

**VIPNET
SUSTAINABILITY
REPORT**

2014



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1.

VIPNET

- ✦ Leading innovator on Croatian telecommunication market
- ✦ 1.74 milion mobile customers
- ✦ 219.9 thousand households uses Vip's fixed communication and TV services
- ✦ 3 brands: Vipnet, B.net, Tomato
- ✦ Convergent offer which includes mobile and fixed telephony services, Internet, TV, application and mobile payment
- ✦ Among the best operators worldwide according to network quality
- ✦ Port of Telekom Austria Group and América Móvil



MEMBERSHIPS	AWARDS
UN Global Compact	Global Telecom Business Award - Green Business Award
Croatian Employer's Association	Silver Stevie Award for the Program "Do the right thing"
Mobile Communication Association of Croatia	Bronze Stevie Award for Vip Script Application
Croatian Chamber of Economy - Telecommunication Association	Employer Partner Certificate
National Foundation for the Support of the Student Standard	Best buy Award
	MAMFORCE

G4.3-4, G4.6-8, G4. 15-16, G4.34

2.

VIPNET DOES THE RIGHT THING



Dear stakeholders,

I am proud to present Vipnet's Sustainability Report for 2014, our fourth report made according to Global Reporting Initiative guidelines and UN Global Compact principles.

Telecommunications market has been under the influence of constant and swift changes, especially in the recent years, due to persistent unfavorable economic situation and strong regulatory burdens. Despite these challenges, Vipnet, which marked its 15th anniversary, stayed firmly focused on sustainable development of the company and the community in which it operates, as well as on creating common values for the benefit of the entire community.

Likewise, despite unfavorable environment, Vipnet achieved growth in all categories of the fixed segment and became leading alternative operator. At the same time, the company continued to invest in fixed and mobile network, as well as create offers in accordance with new trends, providing its customers with the best value for money. Owing to the implementation of new tariffs and its relation to the customers, Vipnet became the leading operator according to customer satisfaction survey in 2014, based on Net Promoter Score method.

Responsible energy consumption and creating ecologically friendly solutions are in the center of our endeavors to decrease impact of our business operations on the environment. When planning investments in new technologies and creating new services, Vipnet takes their potential impact on the environment and the society into consideration, and increasingly turns innovative energy efficient and eco-friendly solutions, e.g. green base

stations and the PSI system, which enables additional energy savings necessary for the operation of base stations.

In 2014, Vipnet changed ownership when América Móvil, fourth largest operator in the world, became majority owner of Telekom Austria Group. The company expects positive effects in the segment of development of new technologies and services, as well as further implementation of the convergence strategy which was initiated in 2011.

Vipnet continuously implements innovative and environment friendly initiatives on all levels, and has received several prestigious Global Telecom Business Innovation Awards. In the scope of implementing its Sustainability strategy, in 2014 Vipnet consolidated all CSR activities in the program titled "Do the right thing", which includes corporate volunteering program, "green" activities and education. More than 2,000 employees spend over 1,600 hours on various volunteering activities, working with children and elderly people, in education and environmental protection. This initiative was awarded with the world known Stewie Award.

Sixth time in a row, in 2014 Vipnet was the first of the Top 5 Employer Partners, confirming the status of one of the most desirable employers in Croatia.

Tackling the issue of employment of young people with no previous working experience, Vipnet started the Vip alumni program, which offers a paid one-year job, enabling them to gain working experience in an international environment, with the possibility of being permanently employed.

As the long-standing partner of Croatian Mine Action Center and the largest private donor, in 2014 Vipnet donated funds for demining the forest on the right bank of Mrežnica river, opposite Dobreniči village in Karlovac County and for demining of tourist destination Delukino vrelo, mountain paths and climbers' lodging under Štritovec, as well as Tulove grede in Velebit Nature Park. In the scope of the initiative "Do the right thing", the company equipped public river beaches in six towns of Karlovac and Sisak-Moslavina Counties. The beaches were enriched with new contents and equipment, our donation to those cities.

Corporate social responsibility is the foundation of sustainable growth, and big companies, as important factors in economic and societal development, have an extremely important role in building and promoting those values in the community.

Vipnet does the right thing, and as the signatory of UN Global Compact, it is our goal to be socially responsible company which promotes principles of sustainable development on all levels of business and relations to the community.

G4.1



A handwritten signature in black ink, appearing to be 'P. P.', written in a cursive style on a white background.

3.

GOVERNANCE STRUCTURE



As a part of Telekom Austria Group, Vipnet implemented the Group wide sustainability management system. TAG Sustainability Team is responsible for sustainability management and coordinates implementation of Sustainability strategy with local teams in each of the Group companies. In the scope of Strategy implementation, each company developed its own programs and projects. In 2014, Vipnet consolidated all activities in the segment of CSR under the program "Do the right thing".

In everyday business operations, all managers and employees are guided by Vipnet's corporate values, Telekom Austria group Code of Conduct, Compliance Guidelines and other internal documents which help them achieve their goals in a responsible manner. As the signatory of UN Global Compact principles designed to promote sustainable business operations, Vipnet respects and promotes the ten principles in the segment of human rights, labor, environment and fight against corruption.

G4.34, G4.56

IN THE FOCUS

4.

Croatian telecommunication market dropped by 2 percent in 2014, due to persistent unfavorable economic situation, which significantly influences purchasing power of Croatian citizens, changes in the EU regulatory framework and strong competition. In the long term, Vipnet's business operations will continue to be exposed to these risks.

Despite unfavorable environment, Vipnet grew in all fixed segment categories, becoming leading alternative operators. The company also continued to invest in the most modern broadband technologies, creating offers in accordance with new trends, and providing customers with the best value for money. In the process of investment planning, Vipnet takes into consideration their potential impact on society and environment. Such approach leads to increased implementation of energy efficient and eco-friendly solutions, like "green" base stations and PSI system, which enables additional savings of energy necessary for powering base stations.

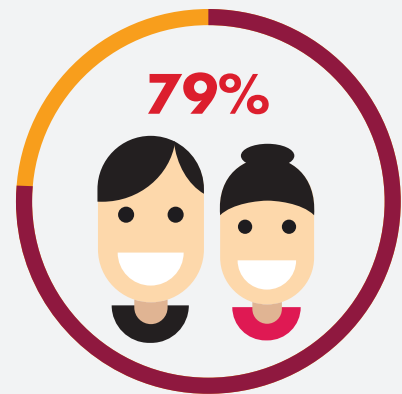
Owing to introduction of new tariffs and relations to customers, Vipnet became the leading operator in customer satisfaction in 2014, according to Net Promoter Score method. As much as 79 percent of Vipnet customers are very or extremely satisfied with Vipnet as mobile operator. Along with superior network, the reason for such result is high satisfaction with tariffs. In the fixed segment, 86 percent of customers are very or extremely satisfied with B.net brand, which is the best score in the telecom industry according to NPS criteria. Satisfaction of Vip fixed services customers is above market average, and the total sum of Vip and B.net results positions Vipnet as the market leader without competition.

During 2014, Vipnet changed ownership, as the fourth largest mobile operator in the world, Mexican América Móvil, became the majority owner of Telekom Austria Group. It is to be expected that the new owner will positively impact the company in the segment of development of new technologies and services, as well as further implementation of the convergence strategy which was initiated in 2011.

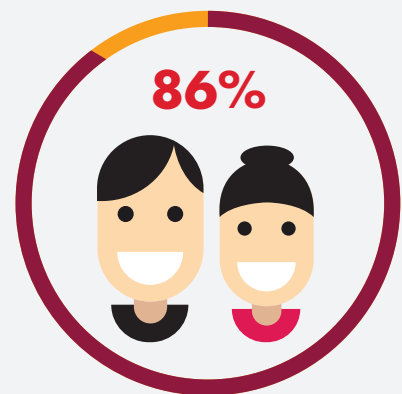
G4.2, G4.13, G4.22, EC2



CROATIAN TELECOMMUNICATION MARKET DROPPED BY 2 PERCENT IN 2014



CUSTOMERS ARE VERY OR EXTREMELY SATISFIED WITH VIPNET AS MOBILE OPERATOR



CUSTOMERS ARE VERY OR EXTREMELY SATISFIED WITH B.NET BRAND

5.

STAKEHOLDER ENGAGEMENT

By providing convergent services - mobile and fixed telephony, broadband access, TV services and mobile payment - Vipnet has a significant direct and indirect impact on different stakeholder groups. On the other hand, certain stakeholder groups have major impact on Vipnet's operations, because they create business framework or impact company reputation. We conducted an extensive analysis to determine the most important stakeholder groups and engage them in the decision making process.

STAKEHOLDERS	TOPICS	METHOD OF ENGAGEMENT
Customers	Service quality, network quality, trust in the brand, transparent business, innovations, data protection	Customer satisfaction survey, contacts with the Customer Service, direct communication in Vip centers, communication on Vip forum and Vipnet social network channels
Employees and management	Corporate culture, workplace quality, work-life balance, equal career opportunities	Employee satisfaction survey, internal communication, meetings with employees, Management internal road show, regular e-mail communication
Suppliers	Transparent supply process, anti-corruption, trust, quality and stability of suppliers	Compliance questionnaire, feedback in direct or indirect communication
Business partners	Respecting common values, stability, anti-corruption, trust	Compliance questionnaire, feedback in direct communication
Government institutions	Market regulation, compliance with EU regulatory framework	Regular meetings and reports, consultations, working groups

STAKEHOLDERS	TOPICS	METHOD OF ENGAGEMENT
Regulatory agencies	Market regulation, compliance with EU regulatory framework	Regular meetings and reports, consultations, working groups, special workshops, expert opinions, public discussions, written expression of the company standpoints
NGOs	Compliance with laws and regulations, influence of EMR on human health, enabling communication to people with impairments, environmental protection	Meetings with representatives of the local community, communication through MCAC, designing joint activities in cooperation with NGOs
Interest associations	Development of the telecommunication market, compliance with EU regulatory framework, implementation of new technologies	Regular meetings, research, reports
Local communities	Responsible business operations, understanding local community needs, influence of EMR on human	Corporate volunteering program, donation programs, dialogue with representatives of local

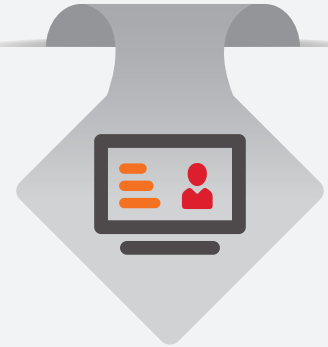
6. IT IS IMPORTANT TO US: MATERIAL ISSUES



**IDENTIFICATION OF 14
RELEVANT SUSTAINABILITY
TOPICS**



**IDENTIFICATION OF KEY
INTERNAL AND EXTERNAL
STAKEHOLDERS**



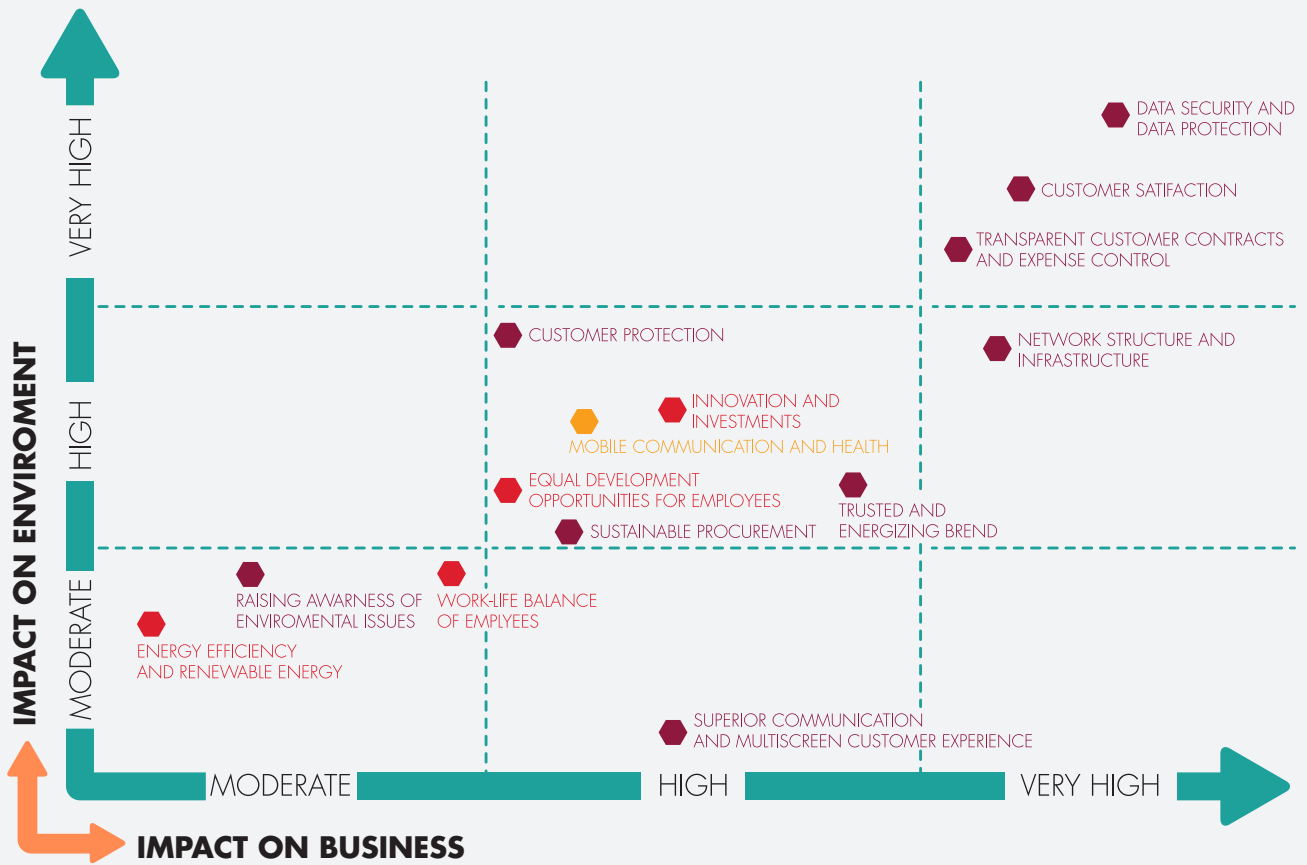
**SURVEY:
407 ONLINE INTERVIEWS**

Topics relevant for sustainable business operations were determined in accordance with Vipnet business strategy, Sustainability strategy of Telecom Austria Group, Global Reporting Initiative Reporting Guidelines, through continuous dialogue with our stakeholders, overview of economic situation and regulatory framework. Evaluation of topics was done on a joint meeting with Vipnet Management Board, resulting in a questionnaire which was filled by key internal and external stakeholders: customers, employees and management, suppliers and business partners, representatives of Government institutions and regulatory bodies, NGOs and local communities.

Based on gathered information, we identified priority issues and report boundaries.

There were no significant changes in relation to scope and aspect boundaries compared to the previous report.

MATERIALITY MATRIX



ASPECT MATERIAL WITHIN AND OUTSIDE OF THE ORGANIZATION

ASPECT MATERIAL WITHIN THE ORGANIZATION

ASPECT MATERIAL OUTSIDE THE ORGANIZATION

G4.18-22, G4.26

7.

BUSINESS IN 2014



Continued unfavorable economic situation and strong regulatory burdens impacted Vipnet business operations with the additional EUR 16 million in fees for radio frequency spectrum in 2014. After Croatia's accession to the EU in 2013, Vipnet's operations faced strong decrease of revenue from roaming and interconnection, especially in the segment of roaming generated by foreign tourists. Therefore, in 2014 EBITDA decreased by 28.3 percent, amounting to EUR 84.3 million. Besides regulatory burdens, EBITDA was influenced by restructuring costs, debt write-offs and increased costs of marketing and sales. Due to positive trends in the fixed segment, Vipnet stabilized revenues in the amount of EUR 378.2 million which is 2.8 percent less than in the previous year.

In 2014, Vipnet invested EUR 70 million, mostly in further expansion of next generation mobile and fixed networks.

More information about Vipnet business results is available in Telekom Austria Group 2014 Annual Report. G4.9, G4.17, EC1

INNOVATIVE TECHNOLOGIES AND SERVICES

In order to simplify business operations and provide expert support, Vipnet developed a new ICT service for its business customers - collocation center, which offers maximum security and protection of data. Vipnet invested almost a million euro in the new data center on Žitnjak, which will be able to host ICT/IT equipment on 170m².

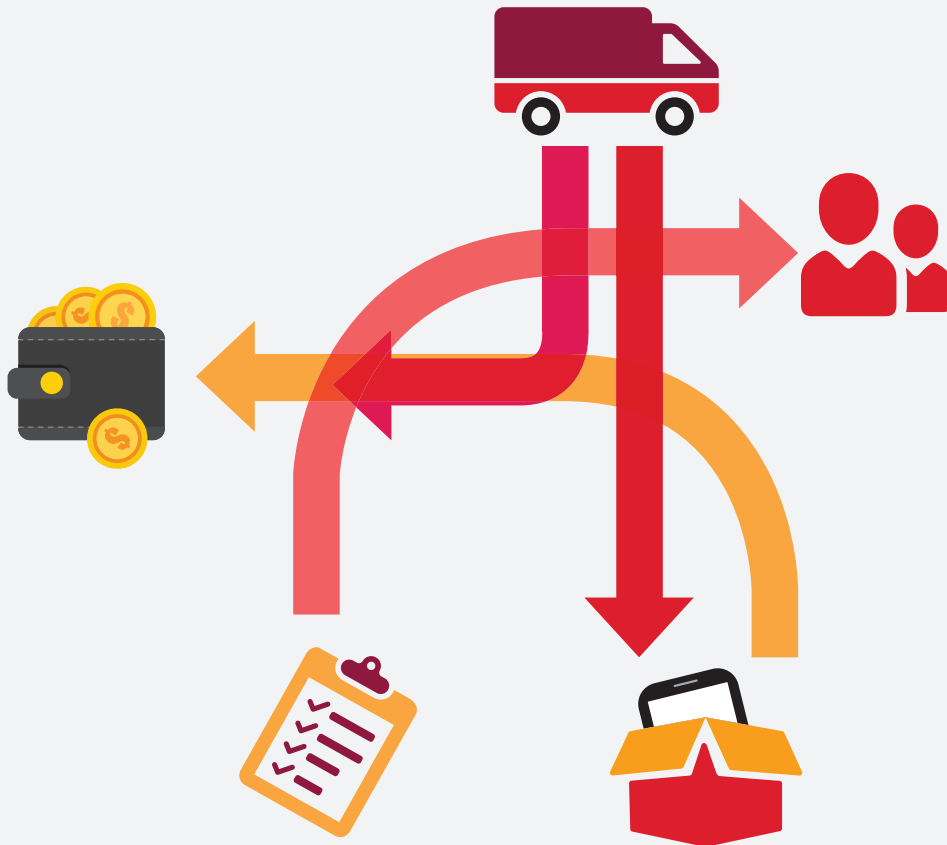
As members of Telecom Austria group, Vipne and Slovenian Si.mobil successfully tested new generation of mobile technologies, which enable quadrupled increase of data traffic to 400 Gbit/s per one 100 GHz wavelenght on the pan-European network from Frankfurt vai Zagreb to Sofia.

Vipnet is one of the first operators worldwide which demonstrated network functions virtualization (NFV) technology on a live network. NFV is the technology which will mark transformation of telecommunication operators in the next years, presenting a completely new concept coming from performance standardization of various network elements on standard hardware systems and storage devices.

Advantages for telecom operators which will successfully use NFV technologies are numerous, from significantly increased agility, due to the possibility of programming in standardized computer environment, to less time for placing products and services on the market, considering that installation and testing in such a system is much better.

8.

SUSTAINABLE SUPPLY CHAIN



Ensuring the highest quality of service to our customers requires continuous investments, which includes cooperation with a large number of different suppliers. Cooperation with suppliers included procurement of mobile devices and other products we offer to our customers together with our services, as well as other goods necessary for everyday operations.

Relations with suppliers are regulated by Compliance Guidelines, Code of Conduct and General terms of procurement, which are available on Vipnet web pages. As our suppliers are part of our success, we nurture business relations based on transparency, innovativeness and ethics.

In the procurement process, we pay special attention to economic, environmental and social aspects. All significant and new suppliers fill compliance questionnaire, which gives us insight into their impact on environment, labor practices and society. Owing to their good

practices, there was no need to request changes in labor practices or impact on society.

Our system also enables suppliers to assess Vipnet's practices, especially in the segment of stimulating entrepreneurship and transparency of business operations. Likewise, we are working on the promotion of anti-corruption regulation and integrity standards together with our suppliers.

Special attention is given to cooperation with Croatian suppliers, and 65 percent of procurement budget is spent on products and services of Croatian companies.

G4.12-13, EC9, EN32, LA14-15, HR5-6

WORKPLACE OF THE FUTURE

9.





For a number of years, Vipnet has been one of the most desired employers in Croatia, being among the top ten companies according to public opinion. Being an organization which systematically selects the best people and invests in their development, Vipnet has been awarded Employer Partner certificate for six consecutive years, as recognition of high standards in human resources management. Vipnet employees, their talents and diversity are the backbone of the entire organization, and the base of its success. Therefore, Vipnet gives its best to ensure the best development possibilities to every employee, going a step further by ensuring safe workplace and satisfaction in the working environment.



During 2014, Vipnet employed 1,219 people, which is 11 percent more than in the previous reporting period. More than 95 percent of employees had permanent employment contracts.

Average age of Vipnet employees is 38 years of age. Comparing the age structure, the highest growth of employees was recorded in the segment from 30 to 50 years of age, which increased by 20 employees. In the segment of employees up to 30 years of age, the number decreased by eight employees.

NUMBER OF EMPLOYEES, BY CONTRACT TYPE AND GENDER

		
HIRED ON A TEMPORARY BASES	21	34
HIRED ON A PERMANENT BASES	484	680
TOTAL	505	714

NUMBER OF EMPLOYEES, BY REGION AND GENDER

		
OSIJEK	19	34
ZAGREB	439	560
RIJEKA	18	42
SPLIT	29	78
TOTAL	505	714

RATIO OF WOMEN ON MANAGERIAL POSITIONS

Total ratio of women employed in Vipnet is 41 percent, while men take 59 percent of the workforce. In comparison, the company had 61 percent of men and 39 percent of women in 2013. Furthermore, there are nine percent of foreign citizens in higher management.

Ratio of women on managerial positions is also 41 percent, which is a 1-percent increase in relation to the previous reporting period. It is necessary to mention that Vipnet is above average in Telekom Austria Group, in which the ratio of women on managerial positions reaches 29 percent.

Having in mind such high ratio of women on managerial positions, which is almost equal to the number of men, there was no need to start special programs which would be aimed at this issue.

FAMILY CONCIOUS POLICY IN VIPNET

Vipnet is one of the first companies awarded with MAMFORCE certificate, recognition for companies with family concious policy, which enables employees to achieve work-life balance equal career opportunities.



Certification process is conducted by application of special measures which examine working conditions, with special emphasis on adjustment of working conditions for parents with small children, possibility of gradual return from maternity leave, as well as the possibilities of further specialization, career advancement and equal representation on highest managerial positions, regardless of gender.

EMPLOYMENT AND FLUCTUATION

In 2014, Vipnet employed 146 experts, 74 of who were men and 72 were women. Looking at the previous reporting period, Vipnet employed a larger number of people, as there were 83 new employees in 2013.

New employees, regardless of the type of contract, have the same benefits provided by the company.

As it strives to ensure the best working environment, Vipnet offers the same standard starting salary, regardless of gender, which is 66 percent higher than minimum wage. Monthly income of Vipnet employees is above Croatian average. All salaries are performance based, considering that Vipnet does not have collective bargaining agreements.

2013	2014
	
81	146

EC5

In 2014, the number of employees with permanent employment contract in the Customer Service was increased from 228 to 234. There was also a 5.27 percent increase in the number of contacts with customers in relation to the previous period.

Throughout the year, 73 employees were on parental leave (72 women and one man), and 34 of them returned to work (33 women and one man). Out of this number, 69 employees were employed 12 months after returning to work.

LA3

In the same period, 115 employees left Vipnet. Considering the average age of Vipnet employees, there was no need for assistance with career endings. When communicating operational changes, Vipnet fully complies with the Labor Act, which stipulates the minimum notice period of eight days.

LA4

NUMBER OF NEW EMPLOYEES, BY GENDER AND AGE



BELOW 30	43	36
30-50	29	38
ABOVE 50	-	-
TOTAL	72	74

NUMBER OF EMPLOYEES WHO LEFT VIPNET, BY GENDER AND AGE



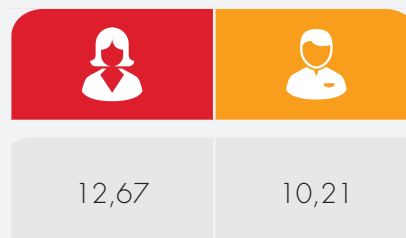
BELOW 30	22	11
30-50	39	41
ABOVE 50	-	2
TOTAL	61	54

EDUCATION AND DEVELOPMENT

One of Vipnet's business goals is to provide career opportunities to its employees, paying special attention to trainings, advancement of expert knowledge and professional development, using a number of internal programs and tools.

On average, women had 12.67 hours of education in 2014, while men had 10.21 hours of education. Members of higher management had 25.35 hours of training on average, members of middle management had 27.45 hours of training, members of line management had 23.63 hours of training, while all the rest had 9.51 hours of training throughout the year.

AVERAGE HOURS OF EDUCATION BY GENDER



LA9

Likewise, Vipnet continued educational initiative development@vipnet, aimed at development of skills and competences of its employees.

In 2014, Vipnet started the Vip alumni program, one-year paid program of professional specialization, aimed at young, highly educated unemployed people. Vip alumni program enables young people to work in a highly motivating surrounding, gain practical and applicable business and organizational skills and develop personal competences, which will help them in realization of a successful professional career.

Vipnet received as many as 770 applications for positions offered by Vip alumni program, and candidates had to pass three rounds of demanding selection process. Only 11 people were chosen, and they were assigned positions in Marketing Department, Regulatory Affairs Department, Controlling Department, Radio Network Planning Department, Market Analysis Department, Business Solutions Department and Portable and IP Telecommunications Network department. Selected candidates were given the opportunity to gain valuable working experience through work with Vipnet managers as their mentors, as well as to participate in education programs, corporate projects and exchange in the Telekom Austria Group.

LA10

All employees in Vipnet are included in the working efficiency program. In 2014, new Individual development Plan (IDP) program was implemented in the company. Individual development plans are defined for every employee according to their key competences, which are in accordance with corporate values and functional competences. Individual development plan is obligatory for all employees on managerial positions.

LA11

Vipnet continuously invests in development programs for managers in line with leadership standards. In the reporting period, two modules of trainings were completed – Self and Team, and the company plans to continue with development of all employees and managers in the scope of Building New Competences program.



COMPETENCY DEVELOPMENT

Trainings for all employees related to Vipnet corporate values and competency development



LEADERSHIP DEVELOPMENT

Trainings for all employees with responsibility for other employees: focused on leadership (Self and Team); development programs for new managers



DEVELOPMENT ACTIVITIES AND PROGRAMS

Jobshadowing and x.change program



TEAM DEVELOPMENT

Tailor made trainings (external and internal) for specific team or a group



INTERNAL ACADEMIES

Marketing, Financial, Technology, Sales, Fixed i Project Academies



FUNCTIONAL TRAININGS

Trainings offered to employees regarding their professional area and business needs



TALENT MANAGEMENT PROGRAM

LEAD, JUMP, GURU - started nomination for 2014. Individual assessment for GURU program participants has been done



ORIENTATION FOR NEW EMPLOYEES

Every employee has a possibility to take 10 working days per year for education



PERSONAL EFFICIENCY TRAINING

Basic skills trainings, foreign languages courses, IT basic trainings



COACHING

Coaching trainings for strategic managers

BENEFITS FOR EMPLOYEES

The company supports the culture of open communication and cooperation. Special attention is given to work-life balance, in order to ensure higher employee productivity and their satisfaction in the workplace. Having in mind the diversity of employees in order to gain the overall image of all departments, Vipnet strives to provide a wide spectrum of benefits, thus ensuring increased employee satisfaction and encouraging them to achieve the best results.

Vipnet also provides all employees with compensation for sick leave longer than 90 days and financial assistance in the case of family members passing.

LA2

For the past ten years, Vipnet has been monitoring organizational climate and employee satisfaction, and in the last three years the company has been participating in Telekom Austria Group employee satisfaction survey TAGisfaction. Last year, 79 percent of employees participated in the survey, and the result showed that employees regard company achievements as their own success and that they are proud to work in a company such as Vipnet.



Additional health insurance: yearly health check-ups, according to the level of competence (offered irrelevant for type of contract)



Mobile phones and special mobile tariffs for all employees: every other year employee gets a new mobile phone according to the level in company, irrelevant of employment



Closed pension fund (AZ Vip fond): yearly subsidy for members of pension fund (offered to all employees)



Fitness program: subsidized membership for gym and fitness for all employees



Better conditions for employee loans - lower interest rates on banking loans from banks for all employees (banks are differentiating permanent/temporary employment)



Company car: for key positions irrelevant of the type of contract



Bonus system according to competence level and accomplished goals



Maternity and parental leave: bonus system according to competence level and accomplished goals. Gift for new baby for all employees



Top performer program: reward system for top performing employees, all employees are eligible



Private kindergarten on company premises: available to all employees



Jubilee award for 10 years - for employees on permanent contract



Christmas bonus: offered to all employees

WORKPLACE SAFETY

A total of 15 work related injuries were recorded in the reporting period, and only one of them was severe, while the rest were minor injuries. Looking by gender, six men and nine women were injured. Majority of injuries (12) happened in Zagreb, while one injury was recorded in each Split, Rijeka and Šibenik. All work related injuries were recorded in internal procedures and reported to the Ministry of Labor and Pension System.

All corrective and preventive measures were taken after the stated incidents. During the reporting period, there were no cases of occupational diseases.

Percentage of total workforce represented in formal joint health and safety committees that help in monitoring and consulting about occupational health and safety programs is 0.6 percent of the total workforce, i.e. seven employees.



LA5

There are no employees involved in professional activities with high incidence or high risk of specific diseases. Employees who work in special conditions have annual specialist medicinal check-ups, while all new employees have to pass workplace safety education.

During 2014, there were no cases of discrimination.

HR3

NUMBER OF WORK-RELATED INJURIES AND DAYS LOST, BY GENDER

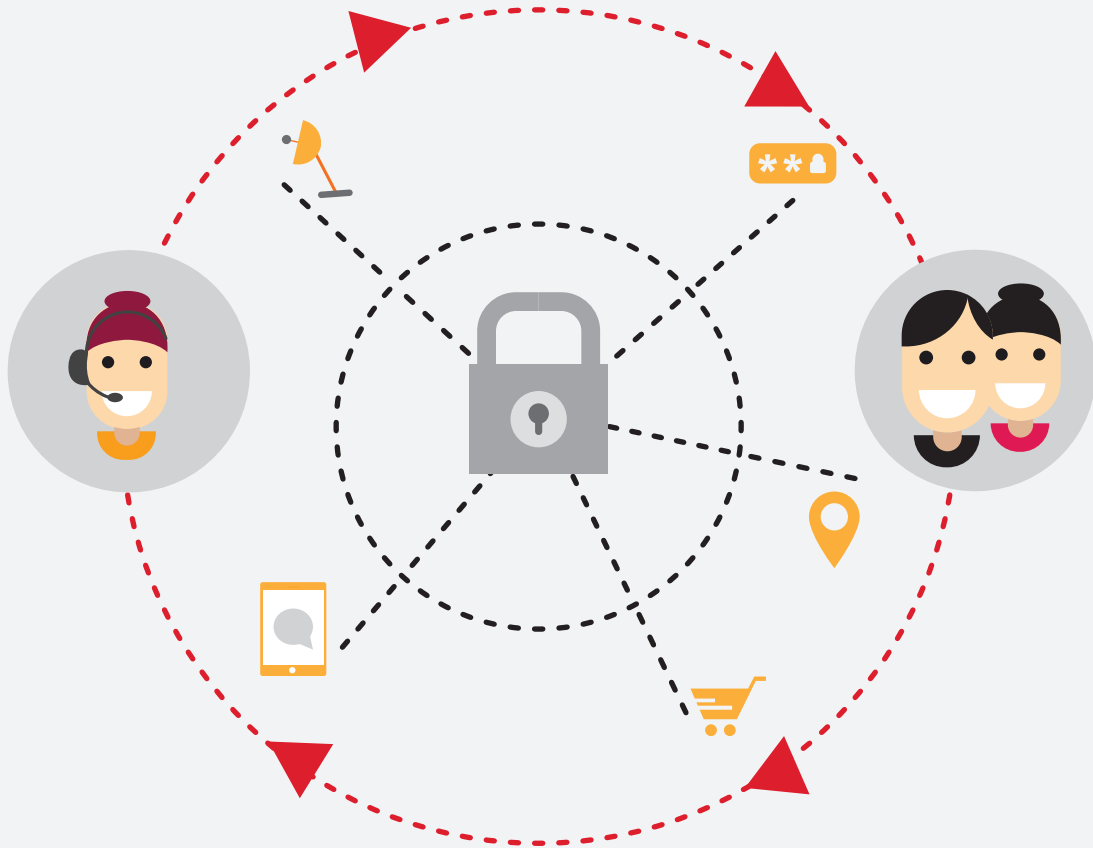
		
WORK-RELATED INJURIES	9	6
LOSS OF DAYS DUE TO WORK-RELATED INJURIES	105	200

GOALS FOR THE NEXT REPORTING PERIOD

- ✶ Internal reorganization on the company level (Transformation of Organization)
- ✶ Continuance of Vip alumni program Đ enabling young people who graduated in 2013 to develop professionally and gain relevant working experience in their areas of expertise
- ✶ Continuance of professional development of all employees and managers (Building new Competencies)
- ✶ Continuance of talent development program Đ nomination process done in 2014, development program to continue in 2015
- ✶ Continuance of the Top Performer program

10.

FOCUS ON CUSTOMERS



By developing and providing innovative products and services, Vipnet wants to be the most valued provider of communication services in the industry, at the same time being aware that customers have a key role on this path. Therefore, the company's business focus is put on relations with this stakeholder group, particularly at providing data security and protection together with top products and services. Vipnet carefully listens to its customers, and continuously analyzes ways of providing services and future improvements.

Vipnet conducts three types of customer satisfaction surveys: CSM (Customer Satisfaction Measurement) for both mobile and fixed customers, as well as SQM (Service Quality Measurement) related to satisfaction with the Customer Service.

79% customers stated that they are very or highly satisfied with Vipnet as their mobile service provider

NPS

In 2014, Vipnet became the leading operator according to Net Promoter Score method of measuring customer satisfaction. According to the NPS, 79 percent of customers were very or highly satisfied with Vipnet as a mobile operator.

The main reason for such a positive trend is the growing satisfaction of Vipnet mobile customers with prices and tariffs, as well as the way that the company treats its customers.

In the fixed segment, 86 percent of customers were very or highly satisfied with B.net brand, which is the best result in Croatian telecommunication industry according to NPS. Results state that satisfaction of Vip fixed services customers is above market average, while total sum of Vip and B.net results positions Vipnet as the market leader.

SECURITY AND DATA PROTECTION

Security, network and services integration are the base for successful customer relations. Aware of the challenges in the environment, Vipnet pays special attention to protection of privacy and integrity of data and systems managing that data, and restraint of potential threats.

Vipnet has a specially organized Department of Information Security, which gathers the best experts certified by world renowned certificates. Besides complying with Information Security Policy and highest security standards and practices, as well as a number of corporate regulations, Vipnet proactively identifies and evaluates potential threats and implements necessary technical and organizational measures.

Since 2007, Vipnet hosting systems have been ISO 27001 certified. All employees regularly attend special trainings with the goal of raising the level of awareness about security, and, in case there is a need, the company engages external experts for providing necessary safety measures according to the highest standards.

To provide maximum security and data protection to business customers and enable them to simplify their business operations together with expert support, Vipnet invested almost a million euro in the new data center on Žitnjak campus, which can provide space for ICT/IT equipment of its customers.

By using this service, business customers do not have to invest significant amounts in construction, equipment and maintenance of server rooms and data centers, meaning that they can focus on their core business.

Data center is equipped in line with the highest standards, ensuring safety of equipment affected by internal and external adverse effects, and it is physically guarded by qualified persons who monitor access to the data center, video surveillance and fire protection system. To ensure the best conditions in the data center, central surveillance and management system monitors electromagnetic switches, equipment status, aggregates and air conditioning units.

TA2

BEST ACCORDING TO CUSTOMERS' PERCEPTION

Best Buy Award Business 2014/2015 market research confirmed that business customers consider Vipnet is the best mobile operator on the market, while Best Buy Award Croatia 2014/2015 research showed that private customers believe that Vipnet provides the highest value of mobile internet for money spent on the service. Such results illustrate that Vipnet is the best provider of mobile internet for private customers.

In relation to last year, satisfaction with the Customer Service increased in almost all aspects. Likewise, there was a significant increase in the level of satisfaction with network quality.

PR5

VIPNET HAD THE FASTEST NETWORK IN CROATIA IN 2014

Independent P3 research conducted at the end of 2014 in all Croatian cities, on main roads and in several smaller towns, showed that Vip network is the fastest in data download according to average values - it is the fastest in opening web pages, starting YouTube videos, making calls, and has the highest quality HD sound during calls. After last year's LTE Advanced demonstration, the company started implementing new network technologies which ensure speeds upto 150 Mbit/s.

Last year, data traffic increased by 69 percent worldwide, and surpassed total internet use in 2000, while total sale of smartphones worldwide increased by 20 percent in the 4Q.

COMPLAINTS

In 2014, Vipnet received several customer complaints, request for report from the Children Ombudsman and complaint from the Ombudsman related to discrimination in the commercial „Zakon tarifa“. All complaints and requests were resolved within given deadlines.

PR7

Also, a legitimate complaint was received in relation to customer data privacy breach. The complaint was related to incorrect data given during the contracting process, and Vipnet resolved the complaint in accordance with advisory of Croatian Personal Data Protection Agency.

PR8

There were no legal procedures related to anti-competitive behavior, anti-trust or monopoly practices and their outcomes.

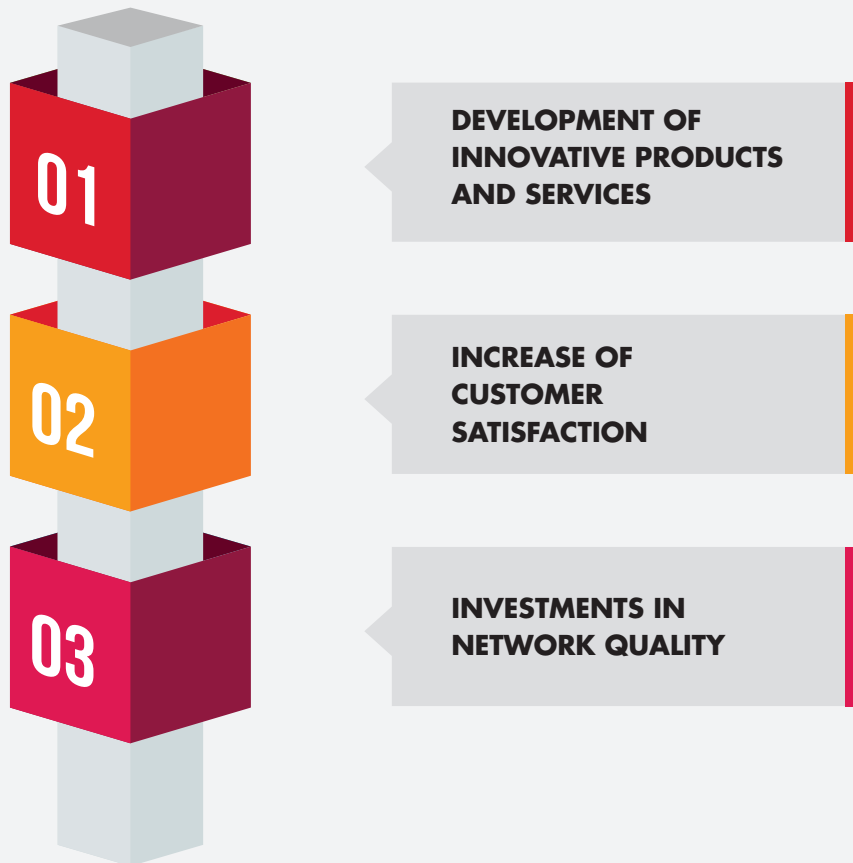
SO7

ANTI-CORRUPTION POLICY

The company conducts anti-corruption policy which is incorporated in internal documents, and all employees undergo anti-corruption training immediately after employment in Vipnet. Anti-corruption policy and processes are given to all business partners, and are actively implemented during cooperation.

SO4

GOALS FOR THE NEXT REPORTING PERIOD



11.

COMMUNITY INVESTMENTS



Vipnet provided noncommercial coverage to several specific customers in Bjelovar-Bilogora, Dubrovnik-Neretva, Krapina-Zagorje and Sisak-Moslavina Counties, with state support for fast development of broadband networks in areas of special state concern, mountain areas and islands.

Provision of data services to customers in these areas is based on three wireless access technologies, which work in four segments of the licensed part of the spectrum. Stated investments are the result of our endeavors to provide highest quality service to specific customers and application of technology, which will provide broadband wireless access to the local community.

We actively supported the local community in efforts to defend and remediate Sava river banks during catastrophic floods in May 2014. In addition to ensuring free use of Vip services in flooded areas, the company invested significant efforts to enable communication and unobstructed functioning of infrastructure, providing communication for the period of rehabilitation and return of the people in this part of Croatia.

Wanting to provide high speed broadband access in rural areas, Vipnet enabled LTE coverage based on licenses for the use of 800MHz radiofrequency spectrum (Digital dividend), which were obtained in 2012 and 2013. Taking into consideration that it is possible to cover significantly larger area in this frequency spectrum, as well as a much lower population density, customers in rural areas have the same conditions and customers living in the cities.

A STEP CLOSER TO CROATIA WITHOUT LANDMINES

Back in 2002, Vipnet joined the program of demining to ensure free and safe movement to all Croatian citizens. Having this goal in mind, the company partnered with Croatian Mine Action Center and started the project titled „Movement.Communication.Life.“ Owing to long term commitment, Vipnet became the largest private donor for demining, with 11 million kuna donated for the cause. Donated funds were used for demining of almost 1.5 million square meters of Croatia.

Two significant donations were given in 2014. Forrest on the right bank of Mrežnica river opposite Dobreniči village was demined in Karlovac County. By demining this area, local population were enabled to use the fields irrigated by Mrežnica, and one of the biggest Croatian counties is now closed to resolving the landmine problem.

More than 486,000 m² of attractive tourist area was demined using the second donation funds. The area includes Dukino vrelo, mountain tracks, climbers' lodging under Štirovec and Tulove grede in Velebit Nature Park. Tulove grede are one of the most attractive areas of Velebit Nature Park, attracting a large number of mountaineers, alpinists and tourists.



UPGRADE OF PUBLIC BEACHES IN SIX TOWNS OF KARLOVAC AND SISAK-MOSLAVINA COUNTIES

Upgrade of public beaches in Duga Resa, Ogulin, Ozalj, Slunj, Sisak and Petrinja was a part of „Do the right thing“ initiative, started on the occasion of Vipnet's 15th birthday. Public beaches were added entertainment content and equipment which will make the swimming season more fun. New equipment and fun contents are Vipnet's donation to these six towns.

Besides upgrading public beaches, great attention was given to conservation of natural harmony and designing of new recreational contents attractive to people of every age. The goal was to contribute and enrich the beautiful river and freshwater public beaches in a way which does not disturb the untouched environment. In the process of designing new contents, the main focus was to ensure that the public beaches become the place for meeting friends, recreation, relaxing, and that they are used for a longer period during the year, taking into consideration the needs of citizens and their habits in using public beaches. The beaches were equipped with beach volleyball and badminton courts, big sails providing shade, wooden sun decks, pontoons for sunbathing in the river or the lake, barbecue parks, playground toys on anti stress pads, trim parks for gymnastics, mini parks with nets for sunbathing water polo goals, bicycle stands, recycling bins for different kinds of waste, changing cabins, benches, etc. The public beaches were upgraded in cooperation with the towns, which carried out preparatory works, such as setting foundations. More than 70 percent of elements installed on these public beaches were produced in Croatia.

HELPING THE PEOPLE ON FLOODED AREAS

Vipnet enabled free communication to all citizens living on flooded areas in Slavonija. All Vip and Tomato customers were enabled free calls and SMS communication towards all networks in Croatia, as well as free data traffic in Croatia. The company also enabled free mobile Facebook to all Vip customers in Croatia, in order to alleviate organizing and sending humanitarian aid to the most vulnerable areas.

CORPORATE VOLUNTEERING

In order to give all employees an opportunity to personally participate in the company's community engagement program, Vipnet started corporate volunteering program titled "Do the right thing" in January 2014, under the motto "Volunteer, Educate, Recycle". Vipnet established partnership with Volunteering centers in Zagreb, Osijek, Split and Rijeka, and besides applying for proposed volunteering activities, employees could propose projects in which they would like to participate, while some departments decide to dedicate their teambuilding to volunteering.

In 2014, almost 200 employees, i.e. almost 20 percent of employees applied for volunteering in different activities, like working with children, cleaning the environment, working with elderly people and participating in IT literacy programs. In total, they dedicated 1,600 hours to volunteering, and some continued to volunteer in NGOs and in projects related to working with children.

For its corporate volunteering program, Vipnet won the esteemed international silver Stevie Award presented by International Business Awards 2014 in the category "Best internal communication program or campaign".

TWO PRESTIGIOUS INTERNATIONAL COMMUNICATION STEVIE AWARDS

In the International Communication Program category, Vipnet received silver Stevie Award for the corporate volunteering program "Do the right thing", while it was awarded bronze Stevie Award in category of Experimental and Innovative Communication for Vip script - application for theatre play subtitle display on mobile devices.

Mobile application Vip script enables overcoming communication barriers, because foreign tourist and people with hearing impairments can enjoy theatre plays with subtitles in English and Croatian language.

Stevie Award is international recognition for achievements and positive contribution of organizations and individuals all over the world. Since its establishment in 2002, Stevie Award became one of the most prestigious business award.

IT LITERACY

In the scope of corporate volunteering project, Vipnet employees participate in activities organized by various NGOs related to IT literacy of elderly people and children, which are conducted in the homes for the elderly and libraries.

UNCAP AND DROP

During 2014, Vipnet employees participated in the project "From plastic caps to expensive medicines", which aims to raise funds from recycled plastic bottle caps and co-finance the purchase of expensive medicines for treating members of the Association of people with leukemia and lymphoma. Special boxes for gathering plastic caps were put in several frequent locations in the company. Even though it was originally planned set the action for several months, employees response was so good that it was decided to state "Uncap and drop" a permanent action in Vipnet.

"SAFE CLICK"

Vipnet participated in the Science Picnic, which attracted a large number of visitors of all generations who were interested in science and "smart fun". Vipnet's interactive workshop "Safe click" enabled children and their parents to learn how to use internet in a safe way. Vipnet's expert for safety applications and expert in fight against on-line criminal gave advice to parents how to protect children from the dangers on the Internet and social networks.

EARTH HOUR

On Saturday, March 19, 2014, Vipnet joined many Croatian cities in the Earth Hour action, and turned off lights for the third year in a row.

Vipnet's building and many Vip stores across the country went dark for one hour. In this way we contributed to raising the level of awareness about climate changes.

Vipnet Earth Hour 2014.



IMPROVING THE LEVEL OF HEALTH CARE

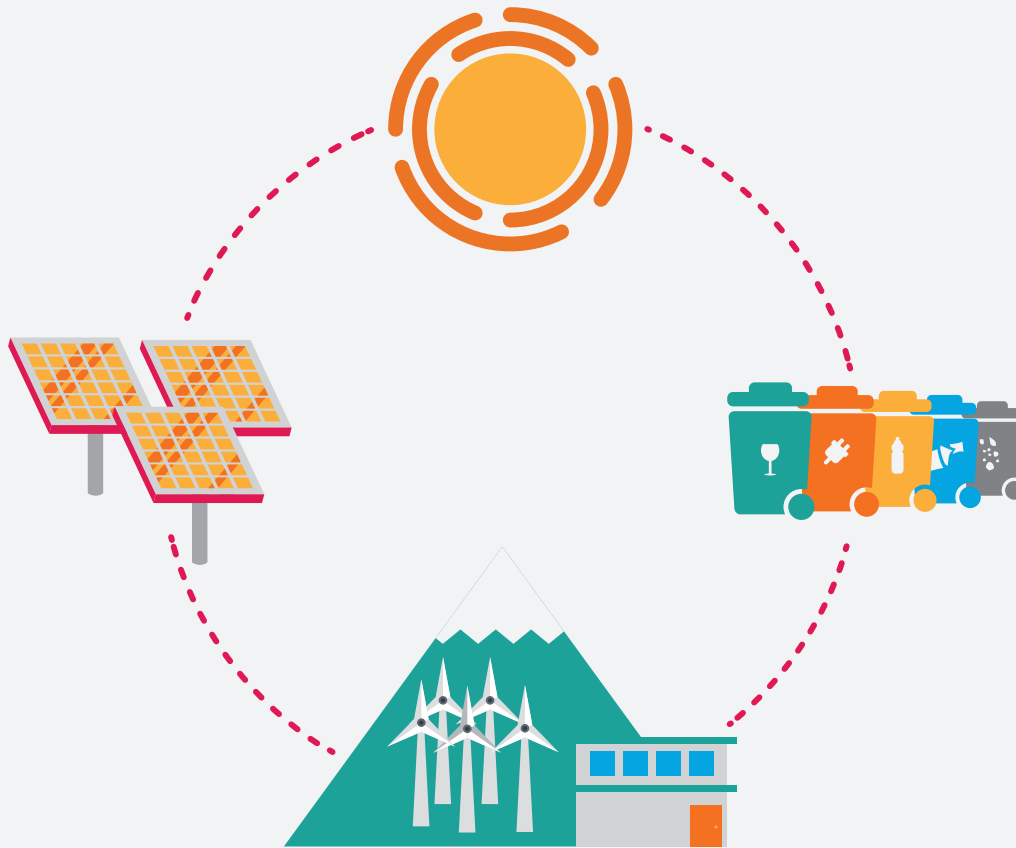
To support the improvement of the level of health care in the City of Zagreb, Vipnet participated in the project of placing lockers with defibrillators on specific locations in the city. Lockers with defibrillators are equipped with a GSM module which establishes connection with the Emergency Center in Zagreb. Vipnet, as the network provider, designed a technical solution which enables the Emergency to immediately find the location of the call.

DONATIONS TO VALUABLE PROJECTS

For the past fifteen years Vipnet has been supporting various projects in the community and actively contributing to the improvement of the quality of life of all members of the society, aiming to increase welfare and generate development of the community in which it operates. In accordance with its corporate policy, Vipnet is guided by specially designed criteria for granting donations, which ensure that the company supports a wide variety of activities useful to the community, thus contributing to education, healthcare, communication, safety of movement and overall quality of life of the people in Croatia.

12.

ENVIRONMENT PROTECTION



Responsible management of energy consumption and creating eco-friendly solutions are in the focus of our efforts to reduce impact of our business operations on the environment. In 2011, Vipnet started implementing hybrid BTS system powered by renewable energy sources and fuel cells. Besides the hybrid system, Vipnet has 47 transmitters and 13 BTSs which use sun and wind energy for production of electricity.

Investments in new technologies and continuous network upgrade due to increased use of mobile broadband surpassed capacities of the hybrid system, so the company looked for a technical solution which would enable production of enough energy from renewable sources. In cooperation with Ericsson Nikola Tesla, Vipnet developed, and, as one of the first companies in the world, implemented the PSI system for additional savings of energy necessary for the base stations. Such a system decreases energy consumption by 40 to 50 percent, owing to decreased number of necessary radio units.

Together with lower energy consumption, we ensured 3G signal coverage for nine locations on the Adriatic, which record significant increase of data traffic during the tourist season.

MOBILE COMMUNICATION AND HEALTH

International Commission on Non-Ionizing Radiation Protection (ICNIRP) adopted guidelines based on official scientific research of the influence of electromagnetic radiation on human health. ICNIRP guidelines are the foundation of valid EU regulations. Directive 1999/519/EC is the official document with limit values of exposure to electromagnetic fields for general population, in the span from 0 Hz to 300 GHz, and it is obligatory for all EU members.

Croatia proscribed much lower values of electromagnetic radiation, and the Regulation on protection against EMF allows only 40 percent of values proscribed in the EU Directive. Allowed maximum strength of base stations is only 16 percent compared to values proscribed by the EU.

Besides complying with regulations, Vipnet implemented the Telekom Austria Group EMF Policy, which ensures that all employees comply with health and safety regulations.

In order to provide mobile devices which are in complete accordance with the regulations in terms of quality and technical specifications, Vipnet cooperates only with world leading manufacturers of such devices.

IO3-6

ENERGY CONSUMPTION

Energy source (MWh)	2013.	2014.	PROMJENA U %
ELEKTRIČNA ENERGIJA	39.428	42.864	9
HEATING FUEL	67	61	-9
STEAM FOR CENTRAL HEATING	3.768	3.323	-12
FUELS	3.743	4.020	7
TOTAL	47.007	50.268	7

Vipnet also produces electricity on its photovoltaic plant in Zagreb, at the same time avoiding CO₂ emissions. In 2014, Vipnet produced 32,881.27 kWh of electricity, and avoided emissions of 25,647.39 kg of CO₂.

EN3,6

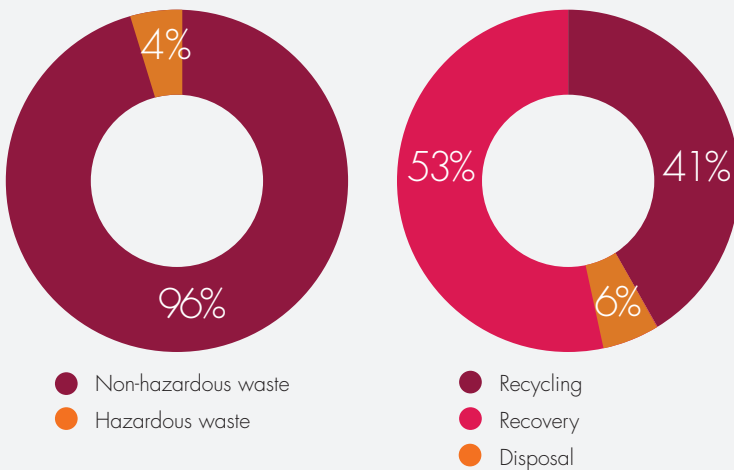
WASTE

We used 72,646.34 kg of different materials in 2014. All packaging of our products and services are made of recycled cardboard, which makes almost 84 percent of the total amount of used materials. The remaining 16 percent of materials used were wood and plastic.

Total amount of waste increased by 32.9 percent caused by acquisition of TV and Internet service providers in 2013 and resulting in more locations and update of telecommunications equipment. In this case, waste was related to base stations, air conditioning devices, batteries, cabinets and antennas. Having in mind that such equipment is upgraded in cycles, the amount of waste increases in certain years.

Acquisition of new companies increased the use of paper in offices for printing bills, and for product packaging by 31 percent in relation to 2013.

Owing to the increase of the total amount of waste, the part which is being recycled and recovered also increased. Therefore, in the same period, the amount of recycled and recovered waste increased by more than 35 percent.



In order to additionally decrease the quantity of waste, Vipnet supports the use of electronic bills, which contributes to decreasing the use of paper. In this reporting period, 31 percent of mobile customers, i.e. 25 percent of all customers, as well as all Vipnet employees, received bills in electronic form.

Vipnet contributes to recycling of used mobile devices by enabling customers to bring their used mobile devices in Vip stores and get discount for the purchase of new ones.

THINKING OF THE FUTURE GENERATIONS



Marking the World Environment Day on June 5, Vipnet set up recycling bins in its campus and in regional offices. Besides direct benefits for the environment, this recycling action was a good training for making waste separation a habit. We encourage "green" way of thinking in order to leave a green world to next generations.

GOALS FOR THE NEXT REPORTING PERIOD

GOALS 2014 - 2020	LEVEL OF ACCOMPLISHMENT
Decrease of CO2 emissions by 30 percent until 2020	✓ CO2 emission decreased by 23 percent
Increase of share of renewable energy to 70 percent until 2020	✓ Share of renewable energy increased by 16 percent in 2014
Increase of energy efficiency by 20 percent until the end of 2015	✓ Accomplished
Increase of the recycling rate by 10 percent until the end of 2015	✓ Accomplished
Decrease of the use of paper by 10 percent until the end of 2015	✓ Accomplished
Additional increase of the use of energy from renewable sources for internal use until the end of 2015	✓ Partially accomplished

13.

ANNEX - COMPARISON OF OTHER DATA WITH PREVIOUS REPORTING PERIOD

VIPNET IN NUMBERS	2012.	2013.	2014.
TOTAL NUMBER OF EMPLOYEES	1.163	1.138	1.219
SHARE OF WOMEN IN THE COMPANY	42 %	39 %	41%
SHARE OF MEN IN THE COMPANY	58 %	61%	59%
NO. OF FULL-TIME EMPLOYEES	1.114	1.096	1.164
NO. OF PART-TIME EMPLOYEES	49	42	55

NUMBER OF EMPLOYEES BY REGION	2012.	2013.	2014.
ZAGREB	965	937	999
SPLIT	95	96	107
OSIJEK	48	47	53
RIJEKA	55	58	60
UKUPNO	1.163	1.138	1.219

TABLE OF INDICATORS

14.

G4 INDICATOR	PAGE	UN GLOBAL COMPACT PRINCIPLE
G4-1 Statement from the most senior decision-maker of the organization		Statement of permanent support
G4-2 Description of key impacts, risks and opportunities		
G4-3-8 Organization profile		
G4-9 Scale of the organization		
G4-10 Total number of employees by employment contract and gender, no. of permanent employees by employment type and gender, no. of employees and supervised workers by gender, workforce by region and gender, variations in employment		Principle no. 6
G4-11 Percentage of total employees covered by collective bargaining agreements		Principle no. 3
G4-12 Description of the organizations' supply chain		
G4-13 Significant changes regarding organizations size, structure, ownership or its supply chain		
G4-14 Application of the precautionary approach		Principle no. 7
G4-15 Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses		Principle no. 1
G4-16 Memberships of associations and national or international advocacy organizations		
G4-17 Entities included in the organization's consolidated financial statements or equivalent documents		

G4 INDICATOR	PAGE	UN GLOBAL COMPACT PRINCIPLE
G4-18 Process for defining the report content and Aspect Boundaries; how the organization has implemented the reporting principles for defining report content		
G4-19 Material aspects identified in the process of defining report content		
G4-20-21 Aspect boundaries within and outside the organization		
G4-22 Effect of any restatements of information provided in previous reports, and reasons for restatements		
G4-23 Significant changes from previous reporting periods in the scope and aspect boundaries		
G4-24 List of stakeholder groups engaged by the organization		
G4-25 Basis for identification and selection of stakeholders with whom to engage		
G4-26 Organization's approach to stakeholder engagement		
G4-27 Key topics and concerns raised through stakeholder engagement		Principle no. 1, principle no. 6, principle no. 10
G4-27-31 Report profile		
G4-32 Report the "in accordance" option the organization has chosen and GRI content index		
G4-33 Policy and current practice with regard to seeking external assurance for the report		
G4-34 Governance structure of the organization		
G4-56 Organization's values, principles, standards and norms of behavior		
EC 1 Direct economic value generated and distributed		

G4 INDICATOR	PAGE	UN GLOBAL COMPACT PRINCIPLE
EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change		Principle no. 7 and principle no. 9
EC5 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation		Principle no. 1
EC7 Development and impact of infrastructure investments and services supported		
EC9 Proportion of spending on local suppliers at significant locations of operation		
EN1 Materials used by weight or volume		Principle no. 8
EN3 Energy consumption within the organization		Principle no. 8
EN6 Reduction of energy consumption		Principle no. 8 and principle no. 9
EN23 Total weight of waste by type and disposal method		Principle no. 8
EN32 Percentage of new suppliers that were screened using environmental criteria		Principle no. 8
LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region		Principle no. 6
LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation		Principle no. 6
LA3 Return to work and retention rates after parental leave, by gender		Principle no. 6
LA4 Minimum notice period regarding operational changes, including whether these are specified in collective agreements		
LA5 Percentage of total workforce presented in formal joint management-worker health and safety committees		Principle no. 6
A6 Type of injury and rates of injury occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and gender		Principle no. 6

G4 INDICATOR	PAGE	UN GLOBAL COMPACT PRINCIPLE
LA9 Average hours of training per year per employee by gender, and by employee category		
LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in career endings		
LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category		Principle no. 6
LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation		Principle no. 6
LA14 Percentage of new suppliers that were screened using labor practices criteria		Principle no. 2
LA15 Significant actual and potential negative impacts for labor practices in the supply chain and actions taken		Principle no. 2
HR3 Total number of incidents of discrimination and corrective actions taken		Principle no. 1 and principle no. 6
HR5 Operations and suppliers identified as having significant risk of incidents of child labor, and measures taken to contribute to the effective abolition of child labor		Principle no. 2 and principle no. 5
HR6 Operations and suppliers identifies as having significant risk for incidents or forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor		Principle no. 2 and principle no. 4
SO4 Communication and training on anti-corruption policies and procedures		Principle no. 10
SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		
PR5 Results of surveys measuring customer satisfaction		

G4 INDICATOR	PAGE	UN GLOBAL COMPACT PRINCIPLE
PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes		
PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		
IO3 Practices to ensure health and safety of field personnel involved in the installation, operation and maintenance of masts, base stations, laying cables and other outside plant. Related health and safety issues include working at heights, electric shock, exposure to EMF and radio frequency fields, and exposure to hazardous chemicals.		
IO4 Compliance with ICNIRP (International Commission on Non-Ionizing Radiation protection) standards on exposure to radiofrequency (RF) emissions from handsets.		
IO5 Compliance with ICNIRP (International Commission on Non-Ionizing Radiation protection) guidelines on exposure to radiofrequency (RF) emissions from base stations.		
IO6 Policies and practices with respect to Specific Absorption Rate (SAR) of handsets.		
TA2 Examples of telecommunication products, services and applications that have the potential to replace physical objects		

G4.32

15.

GENERAL INFORMATION

GENERAL INFORMATION	CONTACT PERSON
Vipnet d.o.o. Vrtni put 1 10 000 Zagreb	Iva Skorin Korporativne komunikacije Vrtni put 1 10000 Zagreb

REPORTING PERIOD	REPORTING CYCLE	IN-ACCORDANCE OPTION
January 1 - December 31, 2014	Annual, last report issued in December 2014	Core

POLICY AND PRACTICE WITH REGARD TO EXTERNAL ASSURANCE

Being part of Telekom Austria Group, Vipnet compiles data for the Group Sustainability Report, issued on the annual level. Telekom Austria Group report is verified by Deloitte Audit Wirtschaftsprüfungs GmbH.

G4.28-33