVATSKI TELEKOM</b>	<b>COMBIS</b>
<b>Total direct energy consumption (GJ)</b>	<b>-11.2 %</b>	<b>-13.7 %</b>
■ Natural gas	-13.2 %	-13.7 %
■ Fuel for the fleet	-7.5 %	-26.37 %
■ Other fuels	-20.8 %	-

<b>INDIRECT ENERGY CONSUMPTION IN 2014</b>	<b>HRVATSKI TELEKOM</b>	<b>COMBIS</b>
<b>Total indirect energy consumption (GJ)</b>	<b>-12.2 %</b>	<b>+28.88 %</b>
■ Purchased electricity	-9.8 %	+32.54 %
■ Thermal energy from heating plants	-47.8 %	+4.6 %

One of the initiatives for reducing energy consumption is to efficiently manage the fleet, which in 2014 comprised 177 gas-powered vehicles. In addition to using gas fuel, a lower number of vehicles and the application of Telargo, an IT fleet management system, have contributed to a reduction in total fuel consumption. Apart from that, employees of HT can make an additional contribution to environmental protection complying with the instructions for eco-driving of the European Commission.

Hrvatski Telekom also participates in the ENHEMS-Building project – Enhancement of Research, Development and Technology Transfer Capacities in Energy Management Systems for Buildings (<http://www.enhems-buildings.fer.hr>). The project, co-financed by the European Union through the European Regional Development Fund, is implemented by the Faculty of Electrical Engineering and Computing (FER) in collaboration with the Meteorological and Hydrological Service (DHMZ) and the companies Elma Kurtalj d.o.o. (ELMA) and Hrvatski Telekom d.d. (HT)

The project demonstrates how savings in energy consumption can be achieved if the heating/cooling of a building is managed at a building zone level using (i) a building thermal model which is continuously monitored and identified during the operations; (ii) estimations and predictions of thermal distortions in the zone; and (iii) the weather forecast for the location of the building, particularly solar irradiation. The building of the Faculty of Electrical Engineering and Computing is used for demonstration purposes. A highly automated procedure has been developed to synthesise such a system in the observed building, which is offered as a Cloud computing service and non-invasively added to the existing automation system in the building by using open communications systems. The focus of further development aimed at upgrading the service is on the hierarchical connection of consumption management in the zone with the optimisation of the central heating/cooling system and the optimisation of energy flows in the

building's micro-network with a view to achieving an economically optimal functioning of the building connected to an advanced energy grid.

Combis encourages its employees to carpool, i.e. share their vehicles when travelling to and from work, and thus make savings on transportation costs and at the same time contribute to reducing harmful gas emissions. In addition to that, the Decision on the use of company vehicles clearly indicates the obligations of vehicle users with regard to car servicing and their optimal maintenance, which indirectly also affects environmental protection and reduction of harmful emissions from vehicles.

### ISKON AND COMBIS LIKE BICYCLES

In the reporting period, Combis used its internal Combis Newsletter to encourage its employees to use bicycles as a means of transport. This initiative provided for bicycle stands in front of the company building.

In 2014, two company bicycles, which the employees can use during working hours or at weekends, were added to the Iskon's fleet. Thus, Iskon became one of the first Croatian companies, the employees of which can use company bicycles. The bicycle parking stand is located in the garage and additionally protected by security cameras.

HT has considerably reduced its indirect energy consumption, while the Combis's indirect energy consumption has increased due to an increase in the number of employees as a result of the company's growth. As Iskon started measuring its direct and indirect energy consumption only in this reporting period, there is no indication of the consumption trend.

In the reporting period, Combis did not record data on energy savings as it operated at several locations, i.e. the company premises were divided in terms of organisation and ownership. However, Combis uses the most favourable energy products for heating and cooling – gas, and the heating is automatically switched off after 5 p.m. and at weekends in the company's headquarters. The employees take care of unnecessary energy consumption and potential savings at workplace.

The products and services of the member companies of the HT Group often contribute to reducing electricity consumption. Business and residential customers can save energy and resources by using services such as audio and video conferences, Net Phone, and Office Fax, and by enabling broadband Internet access.

Cloud solutions reduce the necessary physical infrastructure in companies and their energy needs. Products and services based on Cloud solutions allow customers to use highly efficient IT infrastructure sharing, resulting in reduced energy consumption and CO<sub>2</sub> emissions, without any concessions on high safety level.

## PROPER WASTE DISPOSAL

As part of the Integrated Environmental, Health, and Safety at Work Management System, a waste management procedure has been established with a view to reducing waste generation and to disposing of waste in a proper way.

With the establishment of our Green Office, we have introduced guidelines for day-to-day office operations, resulting in an increase in the efficient use of resources and, at the same time, in positive impacts on our business operations. The digitalisation of internal processes and the transfer to e-business contribute to the reduction of paper use in office operations. The transformation of business operations, through their automation, digitalisation and simplification, resulted in a decline in paper consumption in HT in the previous years, where in 2014, paper consumption increased by only 3 % compared to 2013.

The Sales Department has been continuously working to improve the paperclip functionality and process. In 2014, we stopped printing request forms for additional services and existing customers' requests, and we introduced the sending of customer documentation by e-mail instead of by fax. E-bill is being proactively offered to customers as the primary medium for invoice sending, thus contributing to an increase in the number of customers using electronic invoices.

Furthermore, we are also working to introduce the full paperclip functionality in all T-Centres. This functionality will print out only one copy of the customer's request, while HT will keep only a digitally signed copy. We estimate that the transitional solution will reduce the quantity of printed paper at the points of sale by 40 %. The full use of the biometric signature is expected by the end of 2015.

Moreover, we stopped issuing printed telephone directories.

PAPER CONSUMPTION (KG)	HRVATSKI TELEKOM	COMBIS
2013	108,000	4,088
2014	112,037	3,425

Iskon started monitoring its paper consumption in 2014 and recorded 63,000 kg of consumed paper.

## REDUCING WASTE QUANTITIES

Waste prevention by encouraging the reuse of unnecessary tangible assets, reducing wastage to a minimum, separate collection of waste containing useful ingredients to enable its recycling and proper disposal are the backbone of the activities in the field of waste management in HT.

For the purpose of reuse of unnecessary tangible assets, we use a prescribed procedure to sell it to interested external customers and to our employees. In doing so, we considerably reduce the amount of waste produced, we expand the lifespan of sold assets, and we make savings on raw materials required in the production of new equipment and devices. In 2014, we shut down and dismantled 35 obsolete telephone exchanges and allowed our employees to buy off the unnecessary small inventory assigned to them.

All waste generated in business processes is sorted according to the place of its origin, collected in separate containers, and delivered for further disposal to authorised companies and concessionaires.

TOTAL WEIGHT OF WASTE IN 2014	HRVATSKITELEKO M	COMBIS
<b>Total weight of waste</b>	-11 %	7.94 %
■ Hazardous waste	-33 %	-18.78 %
■ Non-hazardous waste	-4 %	50.34 %

The total weight of waste is determined by weighing. In 2014, a total of 921 tonnes of various types of waste was collected and disposed, which was 11% less compared to 2013. The amount of hazardous waste is declining as well, coming from the sale of equipment of dismantled exchanges that was previously disposed of as electronic waste, and as such was classified as hazardous waste. The amount of non-hazardous waste recorded a slight 4% decrease compared to 2013, as a result of copper cables having been excluded from use and disposed of as useful waste.

### COLLECTION OF OLD MOBILE DEVICES

Also in 2014, we continued offering our “Replace and Save” service, allowing customers to bring their old mobile device to a T-Centre and get a discount on products included in our offer, where our online offer included the possibility to purchase used, properly working mobile devices. In total, we disposed of 2,117 waste mobile devices in 2014, while in the period from 2005, when the first eco-actions were taken, to the end of 2014, more than 127,000 old mobile devices were collected and disposed in an environmentally friendly way.

We have joined, as a partner company, the Litter Less Campaign of the Jure Kaštelan Primary School, the aim of which is to inform pupils of the importance of proper disposal of old mobile phones and corresponding accessories for the purpose of their recycling and environmental protection.

In collaboration with Lexmark as a partner, Combis collected and delivered 3.814 toners for recycling within the project for collecting empty printer toners in 2014. Moreover, Combis provides its customers with the opportunity to replace their devices following the trade-in principle, where we take old equipment and deliver it for disposal. Iskon has collected, repaired, and restored approximately 30.000 old modems.

In the product and service development process, we pay special attention to packaging. We use fully recyclable packaging materials, paper bags, and linen bags, and our pre-paid vouchers are made of fully recyclable materials. For terminal equipment, we also use standardised boxes made of recyclable materials.

## LESSER IMPACT ON THE ENVIRONMENT AND BIODIVERSITY

The facilities of Hrvatski Telekom in the locations and plots of land owned, leased, or managed in the protected areas or in their immediate vicinity and in the areas of high value in terms of biodiversity outside the protected areas have little or negligible impact on biodiversity. In order to reduce the impact of our business operations on biodiversity to a minimum, we have introduced a procedure in the Integrated Environmental, Health, and Safety at Work Management System minimising our impact and visual impact on the environment. Accordingly, when setting up mobile base stations in the protected natural areas, we work closely with the Ministry of Environmental and Nature Protection, the Ministry of Construction and Physical Planning, the Ministry of Culture, the local community, administrations of the protected areas, mobile operators, and other relevant stakeholders, where necessary.



**Ružica Gajić**, Head of the Integrated Planning and Project Management Section

“Electromagnetic radiation measurements on more than 1,000 base stations of HT mobile network that we conducted in 2014, in the territory of the whole Croatia, were not only an enormous, but also a very important task for the Company, because on the basis of the received results, we obtained the approval for their use from the Ministry of Health. We have been conducting these measurements for many years now, and all the results obtained so far have shown that the measured values are considerably below the limit levels. As the Ordinance provides for considerably stricter limits in relation to the recommendation of the European Union, it is clear that our base stations represent no health hazard for the Croatian citizens. This is an important message that also we as employees need to disseminate on a daily basis in order to remove misconceptions, which are damaging not only to telecom operators, but also to our customers.”

In addition, together with other mobile operators gathered to form the Mobile Communication Association of Croatia (UPKH), we have started the initiative to minimise the number of interventions in the space while building mobile base stations. The Ministry of Environmental and Nature Protection and the Ministry of Construction and Physical Planning have also supported this initiative, and, as a result, mobile operators nowadays build joint locations. Such activities minimise the mobile networks' impact on the landscape, particularly in the protected natural areas.

Nevertheless, in the protection of biodiversity, an important role is given to continuous climate protection activities, such as use of energy-efficient equipment and devices, offering services that help reduce the impact on the environment at the customer's side, supporting environmental activities, such as reforestation of burnt land and retention of endangered species' habitats.

Indirectly, HT also exercises an influence resulting in a decreased impact of product transportation on the environment. Member companies of the HT Group use logistical transportation services, taking into account that all legal regulations are observed in the selection of transport operators, including certain standards or restrictions with regard to environmental protection, and paying special attention to the optimisation of logistical routes for the transportation of dimensioned products.

## REDUCING THE CARBON FOOTPRINT

The development of new services, increased network capacities, and other global trends in the ICT sector imminently lead to a continuous increase in energy consumption, particularly electricity. However, by implementing the energy efficiency project, HT has managed to put a break on the increase in electricity consumption, resulting in a decrease in energy consumption compared to 2013. Furthermore, the relocation of the company's headquarters to a new, more energy efficient building has considerably decreased the consumption of thermal energy used for heating and generated in heating plants, resulting in a decrease in corresponding greenhouse gas emissions. In addition, a number of HT's initiatives related to direct emissions (such as the concentration of employees in a smaller number of facilities and overhead expenses in unmanned locations) has resulted in lower energy consumption and, consequently, in lower emissions. As part of the Integrated Environmental, Health, and Safety at Work Management System, we have established an Environmentally Friendly Practice in the Use of Company Vehicles. Total direct and indirect greenhouse gas emissions by weight have been calculated in accordance with the GHG Protocol.

<b>TOTAL DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS BY WEIGHT (IN TONNES OF CO<sub>2</sub>)</b>	<b>2014</b>
<b>Total greenhouse gas emissions</b>	-12.1 %
■ Total direct emissions of CO <sub>2</sub>	-11.5 %
■ Natural gas	-13.2 %
■ Fuel for the fleet	-7.6 %
■ Fuel oil	-20.8 %
■ Total indirect emissions of CO <sub>2</sub>	-12.2 %

Of other indirect emissions, those resulting from business trips by public transport are considered the most significant ones (travels by company vehicles from own fleet are included in direct greenhouse gas emissions). Exact data on types of means of transport and mileage are not monitored and therefore are unavailable. However, the total number of business trips, where planes/trains/rented cars and taxis are the most commonly used means of transport, still had a decreasing trend in the reporting period compared to previous years. Compared to 2013, the number of business trips was reduced by 8 % in 2014.



An upward trend in the use of audio and video conferencing as a replacement for physical meetings is an increasing trend in HT, resulting in a further reduction of the need for business trips, particularly 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 a considerable reduction in the number of trips in order to hold physical meetings, and thus in emissions caused by such trips.

Iskon and Combis did not collect data on direct and indirect emissions in the reporting period.

## GREENHOUSE GAS REDUCTION INITIATIVES

As part of the Integrated Environmental, Health, and Safety at Work Management System, several procedures have been established to monitor greenhouse gas emissions as well. The Handling Ozone-Depleting Substances procedure establishes the monitoring and management of activities pertaining to the maintenance of various equipment that contains substances that could potentially affect the atmosphere. Operational objectives have been defined based on this procedure: replacement of air-conditioning devices that use HCFC (R-22), more efficient use of thermal technical systems, and replacement of heating systems in office buildings. Encouraging the use of gas as fuel in cars running on alternative gas/petrol is an operational objective arising from the Environmentally Friendly Practice in the Use of Company Vehicles.

Compared to 2013, total emissions in 2014 decreased by 6,784 tonnes, as a result of the implementation of positive energy initiatives and measures, such as the mentioned use of environmentally friendly fuels, rationalisation and grouping of resolving errors in the field, space optimisation, relocation of the company's headquarters and a bigger number of employees to a new, in terms of energy considerably more efficient building, and regular maintenance of boiler rooms.

Air emissions from boiler rooms are regularly monitored, on which HT regularly prepares reports in compliance with the Croatian regulations. The weight of air emissions is either directly determined from measurements or indirectly calculated from fuel consumption. As a result of a decreasing energy consumption trend, the NO<sub>2</sub> and SO<sub>2</sub> emissions were lower in the period under consideration. Boiler rooms are equipped with automated regulation of consumption parameters contributing to a more efficient use of resources and lower emissions in the environment. Regular maintenance of boiler rooms is the basis for reducing emissions in the environment.

## RESPONSIBLE WATER CONSUMPTION

The member companies of the HT Group use water from the water supply network, for drinking, sanitary purposes, air conditioning systems, and firefighting systems. The Integrated Environmental, Health, and Safety at Work Management System recognises water consumption as an environmental aspect, and therefore it is described in detail in the Environmentally Friendly Practice in Office Operations.

As a result of relocating a big number of employees of Hrvatski Telekom to a considerably more efficient building in terms of energy, we have reduced water consumption by 17 %, while water consumption in Combis has increased by 74.8 %.

Due to the nature of their activities, the member companies of the HT Group do not discharge waste water associated with power plants. Domestic water is discharged only in sewage outfalls. It is important to note that none of the HT's business processes represents a risk of pollution of watercourses. Where there is a risk of oil spills into the sewer, we apply appropriate technical means – so called oil separators and grease filters – thus providing for the separation of oils from liquids.

## RESPONSIBILITY FOR THE SOCIETY

### RESPONSIBLE SUPPLY CHAIN MANAGEMENT

In 2014, HT introduced a Business Sustainability Questionnaire for suppliers touching also on the respect of ethical principles in business operations. The Questionnaire does not include separate questions related to the protection of human rights, child labour, and workers' rights of association, since we consider them already covered by the Labour Act, and all our suppliers must guarantee that they operate in compliance with the valid legal regulations applicable in the market in which we together operate. The process concerned is described in the Procurement Regulations of HT as well.

The Questionnaire is, together with the Bid Instruction, sent to all bidders participating in HT's procurement procedures, regardless of whether they are domestic or foreign companies. The Questionnaire must be filled in. Failure to fill in the Questionnaire is an elimination criterion, resulting in the bidder's elimination from further procurement procedure. If the bidder fails to return a filled in Questionnaire, is asked for a reason, and if the reason given is considered justified (disagreement or precaution of the bidder's legal service), by way of derogation, the continuation of the procurement procedure is allowed in such exceptional cases in collaboration with the compliance organisational unit. In 2014, approximately 200 suppliers received and filled in the Questionnaire.

Important Iskon's suppliers also sign a statement containing paragraphs on human rights, i.e. whether they apply the UN Universal Declaration of Human Rights. During 2014, twenty suppliers signed this statement. In the same period, Combis's important suppliers were not subjected to a screening with regard to human rights, and they did not sign contracts containing human rights-related clauses.

If external security companies are hired, the HT Group contracts services with the companies operating in accordance with the positive legal regulations and complying with the conditions for the performance of their business activities. In the procurement procedure, these companies are requested to provide documentation on qualifications and further continuous education of the employees of the security company concerned.

### RESPECT OF HUMAN RIGHTS

In 2014, the member companies of the HT Group did not record any cases of discrimination or any complaints or procedures that were the subject-matter of human rights-related opinions or assessments.

## ACTIVE SUPPORT TO THE COMMUNITY WE OPERATE IN

### “Together We Are Stronger” project supports local community development



2014 was the ninth consecutive year of the HT's already traditional annual "Together We Are Stronger" donation competition, focusing on local community development. Competition categories, fully aligned with the company's CSR strategy, were Technology and Communication, Education and Digitalisation, and Environment and Progress. A record number of applications to the competition was received, i.e. 456, a huge increase compared to the last year's 295.

Nine donations were granted for socially valuable projects selected in three voting rounds. The HT Expert Jury selected 36 projects in the first round, and afterwards the employees of the HT Group voted for the best 18. In the final voting round, all Internet users could give their vote and thus support the best projects on the official competition website [www.zajednosmojaci.hr](http://www.zajednosmojaci.hr).

The total donation competition fund amounted to HRK 495.000, where in each category the amounts of HRK 75.000, HRK 55.000, and HRK 35.000 were granted to the first three projects.



**Ariana Bazala Mišetić,**  
Director of the CEO Office Sector

“In order to have a true sense of purpose, socially responsible business operations must deliver tangible benefits for the life of our co-citizens. The “Together We Are Stronger” donation competition is important for the very reason that it contributes to that part of the Croatian society which, without question, is socially important, but insufficiently commercially attractive. A huge response of non-governmental organisations to our competitions and a huge number of citizens voting online and participating in the selection of projects are the best proof that this donation project has a wider social sense. The total donation fund of HRK 495,000 may not seem much for a big company such as HT, but for non-governmental organisations and projects, for the needy ones, both big and small, that we have helped, I believe it to be a huge contribution.”

INSTITUTION	PROJECT DESCRIPTION
<b>Mače Primary School</b>	Inclusion of the Mače Primary School (Krapina-Zagorje County) in the e-Gradebook and e-Schools project, construction of the school's wireless network, and procurement of computer equipment.
<b>Debra, Association of Persons Suffering from Epidermolysis Bullosa</b>	Procurement of tablets for the members of the association ("butterfly children"), provision of Internet access, and creation of a website where all members can create and post contents on their own.
<b>Saint Raphael Special Hospital for Psychiatry and Palliative Care, Strmac</b>	Purchase of laptops and printers, software procurement, staff education, and application of novelties in practice. Redesign of the existing website and its upgrade with a new module palliative care.
<b>"Jak kao Jakov" Association ("Strong as Jakov")</b>	Creation of five picture books under the common title "Budi jak kao Jakov" ("Be as Strong as Jakov"). Picture books are educational, motivating, fun, intended for little oncology patients, their parents, and other children.
<b>Mirjana Pečur Vuković Mathematical Association</b>	Lectures and workshops for talented pupils, development of educational digital materials to popularise mathematics, and organisation of mathematics and computer science winter school.
<b>FB Humanitarians Zagreb Humanitarian Association</b>	Distribution of foodstuff, toiletries, and holiday gifts to at least 36 families in the City of Zagreb, including theatre and cinema tickets for the children from these families.
<b>"Vodomar" Diving Club Duga Resa</b>	Procurement of a sheet metal boat and engine for the detection and search of the Mrežnica River in order to remove waste and mark mines and explosives. An international eco-action on the Mrežnica River with the same purpose, an exhibition, a media campaign, and an eco-quiz in primary schools.
<b>Čička Poljana Volunteer Fire Department</b>	Park landscaping, renovation of the children's playground and the Fire Station, procurement of a fire van and intervention equipment, and education of the population, particularly children and youth.
<b>City of Omiš</b>	Equipping of the meteorological station of the Josip Pupačić Primary School and procurement of an intelligent ultrasound IP mini meteorological station.

During the year, HT regularly supports various initiatives aimed at community welfare. Accordingly, it supported, among other things, the Libraries of the City of Zagreb by donating books, video materials, and music materials, a part of which was distributed to users during the Book Night in April 2014.

## **We Invest in Knowledge Society**

### ***Scholarships***

As a leading telecommunications company, we are proud to award scholarships and thus participate in the development of young professionals and help them achieve even more. In 2014, among the top candidates of the Faculty of Electrical Engineering and Computing, we selected our scholarship students, who we would include in the life of the company already during their studies. Each scholarship student was also assigned a mentor, who would help him/her with his/her diploma thesis.

The company supports another scholarship model named "Korak u život" ("Step into Life") organised by the Zagreb Kaptol Rotary Club. In 2014, for the fourth consecutive year, HT awarded scholarships to four students without proper parental care to financially support their further education.

### ***Collaboration with the Academic Community***

As a leading provider of telecommunications services, HT is proud to implement the latest technologies. HT has close ties with the academic community, in particular the Faculty of Electrical Engineering and Computing (FER). Following its commitment to responsible business operations, our company promotes knowledge transfer and places common project work and scientific, research, and development activities into the focus of this long-standing collaboration.

Our experts are frequent guest lecturers at faculties, using that opportunity to share their expert knowledge with students. An additional motivation for this collaboration are also intellectual curiosity and enthusiasm which young people bring to our business environment.

Students' organisations we collaborate with encourage us, in being professional and full of energy in their approach, to include them in various ways in the life of the company. We find the creative solutions developed by students in the resolving of business cases we give them an inexhaustible source of inspiration.

We try to include students in our practical programmes and assign them mentors who will advise, lead, and help them to enter the world of business. In addition, our employment experts hold workshops advising students on how to prepare for a job interview.

### **Help to Flood-Affected Areas**

During the catastrophic spring floods in Slavonia, HT took an active part in providing help to the affected areas. Invoices of the population from the most affected areas were written off, and the company made a direct donation of supplies, as well as telecommunications services and devices to the affected population. Moreover, our employees also joined the action by donating supplies and volunteering in the field. In total, 135 employees participated and 8.800 hours we spent in donating foodstuffs and toiletries, transporting them to the affected areas, and volunteering in the field.

Very soon after this natural disaster hit Slavonia, Iskon Internet provided help to flooded areas. Apart from the funds donated by the company, in its premises Iskon Internet organised food and necessities collection for employees, who showed a great desire and initiative to take part in the action. Iskon

cancelled invoices of the residents of the flood-affected areas and allowed them to freeze their services until their flooded homes were completely restored and they were able to move back.

### **Donations to Children, Youth, and Religious Communities**

The amount earmarked for the shooting of Iskon's holiday greetings were redirected to the purchase of gifts for the wards of the Kaštel Lukšić Orphanage. In collaboration with the employees of the Orphanage, individual Christmas wishes were collected from all wards and realised. Iskon's employees also participated in the purchase of additional, smaller gifts, their packing, and writing of personalised greetings for each child in the Orphanage.

Combis made a donation to the Foundation for the Global Compact to support as strongly as possible the United Nations Global Compact. Moreover, Combis provided the pupils of the V Grammar School in Zagreb with an opportunity to participate in the American Computer Science League, an international computer science competition. Two teams of young, talented, and excellent computer scientists were invited to this prestigious computer science competition. The Intermediate and the Senior Division teams, consisting of first, second, and third-class pupils of the V Grammar School, qualified for the finals.

A donation was also made to the Archdiocese of Bosnia, Sarajevo.

## **FIGHT AGAINST CORRUPTION**

In Hrvatski Telekom, the annual compliance risk assessment process included an assessment of the whole organisation. The process covered the assessment of risks associated with active and passive corruption, including workshops with the members of the Management Board and heads on assessing the control environment efficiency and determining the residual risk, as well as measures to cover the residual risk. In addition, 34 employees and two heads participated in the education on compliance rules and prevention of corruption.

All employees who would like to learn more on how to prevent corruption and other conflicts of interests can find on the company's internal websites a comprehensive education course implemented for all employees in 2013, which is permanently available on internal websites. The education course is based on an interactive and multimedia approach to raising the awareness of and educating employees, and apart from topics concerning the recognition and prevention of corruption and conflict of interests, it also covers risk areas such as handling of gifts and benefits, relation to the members of the public sector, and controls when working with external consultants and representatives. The education concept is designed as a discussion on cases, where attendants of the education course are faced with real-life dilemmas and situations from the business environment. The education course includes also a clear message of the Management Board of the Group of a need to fight corruption at all levels (Tone from the Top).

If they have any questions on how to prevent being exposed to the corruption risk, employees can ask experts on the "Ask Me" consultation portal. In 2014, there were 13 requests for advice on this topic and 63 integrity checks of future and existing partners of HT, covering also corruption risks.

Combis assesses the corruption risk across the company, covering Croatia, Bosnia and Herzegovina, and the Republic of Serbia. The assessment is conducted at certain time intervals, most frequently every

second year, due to the procedure itself and the DTAG's risk significance assessment being very demanding. In 2014, Combis did not conduct a risk assessment as the previous one was made in 2013.

In the reporting period, none of the subsidiaries of the HT Group recorded any corruption cases. There are no records of any legal proceedings instituted as a result of a conduct contrary to the principles of free competition or of monopolistic practices.

## PUBLIC POLICIES AND CONTRIBUTIONS TO POLITICAL PARTIES

All activities undertaken by the member companies of the HT Group are always aligned with the basic principles provided for in the corporate Code of Conduct, in particular the principle "Respect and integrity guide our behaviour". In order to regulate its relations to political parties, HT adopted the Policy on Prevention of Corruption and Other Conflicts of Interest, prohibiting contributions to political parties. Apart from political parties, the HT Group neither donates nor sponsors working groups, youth organisations, and associations of political parties. The only exceptions are independent institutions, such as independent political foundations not related to any particular party.

Cash payments and donations in kind to Members of Parliament and holders of public offices are not allowed, except if donations in kind are expressly allowed by a code of conduct applied to the person seeking donation.

## SUSTAINABILITY REPORTING IN THE HT GROUP

This is the first sustainability report comprising, in addition to HT, two related companies of the HT Group – Iskon and Combis. It refers to 2014 and is prepared on the basis of the Global Reporting Initiative (GRI G3.1) 3.1 Guideline, at a B application level. A Progress Report, prepared on the basis of the UN Global Compact initiative principles, makes an integral part of this report. The report is divided in several thematic groups, areas relevant to HT, Iskon, and Combis, and estimates of different groups with regard to what extent the presented information reflect material impacts on the economy, the environment, and the society. The presentation of each of these areas includes governance approach, practices, and results achieved in the reporting period. HT issued its last report for the period 2012/2013, and Combis for the year 2013.

### Contact person for inquiries regarding the report:

Lada Aškić  
Corporate Communications Department  
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## ATTACHMENT CONTAINING INFORMATION:

### 1. Economic indicators

More information about economic performance of HT Group can be found in the [Consolidated Financial Statement 2014](#).

### 2. Total workforce

TOTAL WORKFORCE	2011	2012	2013	2014
Hrvatski Telekom		5,441	5,232	4,325
Combis		315	359	361
Iskon		-	-	197

### 3. Total workforce by employment type, employment contract, and gender

HRVATSKI TELEKOM	2012	2013	2014
<b>Total workforce</b>	<b>5,441</b>	<b>5,232</b>	<b>4,325</b>
■ Men	3,429	3,270	2,528
■ Women	2,012	1,962	1,797
<b>Employed for an indefinite period</b>	<b>5,224</b>	<b>4,984</b>	<b>4,115</b>
■ Men	3,339	3,159	2,426
■ Women	1,885	1,825	1,689
<b>Employed for a definite period</b>	<b>217</b>	<b>248</b>	<b>210</b>
■ Men	90	111	102
■ Women	127	137	108
<b>Full-time contract</b>	<b>5,440</b>	<b>5,231</b>	<b>4,325</b>
■ Men	3,428	3,269	2,528
■ Women	2,012	1,962	1,797
<b>Part-time contract</b>	<b>1</b>	<b>1</b>	<b>0</b>
■ Men	1	1	0
■ Women	0	0	0

<b>ISKON</b>	<b>2013</b>	<b>2014</b>
<b>Total workforce</b>		<b>197</b>
■ Men		111
■ Women		86
Employed for an indefinite period		<b>184</b>
■ Men		106
■ Women		78
Employed for a definite period		<b>13</b>
■ Men		5
■ Women		8
Full-time contract		<b>197</b>
■ Men		111
■ Women		86
Part-time contract		<b>0</b>
■ Men		0
■ Women		0

<b>COMBIS</b>	2012	2013	2014
<b>Total workforce</b>	<b>315</b>	<b>359</b>	<b>361</b>
■ Men	235	331	274
■ Women	80	28	87
Employed for an indefinite period	<b>302</b>	<b>331</b>	<b>338</b>
■ Men	227	252	260
■ Women	75	79	78
Employed for a definite period	<b>13</b>	<b>28</b>	<b>23</b>
■ Men	8	16	14
■ Women	5	12	9
Full-time contract	<b>315</b>	<b>359</b>	<b>361</b>
■ Men	235	331	274
■ Women	80	28	87
Part-time contract	<b>0</b>	<b>0</b>	<b>0</b>
■ Men	0	0	0
■ Women	0	0	0

#### 4. Total number of new employee hires and employee turnover by age group and gender

<b>HRVATSKI TELEKOM</b>	UP TO 30	FROM 30 TO 50	OVER 50	TOTAL
<b>Termination of employment in 2014</b>	<b>61</b>	<b>658</b>	<b>362</b>	<b>1,081</b>
■ Men	32	492	313	837
■ Women	29	166	49	244
<b>Employment in 2014</b>	<b>112</b>	<b>58</b>	<b>3</b>	<b>173</b>
■ Men	60	33	2	95
■ Women	52	25	1	78

<b>ISKON</b>	UP TO 30	FROM 30 TO 50	OVER 50	TOTAL
<b>Termination of employment in 2014</b>	<b>5</b>	<b>15</b>	<b>0</b>	<b>20</b>
■ Men	3	11	0	14
■ Women	2	4	0	6
<b>Employment in 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
■ Men	0	0	0	0
■ Women	0	0	0	0

<b>COMBIS</b>	UP TO 30	FROM 30 TO 50	OVER 50	TOTAL
<b>Termination of employment in 2014</b>	<b>7</b>	<b>29</b>	<b>0</b>	<b>36</b>
■ Men	6	24	0	30
■ Women	1	5	0	6
<b>Employment in 2014</b>	<b>20</b>	<b>27</b>	<b>0</b>	<b>47</b>
■ Men	15	24	0	39
■ Women	5	3	0	8

**5. Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by gender**

<b>HRVATSKI TELEKOM</b>	NUMBER OF INJURIES	WORKING HOURS LOST	WORKING DAYS LOST	BY GENDER
<b>Work-related injuries</b>	<b>42</b>	<b>7,832.5</b>	<b>979</b>	<b>42</b>
■ In the work process	20	5,032.5	629	M 28
■ Outside the work process	22	2,800.0	350	F 14

<b>ISKON</b>	NUMBER OF INJURIES	WORKING HOURS LOST	WORKING DAYS LOST	BY GENDER
<b>Work-related injuries</b>	<b>1</b>	<b>40</b>	<b>5</b>	<b>1</b>
■ In the work process	1	40	5	M 1
■ Outside the work process	0	0	0	F 0

<b>COMBIS</b>	NUMBER OF INJURIES	WORKING HOURS LOST	WORKING DAYS LOST	BY GENDER
<b>Work-related injuries</b>	<b>1</b>	<b>120</b>	<b>15</b>	<b>1</b>
■ In the work process	0	0	0	M 1
■ Outside the work process	1	120	15	F 0

#### 6. Average hours of training per year per employee by gender and by employee category

<b>HRVATSKI TELEKOM</b>	TOTAL HOURS	HC	AVERAGE HOURS PER EMPLOYEE
<b>Overview by the type of workplace</b>	<b>47,605</b>	<b>4,325</b>	<b>11.00</b>
■ Executive	43,818	4,138	10.59
■ Manager	3,787	187	20.25
<b>Overview by gender</b>	<b>47,605</b>	<b>4,325</b>	<b>11.00</b>
■ Men	28,919	2,528	11.44
■ Women	18,685	1,797	10.40

<b>ISKON</b>	<b>TOTAL HOURS</b>	<b>AVERAGE HOURS PER EMPLOYEE</b>
<b>Overview by the type of workplace</b>	<b>33.52</b>	
■ CEO	12.35	
■ CFO	6.39	
■ CMSO	8.64	
■ CTO	6.14	
■ CEO	12.35	
<b>Overview by gender</b>	<b>34.3</b>	<b>8.38</b>
■ Men	16	
■ Women	18.3	

<b>COMBIS</b>	<b>TOTAL HOURS</b>	<b>HC</b>	<b>AVERAGE HOURS PER EMPLOYEE</b>
<b>Overview by the type of workplace</b>	<b>28,208</b>	<b>361</b>	<b>78.13</b>
■ Management Board	120	3	40.00
■ Management	1,152	18	64.00
■ Heads of Department	1,496	22	68.00
■ Other Employees	25,440	318	80.00
<b>Overview by gender</b>	<b>28,208</b>	<b>361</b>	<b>78.13</b>
■ Men	21,108	271	77.89
■ Women	7,100	90	78.88

## 7. Composition of governance bodies and breakdown of employees per employee category by gender

### HRVATSKI TELEKOM

CATEGORY	GENDER	UP TO 30	FROM 30 TO 50	OVER50	TOTAL
Managers	Men	0	97	16	113
	Women	3	66	5	74
Employees	Men	249	1,630	536	2,415
	Women	269	1,218	236	1,723
<b>Total</b>		<b>521</b>	<b>3,011</b>	<b>793</b>	<b>4,325</b>

### ISKON

CATEGORY	GENDER	UP TO 30	FROM 30 TO 50	OVER50	TOTAL
CEO	Men	0	6	0	6
	Women	0	8	0	8
CFO	Men	0	2	0	2
	Women	0	14	0	14
CMSO	Men	0	42	0	42
	Women	0	59	0	59
CTO	Men	0	61	0	61
	Women	0	5	0	5
<b>Total</b>		<b>0</b>	<b>197</b>	<b>0</b>	<b>0</b>

COMBIS

CATEGORY	GENDER	UP TO 30	FROM 30 TO 50	OVER50	TOTAL
Management Board	Men	0	3	0	3
	Women	0	0	0	0
Management	Men	0	13	1	14
	Women	0	4	0	4
Heads	Men	0	16	3	19
	Women	0	3	0	3
Total	Men	52	171	15	238
	Women	12	64	4	80
<b>Total</b>		<b>64</b>	<b>274</b>	<b>23</b>	<b>361</b>

8. Materials used by weight or volume

PAPER CONSUMPTION IN TONNES	2011	2012	2013	2014
Hrvatski Telekom	138	131	108	112
Combis	4.6	3.7	4	3.4
Iskon	-	-	-	-



## 9. Direct energy consumption by primary energy source

### HRVATSKI TELEKOM

<b>DIRECT ENERGY CONSUMPTION BY PRIMARY ENERGY SOURCE IN GJ</b>	2011	2012	2013	2014
<b>Total direct energy consumption from non-renewable sources</b>	<b>173,894</b>	<b>147,270</b>	<b>133,945</b>	<b>118,921</b>
■ Natural gas	61,167	45,680	35,071	30,443
■ Fuel for the fleet (petrol, diesel, LNG)	81,462	75,373	76,769	70,978
■ Other fuels	31,265	26,216	22,105	17,500

### COMBIS

<b>DIRECT ENERGY CONSUMPTION BY PRIMARY ENERGY SOURCE IN GJ</b>	2011	2012	2013	2014
<b>Total direct energy consumption from non-renewable sources</b>	-	<b>639,541</b>	<b>746,361</b>	<b>643,896</b>
■ Natural gas	-	637,072	744,194	642,300
■ Fuel for the fleet (petrol, diesel, LNG)	-	2,469	2,167	1,596
■ Other fuels	-	0	0	0

### ISKON

<b>DIRECT ENERGY CONSUMPTION BY PRIMARY ENERGY SOURCE IN GJ</b>	2011	2012	2013	2014
<b>Total direct energy consumption from non-renewable sources</b>	-	-	-	<b>50,439</b>
■ Natural gas	-	-	-	1,763
■ Fuel for the fleet (petrol, diesel, LNG)	-	-	-	48,676
■ Other fuels	-	-	-	-

## 10. Indirect energy consumption by primary source

### HRVATSKI TELEKOM

<b>INDIRECT ENERGY CONSUMPTION BY PRIMARY ENERGY SOURCE IN GJ</b>	2011	2012	2013	2014
<b>Total indirect energy consumption (from non-renewable sources)</b>	<b>559,251</b>	<b>549,819</b>	<b>558,162</b>	<b>490,343</b>
■ Purchased electricity	522,720	515,828	523,123	472,062
■ Thermal energy from heating plants	36,531	33,991	35,039	18,218

### COMBIS

<b>INDIRECT ENERGY CONSUMPTION BY PRIMARY ENERGY SOURCE IN GJ</b>	2011	2012	2013	2014
<b>Total indirect energy consumption (from non-renewable sources)</b>	-	-	<b>2,129</b>	<b>2,743</b>
■ Purchased electricity	-	-	1,847	2,448
■ Thermal energy from heating plants	-	-	282	295

### ISKON

<b>INDIRECT ENERGY CONSUMPTION BY PRIMARY ENERGY SOURCE IN GJ</b>	2011	2012	2013	2014
<b>Total indirect energy consumption (from non-renewable sources)</b>	-	-	-	<b>1,782</b>
■ Purchased electricity	-	-	-	1,782
■ Thermal energy from heating plants	-	-	-	0

### 11. Energy saved due to conservation and efficiency improvements

<b>HRVATSKI TELEKOM</b>	2011	2012	2013	2014
Energy saved (in GJ)	-	21,384	13,608	19,080

Combis and Iskon did not measure energy savings in the reporting period.

### 12. Total water withdrawal by source

<b>TOTAL WATER WITHDRAWAL (IN THOUSANDS OF LITRES)</b>	2011	2012	2013	2014
Hrvatski Telekom	79,250	80,890	86,820	72,379
Combis	-	-	1,223	2,138
Iskon	-	-	-	3,500 (estimated)

### 13. Total direct and indirect greenhouse gas emissions by weight

#### HRVATSKI TELEKOM

<b>TOTAL DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS (IN TONNES OF CO<sub>2</sub>)</b>	2011	2012	2013	2014
<b>Total greenhouse gas emissions (sum of direct and indirect emissions)</b>	<b>60,322</b>	<b>56,372</b>	<b>56,292</b>	<b>49,508</b>
■ Total direct emissions of CO <sub>2</sub> (from non-renewable sources)	10,860	9,790	9,003	7,965
■ Natural gas	2,964	2,213	1,699	1,475
■ Fuel for the fleet (petrol, diesel, LNG)	5,632	5,281	5,368	4,958
■ Fuel oil	2,264	2,295	1,935	1,532
■ Total indirect emissions of CO <sub>2</sub>	49,462	46,582	47,289	41,543

Combis and Iskon did not measure direct and indirect greenhouse gas emissions in the reporting period.

#### 14. Other relevant indirect greenhouse gas emissions by weight

<b>NUMBER OF BUSINESS TRIPS</b>	2011	2012	2013	2014
Hrvatski Telekom	29,707	26,569	25,710	23,663
Combis	908	974	1,098	1,125
Iskon	-	-	-	303

#### 15. Initiatives to reduce greenhouse gas emissions and reductions achieved

<b>HRVATSKI TELEKOM</b>	2011	2012	2013	2014
Reduction in total greenhouse gas emissions compared to the previous year (in tonnes)	-	3,950	80	6,784

Combis and Iskon did not measure greenhouse gas emissions in the reporting period.

#### 16. NO<sub>x</sub>, SO<sub>x</sub>, and other significant air emissions by type and weight

##### HRVATSKI TELEKOM

<b>NO<sub>x</sub>, SO<sub>x</sub>, AND OTHER SIGNIFICANT AIR EMISSIONS BY TYPE AND WEIGHT IN TONNES</b>	2011	2012	2013	2014
Total NO <sub>2</sub> emissions	6.12	1.86	4.73	0.99
Total SO <sub>2</sub> emissions	7.13	5.69	4.60	3.92

Combis and Iskon did not measure NO<sub>x</sub>, SO<sub>x</sub>, and other significant air emissions.

## 17. Total weight of waste by type and disposal method.

### HRVATSKI TELEKOM

<b>TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD IN TONNES</b>	2011	2012	2013	2014
<b>Total weight of waste</b>	<b>1,185</b>	<b>894</b>	<b>1,036</b>	<b>921</b>
■ Hazardous waste	418	305	264	178
■ Non-hazardous waste	767	589	772	744

### COMBIS

<b>TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD IN TONNES</b>	2011	2012	2013	2014
<b>Total weight of waste</b>	<b>7,075</b>	<b>3,816</b>	<b>6,563</b>	<b>7,084</b>
■ Hazardous waste	4,955	2,120	4,026	3,270
■ Non-hazardous waste	2,120	1,696	2,537	3,814

### ISKON

<b>TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD IN TONNES</b>	2011	2012	2013	2014
<b>Total weight of waste</b>	-	-	-	<b>0.29</b>
■ Hazardous waste	-	-	-	0
■ Non-hazardous waste	-	-	-	0.29

## 18. in the reporting period:

- None of the companies of the HT Group paid fines for non-compliance with laws and regulations on environmental protection.
- There are no recorded significant misdemeanour and criminal cases related to non-adherenceto regulations and voluntary codes relating to impacts of products and services on health and safety during their life cycle, or in connection with information on the product and service and with their marking.
- There were no final rulings with significant penalty related to non-compliance with regulations and voluntary codes concerning marketing communications. The decision of the State

Inspectorate of 2013, that the Company contrary to the Consumer Protection Act called customers via telephone in order for them to terminate the contract with the current operator using aggressive business practices, is not yet final. Related to this, in the meantime, the State Inspectorate initiated against the Company an infringement procedure which was finally completed in acquittal.

- The company received 164 complaints related to breaches of customer privacy. Most complaints were related to identity theft committed by external perpetrators, irrespective of HT, which resulted in abuses to the detriment of HT, and persons whose identities have been stolen (e.g. the conclusion of a distance contract with the help of a stolen identity card). Of the total number of complaints received, 28 is supported, and after internal review resulted in a finding of a violation of privacy. From substantiated applications, five of them were received from regulatory bodies, and 23 from external parties.
- There were no final rulings with significant penalty related to non-compliance with laws and regulations concerning the provision and use of products and services.

## INDICATORS' TABLE:

G3.1 INDICATOR	PAGE	UN GLOBAL COMPACT PRINCIPLE
<p><b>1. Profile</b></p> <p>1.1 Statement from the most senior decision maker of the organization</p> <p>1.2 Description of key impacts, risks, and opportunities.</p>	<p>3-4 7-10</p>	<p>Statement of continuous support</p>
<p><b>2. Organizational Profile</b></p> <p>2.1 Name of the organization.</p> <p>2.2 Primary brands, products, and/or services.</p> <p>2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.</p> <p>2.4 Location of organization's headquarters.</p> <p>2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.</p> <p>2.6 Nature of ownership and legal form.</p> <p>2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).</p> <p>2.8 Scale of the reporting organization.</p> <p>2.10 Awards received in the reporting period.</p>	<p>5-6 17, 28</p>	
<p><b>3. Report Parameters</b></p> <p>3.1 Reporting period (e.g., fiscal/calendar year) for information provided.</p> <p>3.2 Date of most recent previous report (if any).</p> <p>3.3 Reporting cycle (annual, biennial, etc.)</p> <p>3.4 Contact point for questions regarding the report or its contents.</p> <p>3.6 Boundary of the report</p>	<p>48</p>	
<p><b>4. Governance, Commitments, and Engagement</b></p> <p>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.</p> <p>4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided.</p>	<p>11-16</p>	

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.		
4.14 List of stakeholder groups engaged by the organization.		
<b>EC1</b> 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.	18	
<b>EN1</b> Materials used by weight or volume.	37, 56	Principle no. 8
<b>EN3</b> Direct energy consumption by primary energy source.	34-36, 57	Principle no. 8
<b>EN4</b> Indirect energy consumption by primary source.	35, 58	Principle no. 8
<b>EN5</b> Energy saved due to conservation and efficiency improvements.	35-36, 59	Principle no. 8 and principle no. 9
<b>EN6</b> Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	34-36	Principle no. 9
<b>EN8</b> Total water withdrawal by source.	41, 59	Principle no. 8
<b>EN11</b> Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	39-40	Principle no. 8
<b>EN12</b> Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	39-40	Principle no. 8
<b>EN16</b> Total direct and indirect greenhouse gas emissions by weight.	40, 58-59	Principle no. 8
<b>EN17</b> Other relevant indirect greenhouse gas emissions by weight.	60	Principle no. 8
<b>EN18</b> Initiatives to reduce greenhouse gas emissions and reductions achieved.	41, 60	Principle no. 8 and principle no. 9
<b>EN20</b> NO, SO, and other significant air emissions by type and weight.	40-41, 60	Principle no. 8
<b>EN21</b> Total water discharge by quality and destination.	41-42	Principle no. 8



<b>EN22</b> Total weight of waste by type and disposal method.	37-38, 61	Principle no. 8
<b>EN23</b> Total number and volume of significant spills.	41-42	Principle no. 8
<b>EN26</b> Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	37-38	Principle no. 8 and principle no. 9
<b>EN27</b> Percentage of products sold and their packaging materials that are reclaimed by category.	37-38	Principle no. 8 and principle no. 9
<b>EN28</b> Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	61	Principle no. 7
<b>EN29</b> Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	39-40	Principle no. 8
<b>LA1</b> Total workforce by employment type, employment contract, and region, broken down by gender.	28, 49-50	Principle no. 6
<b>LA2</b> Total number and rate of new employee hires and employee turnover by age group, gender, and region.	51-52	Principle no. 6
<b>LA3</b> Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	28-29	Principle no. 6
<b>LA4</b> Percentage of employees covered by collective bargaining agreements.	14-15, 29	Principle no. 3
<b>LA5</b> Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	29	Principle no. 6
<b>LA6</b> 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.	31-32	Principle no. 6
<b>LA7</b> Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	52-53	Principle no. 6
<b>LA8</b> Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	30-31, 53-54	Principle no. 6

<b>LA9</b> Health and safety topics covered in formal agreements with trade unions.	31-32	Principle no. 3
<b>LA10</b> Average hours of training per year per employee by gender, and by employee category	53-54	Principle no. 6
<b>LA11</b> Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	30-31	Principle no. 6
<b>LA12</b> Percentage of employees receiving regular performance and career development reviews, by gender.	30-31	Principle no. 6
<b>LA13</b> Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	55-56	Principle no. 6
<b>LA14</b> Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	28	Principle no. 6
<b>HR1</b> Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	43	Principle no. 2
<b>HR2</b> Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	14, 43	Principle no. 2
<b>HR3</b> 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.	31	Principle no. 2
<b>HR4</b> Total number of incidents of discrimination and corrective actions taken.	43	Principle no. 1
<b>HR5</b> Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	43	Principle no. 2
<b>HR6</b> Operations and significant suppliers identified as having significant risk for incidents of child labor, and	43	Principle no. 5

measures taken to contribute to the effective abolition of child labor.		
<b>HR7</b> Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	43	Principle no. 4
<b>HR8</b> Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	43	Principle no. 2
<b>HR10</b> Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	43	Principle no. 1
<b>HR11</b> Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	43	Principle no. 1
<b>SO1</b> Percentage of operations with implemented local community engagement, impact assessments, and development programs.	44-47	
<b>SO2</b> Percentage and total number of business units analyzed for risks related to corruption.	9, 47-48	Principle no. 10
<b>SO3</b> Percentage of employees trained in organization's anti-corruption policies and procedures.	47-48	Principle no. 10
<b>SO4</b> Actions taken in response to incidents of corruption.	47-48	Principle no. 10
<b>SO5</b> Public policy positions and participation in public policy development and lobbying.	48	Principle no. 10
<b>SO6</b> Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	48	Principle no. 10
<b>SO7</b> Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	47-48	
<b>SO8</b> Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	47-48	

<b>SO10</b> Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	39-40	Principle no. 7
<b>PR1</b> Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	10, 32-33	
<b>PR2</b> Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	61	
<b>PR4</b> Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	61	
<b>PR5</b> Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	12-13, 19-20	
<b>PR6</b> Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	19	
<b>PR7</b> Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	61-62	
<b>PR8</b> Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	62	
<b>PR9</b> Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	62	