TELEKOM ROMANIA
STAYING CONNECTED TO SUSTAINABILITY.
SHARING OUR PERFORMANCE

2016 Corporate Responsibility Report

EXPERIENȚE ÎMPREUNĂ.

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Miroslav Majoroš
Chief Executive Officer, Telekom Romania

CEO INTRODUCTION

THE RIGHT WAY TO GROW

As a major player on the telecom market, one of our key commitments is to help Romania on its path to forming a knowledge-based society, in which companies and communities exchange information and build their capabilities based on it.

Our approach to the role we play in the society is thus reflected through our motto Experiente împreună (Life is for Sharing). We believe that everyone in Romania should experience the benefits of a knowledge-based society, to tap into the life-enhancing opportunities brought to us through new technologies. We are proud to have encouraged more people to participate in Romania's transition to digital, which is reflected in the growing number of media-literate customers. It is through being connected that people can build stronger partnerships and communities. That is how we grow - not separately, but together.

Hence, we invest in infrastructure that ensures long-term development of the economy as well as in solutions for smart cities where technology, administration and citizens form an effective ecosystem. A successful such project is the first integrated Smart City pilot-project in one of the main parks in Bucharest which combines four components on an Internet of Things platform. This sample-like vision of the city of the future serves as a great inspiration of how technology can be used to impact entire communities in Romania in positive ways.

Our significant investment in the development of advanced networks, 3/4G for mobile and FFTx for fixed landline services, demonstrates our contribution to connecting the unconnected. This enabled significant improvements in the provided speeds and also access to new technologies, thus offering a better experience to the customers. We are also supporting RoNet project, which provides the infrastructure for connecting remote areas to the Internet.

Including more people in a growing economy also means helping those who struggle to participate in its benefits. In 2016 we invested 433,384 EUR in social projects helping 351,358 beneficiaries, and facilitated the collection almost 300,000 EUR through our donation lines. Through the work of our Telekom Romania Foundation we help individuals and communities from disadvantaged backgrounds who had been struck by personal tragedies.

As a business operating on a highly competitive market, we share Romania's appetite for growth and we want to grow together. But we also recognize that we can only grow together in a safe and well-preserved environment. In 2016 we registered a 12% decrease in our CO_2 emissions and a 5% decrease in overall electricity consumption as compared to 2015. We are further challenged to reach the goal set out at DT Group level of reaching a 20% carbon footprint reduction by 2020.

If we are to achieve all the ambitious goals defined in our CR strategy, we must have strong foundations and agile systems in place. Grounded in a culture of ethics, we must build our strength through conducting our business operations responsibly, safeguarding our compliance processes and managing social and environmental risks in our supply chain.

In order to embed sustainability into our operations, we follow through our commitments to create more efficiencies that reduce our impact on the environment, but also address any social concerns related to ITC technologies. These include data privacy and safe use of the internet but also the need to measure the impact of electromagnetic fields. Recognizing the ever-changing nature of our products and services we are continuously monitoring their impact and developing new ways of making sure they are safe and sustainable.

Knowing exactly where we currently stand is the first step to going forward. Telekom Romania is on the way to transforming its business into a sustainable business model. Reaffirming our commitment to the 10 principles of UN Global Compact on human rights, labor, environment and anti-corruption and the 17 Sustainable Development Goals, we continue to implement our CR strategy and measure our progress.

Our CR Report 2016, which stands as our second Communication on Progress for UN Global Compact (COP), demonstrates that we are committed to keep the Global Compact and its principles as part of the strategy, culture and day-to-day operations of our company. Telekom Romania will continue to promote this commitment to our stakeholders and the general public.

We have undergone transformative changes at Telekom Romania in the last couple of years. And, without a doubt, we have to continue our transformation program. These changes, supported by a growth mindset, will help us tackle the ever-changing market challenges and return to a healthy business model.

Going forward, we want to continue being a fair and supportive employer and focus on building a sense of mutual trust. We want to encourage an open dialogue and spark conversations that lead to new, innovative solutions. This cannot be possible without our people feeling welcome in their teams and supported by the organization in their own development. Hence we are opening new internal communication channels and investing in training opportunities that will help our employees excel.

Our next challenge focuses around enhancing the Telekom Romania customer experience across all touch points. Currently the Romanian telecom market is mostly defined by price-driven competition, but positive changes are starting to to take place and we want to be at the forefront of the transition to a much more customer-centric approach. Our key objective is to become a simple, personal and digital business for our customers. To fulfill this promise we must become a more agile company and further improve our business performance.

The future also brings transformation in broader terms as we acknowledge the need to adjust our business model to new requirements of a circular economy. We are making our first steps in that direction by raising awareness - both internally and externally - of product life-cycles and the possibilities for regeneration.

However, we must learn to walk before we can run and measure our steps carefully. No significant change has ever started from a place of complacency. That is why, I am proud to present to you our 2016 Corporate Responsibility report which outlines our achievements so far and defines the road ahead.

1. SETTING THE SCENE

What is the vision and mission of the company?
What are the key financial & nonfinancial data of the company?

→

What are the main products and services offered by Telekom Romania?
How are the business model and the value chain organised?

→

What are the main challenges of the market?
What is the market position of Telekom Romania?

→

Making people's lives easier and enriching them in the long term is the very essence of what we do. We continuously work to further consolidate our status as leading integrated service operator on the
Romanian market, facilitator of digitalization across all societal and business spheres all whilst putting our customers and customer experience at the forefront.

Our current focus is on operational improvements that will help us secure our position in a highly demanding environment. The main challenge presented by the telecom industry in Romania is to maintain high quality services and customer care standards in a market still predominantly driven by price, with low margins and a very aggressive competitive environment.

But Romania is also an interesting market, undergoing positive changes, which constitute new, exciting opportunities for technological growth. We are committed to bringing our contribution to the sustainable development of Romanian economy and society, especially by supporting its digital journey. We believe that we can deliver on these promises better with a more sustainable business model.

1.1 TELEKOM ROMANIA IN NUMBERS

G4-8

WHAT ARE THE KEY FINANCIAL & NONFINANCIAL DATA TO PRESENT THE COMPANY?

Telekom Romania (G4-3) is one of the largest telecommunications companies in Romania in terms of revenues and a leading player on the convergent fixed-mobile services segment. Our operations are managed from several hundred offices, technical spaces and stores all over the country, with the headquarters in Bucharest (G4-5).

G4-3, G4-5

KEY FIGURES

PEOPLE	PLANET	PROFIT

G4-9

Number of employees	Electricity consumed (GWh)	Revenue (million EUR)
6,084	**205.27**	**984.7***
6,368 (2015)	215.08 (2015)	1,040.2 (2015)
6,490 (2014)	218.89 (2014)	1,048.5 (2014)

Work-related fatal injuries	Managed waste (t)	Pro Forma EBITDA (million EUR)
0	**3,255.98**	**175.2****
0 (2015)	3,255.98 (2015)	205.5 (2015)
0 (2014)	7,541.31 (2014)	252.9 (2014)

People supported	CO2 emissions (Scope 1[2]) (t)	Number of services (million)
351,358[1]	**13,626.17**	**10.09**
406,428 (2015)	14,077 (2015)	10.35 (2015)
412,950 (2014)	14,626.1 (2014)	10.68 (2014)

MARKET

COVERAGE

97.43% urban population 4G population coverage
8,100 localities 3G population coverage
Over 99% GSM/GPRS population coverage
Over 90% GSM/GPRS geographic coverage

SUBSCRIBERS

1.18 million broadband
(fixed and mobile) subscribers
5.3 million mobile subscribers
1.46 million TV subscribers
2.15 million voice (fixed and mobile) users
2 million households fiber optics coverage

[1] Through sponsorship projects (estimated figure from partners reporting)
[2] Scope 1 emissions – direct CO2 emissions from operations fuel consumption and company owned vehicles
*Revenues consolidated
**EBITDA adjusted

1.2 WHO WE ARE

Telekom Romania is present on the Romanian market since 2014 when two major telecommunications operators Telekom Romania Communications (formerly Romtelecom) and Telekom Romania Mobile Communications (formerly COSMOTE Romania) officially joined forces, under a new and dynamic telecommunications brand. Today, under one umbrella company, we offer complete, innovative and customized mobile and fixed communication services to a broad customer base, using approximately 10 million services.

Ownership Telekom Romania Communications S.A
Ministry of Communication and Information Society 45.99%
OTE International: 54.01%
Ownership Telekom Romania Mobile Communications S.A.
Cosmote Mobile Communications S.A. - 70%
Telekom Romania Communication S.A. - 30%

Telekom Romania is part OTE Group and part of the Deutsche Telekom Group.

G4-6

G4-7

OTE Group is the largest telecommunications provider on the Greek market and one of the leading telecom groups in Southeast Europe with presence in Greece, Romania and Albania. OTE is among the largest listed on the Athens Stock Exchange and offers a full range of telecommunications services: from fixed-line and mobile telephony, broadband services, to paid TV and ICT solutions. In addition to its core telecommunications activities, OTE is also active in maritime communications, real-estate and professional training. More information on OTE Investor Relations section.

Deutsche Telekom, one of the world's leading integrated tele-communications companies with approx. 165 million mobile customers, 29 million fixed-network lines and more than 19 million broadband lines (as of December 31, 2016). Deutsche Telekom is present in more than 50 countries and hires around 218,300 employees worldwide More informa-tion on DT Investor Relations section.

G4-4

UNIQUE OFFER

The combination of investments in our network and commer-cial presence via innovative solutions on both the residential and business segments are expected to improve the com-pany's market position over time. Our new bundled offers delivered under one brand are a significant differentiator on the market.

How do these bundled offers look like?
- Everything in ONE place for all fixed and mobile commu-nication needs: One Stop Shop, one Call Center, one bill, one MyAccount (including one mobile app);
- 10 seconds average waiting time in the call centre for customers of integrated fixed & mobile services;
- Entertainment and exclusive content on all screens (TV, tablets, laptops, smartphones).

TELEKOM ROMANIA OPERATIONS VALUE CHAIN

For the business segment, this concept reinforces our "One Stop Shop" philosophy, which translates into more simplicity and convenience through a single contact point for all the communication needs, covering the needs of all types of companies. We have launched the first true convergent fixed, mobile and cloud bundle on the market including 1 TB of secure storage space (ISO Certified) and access to the online version of Microsoft Office for all FMC business customers.

MOBILE OFFERS

In September 2016 we introduced a new offer of our integrated fixed and mobile bundles for residential segment. The Dad-hero is an innovative marketing campaign for family entertainment and communication. The campaign, labelled #1Dad, promoted our new data 4G bonus, 36 GB for the entire contractual period, 1.5 GB / month. It started with Surf M / Talk L / Surf L / Complete XL / Complete XXL and, in January 2017, was extended to Talk S and Talk M rate plans.

In the prepaid segment, we noticed that data users quickly adopted the GigaWeekend offer first launched in 2015, with an additional bonus of 1 GB of data traffic at their disposal. Since the GigaWeekend bonus enjoyed a 72% repurchase rate we decided to re-launch the offer over in Q3 of 2016 with 1GB data traffic bonus per week. In the B2C postpaid segment we continued to offer a simple, straightforward product portfolio positioned at different price points between 8.95 and 49.95 Euros and addressing various communication needs.

TV SERVICES FOR ALL SCREENS

We offer the highest number of HD channels with exclusive football content (UEFA Champions League, UEFA Europe League) as well as the highest number of OTT channels (up to 115) available in Romania. Our Interactive Television (IPTV) offers the most competitive TV experience on the market through interactive features such as Catch-up TV, Cloud recordings, Video on Demand, Pause Live TV and Startover TV.

LEADING POSITION ON THE FIXED B2B SEGMENT

We maintained our leading position in Managed Virtual Private Networks, Fixed Internet and Cloud IaaS in the B2B segment, with a 3.7% increase in revenue. The migration of ISDN services to IMS SIP Trunk modern technology continued throughout 2016, offering premium customer service level agreement. Moreover, we extended the number of installed access points (AP) for Managed WiFi product dedicated to B2B, which offers wireless routers, smart gateways and access points. At the same time we focused on selling several cloud services, including Smart Office, Unified Communication, Smart Bill and Smart POS.

In addition, the Smart City solutions project piloted in Bucharest contributed to the presence of Telekom Romania in all areas of operating ICT solutions.

LEADING THE MARKET & SETTING NEW TECHNOLOGY STANDARDS - KEY 2016 ACHIEVEMENTS

- 4G coverage at 97.43% of urban population following national roaming contract;
- Enhanced 4G experience with renewed mobile B2B portfolio with attractive benefits;
- Strong Fixed-Mobile Convergence growth, due to combination of mobile and fixed strengths;
- Consolidation of the market position as turn-key IT&C solutions provider, leading position on the business fixed segment and for VPN respectively and significant growth in premium Internet;
- Focus on highly innovative IoT and Smart City solutions, in line with Deutsche Telekom vision (Smart City project piloted in Bucharest, integrating 4 components on an IoT platform);
- Digitalization of schools: several smart education services were introduced (interactive board, virtual reality learning and electronic catalogue).

1.3 ROMANIA IN A DIGITAL ERA

The ICT sector can contribute immensely to a country's national GDP, acting as an enabler, can result in improved market competitiveness of products and services. This can have a positive impact on governance and other sectors of the economy, effectively assisting international economic integration, improving living standards and narrowing the digital divide that alienates the unconnected communities. These socioeconomic mechanisms visibly apply to Romania. Between 2010 and 2015, the Romanian ICT sector grew with almost 45%, its contribution to Romania GDP increased from 3.4% in 2011 to 6.7% in 2015. (Source)

ROMANIA MACROECONOMIC INDICATORS

	2011	2012	2013	2014	2015	2016	
GDP growth	2.3	0.6	3.5	3.0	3.7	4.8	↗
ICT sector growth	4.4	-9.1	24.5	9.4	11.7	13.1	↗
ICT contribution to GDP	3.4	4.5	4.9	5.1	6.7	7.2	↗
ICT influence on GDP growth	0.1	-0.3	1.0	0.5	0.8	1	↗

Source

Romania is the no. 1 country in Europe and no. 3 in the world with download speed of fixed broadband at 72.15Mbps.
9 out of the top 15 cities in the world in fastest internet speeds are in Romania.

Romania faced two main connectivity challenges in 2016. Firstly, it needed to improve the coverage of fixed broadband networks reaching only 89% of households, significantly below the EU average (98%). Secondly, to increase the number of broadband subscribers: only 63% of households subscribed to fixed broadband (EU average is 74%) and 71 subscribers per 100 people subscribe to mobile broadband (EU average is 84), limiting Romania's ability to exploit the benefits of the digital economy. (Source)

At the end of 2016, Telekom Romania customers were benefiting from increased coverage of 4G services of 97.43% in urban population. The number of areas in which we are offering 3G services reached over 8,100. On the fixed segment, our fibre (FTTx) coverage increased to 2.1 million households' footprint. Customers opting for this technology benefit of speeds of up to 1 Gbps for broadband and of interactive television (IPTV) services.

Currently the Romanian telecom market is mostly defined by price-driven competition, but positive signals from the economy, including recovering private consumption, rising wages and low inflation levels, are leading to a gradual move towards more qualitative solutions. Competition based exclusively on tariffs with 2 large fixed line operators, 3 mobile operators and 1028 small ISP with their own infrastructure, is gradually slowing down. Market players are re-focusing to providing increasing broadband access speeds, offering exclusive content or introducing fixed-mobile convergent FMC bundles. (Source)

The entire market of both broadband and TV grew significantly in 2016. All relevant players have their own extensive infrastructure with a focus on network development, with FTTH/B being by far the largest fixed broadband technology. Romania's urban fiber coverage has currently exceeded 80%. The TV market is almost saturated in terms of customers (95% penetration), but growth is possible through services such as relevant content packaging and the right technology mix. Telekom Romania's strategy is to focus on convergent packages, TV content with exclusivities on all screens and the experience of 3/4G coverage for mobile services. (Source)

The mobile market is saturated and operators had to deepen their relationship with existing customers to maximize monetization opportunities. Since the T brand launch in September 2014 and until the end of December 2016, Telekom Romania gained 370,000 fixed-mobile convergent customers.

Network improvements: increased infrastructure investments made by Romanian telecom operators;

Growing consumer appetites: increased mobile data and smart devices usage;

High-spec areas of technological innovation: top speed mobile internet, IoT solutions, machine to machine services (M2M) and cloud computing;

Convergence of services: bundles including mobile, fixed and TV services in one package gaining more and more ground;

Price-driven market: demand for digital remained uneven and deeply heterogeneous, defined largely by price sensitivity rather than practical or utilitarian criteria.

"Telecommunications is a competitive environment, where changes are happening fast, customers are demanding and every day is a race against time and surpassing your yesterday's performance. We are delivering what the customers want in terms of technology, handsets and communications packages, all taking into account in close cooperation with our partners the life cycle of the products and the sustainability footprint derived from the current technology."

Roxana Baias, Marketing Director Romania

COMPETITOR LANDSCAPE

In the fixed line of business Telekom is competing with RDS&RCS and UPC Romania, both companies having large optical-fiber networks extending over significant portions of the country. Our main competitors in the mobile segment are Orange and Vodafone, with great national coverage of LTE networks and fast speed access.

To differentiate ourselves in a price driver market we adopted a new vision and a strategy built around offering great value for our customers. We do this by bringing more benefits and competitive and simplified services, along with providing great customer experience across all touch points.
More information you may find in the chapter #4 "How do we take care of costumer experience & safety".

We focused on TV content with the aim to offer access to the best content - football, quality movies and documentaries, entertainment. Our recent investments in top quality TV content amounted to tens of millions of euros, enabling Telekom to consolidate its position on this segment and set the highest standards in the market of TV and entertainment services. Furthermore we took steps in improving our IPTV platform that will become live next year. This is a major stepping-stone to providing unique experience to our TV customers on all screens.

Staying in the product zone is of the essence this is why convergence remains important to us. We reported over 370,000 fixed-mobile convergent service customers at the end of 2016. We maintain a unique proposition on the market and this is something we should continue to build upon. Further improving our fixed-mobile convergent portfolio, by offering customers simplicity, convenience, value for money and services tailored for their specific needs, for both families and businesses is certainly something that gives us a jolt in the market.

Understanding the changing Romanian consumer enables us to map in-depth profiles, which inform us about specific needs. This in turn helps us tailor the best-fitting bundles and services. Throughout 2016, we have intensified this approach towards our integrated services customers, but also extended it to our mobile customers, offering customized retention and renewal offers.

Our activities with respect to network development are primarily driven by the needs of our customers, which are continuously evolving along with the growing number of mobile devices, games, high-resolution videos, cloud services etc. The dynamics of today's society dictate the need of secured access to the digital world whilst on the move, at work or at home, with optimal speed and quality.

To fulfil these needs we need to ensure that our network has to be widely accessible, safe and reliable. Optical fibre was a key priority for us our focus remained on further increasing the penetration of this technology in the already covered regions. The fiber optics coverage increased to 2.1 million households' footprint at the end of 2016, from almost 2 million households in Q3, thus exceeding the company's target for the year.

1.4 NEW BUSINESS MODEL: INTEGRATING RESPONSIBILITY INTO OPERATIONS

We are integrating principles of responsible operation in our management practices, in order to ensure that they are being taken into consideration in our daily operations. We developed a business process model based on eTOM (enhanced Telecom Operations Map) and implemented integrated management systems in the areas of quality, environment, health and safety, information security, business continuity, service management, risk management and compliance.

Our management systems, co-ordinated by the Process Management Romania Department and externally certified, are harmonized with Telekom Romania's strategic objectives. They support our goals through building simple, reliable, efficient processes, designed in partnership with internal customers in an objective, transparent and honest way. This leads to an efficient evaluation of risks and provides innovative solutions through a unitary model, enabling performance and encouraging change while maintaining control and functionality of our E2E Processes. We're constantly working to improve our performance and every year we run an in-depth SWOT analysis as well as external and internal audits for each of the systems to identify our strengths and weaknesses. As of May 2015 we have officially adhered to the 10 principles of UN Global Compact and joined the Global Compact Network in Romania. Since then we have been gradually implementing the UN Global Compact Principles in our operations and in our compliance system, ensuring that our activity is in line with the principles internally and externally.
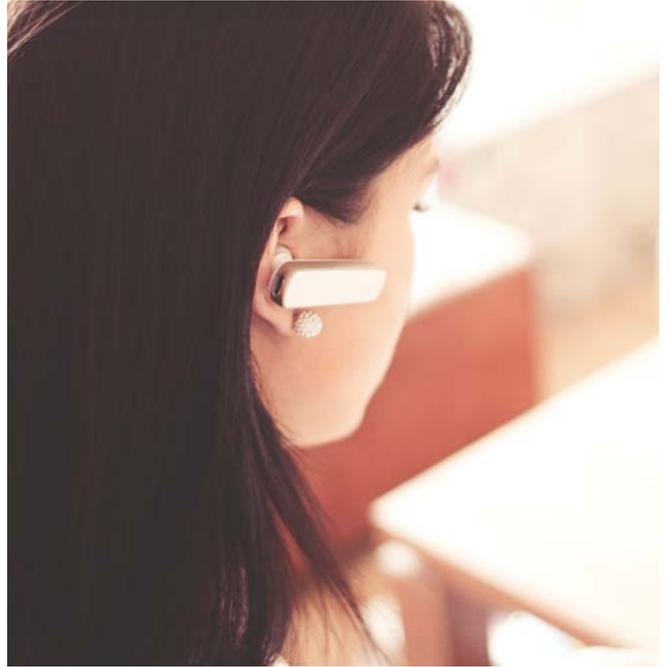
INCREASE CUSTOMER SATISFACTION

Quality Management System based on ISO 9001
Certified by TUV Hellas | 2014/2015*

MANAGE AND REDUCE ENVIRONMENTAL IMPACT

Environmental Management System based on ISO 14001
Certified by TUV Hellas | 2014/2015*

ENSURE A SAFE AND HEALTHY WORK ENVIRONMENT

Health & Safety Management System based on OHSAS 18001
Certified by TUV Hellas | 2014/2015*

PROTECT PERSONAL PRIVACY

Information Security Management System based on ISO 27001
Certified by TUV Hellas | 2014/2016*

ENSURE BUSINESS CONTINUITY

Business Continuity Management System based on ISO 22301
Certified by TUV Hellas | 2014*

IDENTIFY AND PREVENT RISKS

Risk Management System (ISO 31000)
Attested in 2016*

COMPLIANCE IS THE FOUNDATION OF OUR BUSINESS

Compliance Management System and Antitrust System based on German Auditing Standard IDW PS 980
Certified 2013 | 2014**

*current certification for fixed-mobile integrated operations
**only fixed operations

KEY PARTNERSHIPS

For us, stakeholder engagement is not a one-off process, but it is continuous. We have developed long standing partnerships with various stakeholder groups, including NGOs, local communities, suppliers and business sector. We see this approach as our standing contribution.

UN Global Compact
Partner since 2015
Position: Member in the Steering Committee
Thematic area: Human Rights, Labour, Environment, Anticorruption

International Telecommunication Unit
Partner since 2015
Position: Member of board of directors
Thematic area: Sustainability, Technical Standards, Radio Spectrum, Satellite Communication

Romanian Advertising Council
Partner since 2015
Position: Member
Thematic area: Advertising self-regulation, Copyrights

The American Chamber of Commerce in Romania
Partner since 2010
Position: Member
Thematic area: Advocacy and business growth professional association

German-Romanian Chamber of Commerce
Partner since 2011
Position: Member
Thematic area: Advocacy and business growth professional association

Forum Investment Council
Partner since 2010
Position: Member
Thematic area: Advocacy and business development climate

Association of Mobile Operators in Romania
Partner since 2008
Position: Founding member
Thematic area: ICT regulation, Consumer information, Responsible operations on internet, Responsible competition

Association of Romanian Telecommunication Operators
Partner since 2010
Position: Member
Thematic area: Telecommunication regulatory framework development

Transparency International Romania
Partner since 2014
Position: Member
Thematic area: Anticorruption practices

2. OUR STRATEGIC PATH

What are the business goals?
What is our purpose, what are the main impacts?

→

What are the SDG's that we contribute to in Romania?

→

What are our strategic goals concerning sustainability?
What is our progress?

→

Through collaboration and continuous innovation, we aim to become the top convergent provider and the enabler of digitalization, and the customer experience creator and the telecom employer of choice.To achieve this, we are investing in infrastructure that ensures long-term development for the economy, as well as cutting edge solutions that will build smart cities of the future. In our view, technology, administration and citizens are part of a single, effective ecosystem.

We could not see this vision through without setting out clear principles that guide our business practices and encourage a positive approach amongst all our employees. This is further reinforced and inspired by UN Sustainable Development Goals (SDGs) that we accepted as an external motivator that will challenge us into thinking globally.

Our business strategy aims to integrate business with sustainability.

2.1 OUR BUSINESS STRATEGY

If we are to secure a sustainable position in all market segments and geographical areas, we will need to capture fixed-mobile synergies across the value chain (fixed-mobile integrated offers for all types of customers) and deliver customer excellence, with a highly efficient and focused operating model.
Commercial premiers (unique innovative offers for our customers), customer excellence focus, all-in-one philosophy, significant investment in technology and infrastructure are some of the major outcomes of our strategy based on innovation and technological leadership.

In 2016 we have achieved strong results within three key areas:

BUILDING AN INTEGRATED OPERATOR

This is reflected by the success of our integrated offers with the number of subscribers more than doubling during 2016 and reaching 370,000.

LEADING IN TECH

We continued to invest in cutting edge technologies, with a focus on expanding our 4G and fibre optics (FTTx) networks, which resulted in over 2 million households covered by the FTTx network.

TRANSFORMING THE OPERATING MODEL

Building towards a one-stop-shop for all fixed and mobile communication needs: one Call Center, one Bill, one MyAccount, one mobile app and one click payment.

EVOLUTION OF COMMERCIAL INDICATORS

The table below illustrates the evolution of Telekom Romania's commercial indicators. The numbers are in millions.

in million euro	2014	2015	2016	
Voice services reported by fixed company	2.18	2.17	2.15	⬂
Mobile customers base	5.95	5.75	5.3	⬂
TV Services	1.41	1.45	1.46	⬈
Broadband services reported by fixed company	1.23	1.20	1.18	⬂

OUR FINANCIAL PERFORMANCE
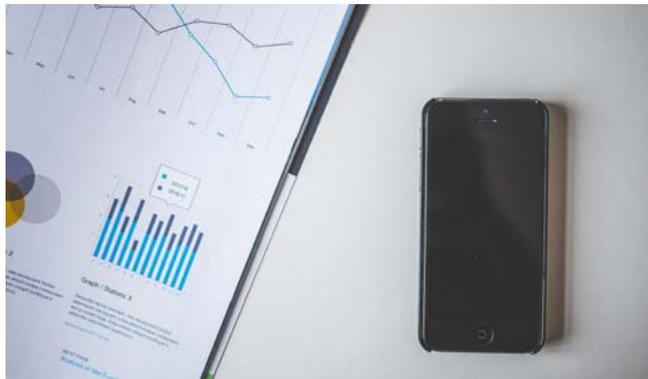
The key indicator we measure our financial performance against is stability. Our 2016 results show stable revenues, with smaller EBITDA, but positive performance on integrated fixed-mobile bundles segment, TV and wholesale (as reported by OTE Group).

ECONOMIC VALUE GENERATED AND DISTRIBUTED

TELEKOM ROMANIA

in million EUR	2014	2015	2016	
Total revenues	1,048.5	1,040.2	984.7	↘
Pro forma EBITDA	265.5	205.5	175.2	↘
Taxes and contributions*	174.2	147.0	121.0	↘

*Total taxes paid at national level, except penalties which are reported separately

G4-EC1,G4-DMA Economic performance

FIXED OPERATIONS

In a very competitive market, the financial results reported by Telekom Romania Communications for 2016 rose 0.14% yoy to EUR 602.5 million. Key areas such as TV and integrated offers continued to generate growth for the company. For the entire year 2016, adjusted EBITDA was EUR 93.5mln compared to EUR 118.4mln in 2015, down by 21%, as positive results reported for Q3 2016 could not compensate the value reported at 12 months.

Operating Expenses, excluding depreciation, amortization, charges related to voluntary retirement programs and restructuring, as well as RONET costs, increased by 3.96% for entire 2016 compared to previous year, following higher direct costs related to customers, but also higher indirect costs, mainly in the area of network rent and customer care. The convergent services generated 64% increase in revenues in Q4 2016 compared to Q4 2014, with corresponding increase in the number of FMC customers, which reached over 370,000.

MOBILE OPERATIONS

Telekom Romania Mobile Communications registered a total revenue of EUR 457.1mln at the end of 2016, up by 4.2% compared to the corresponding period last year. In Q4 2016, compared to Q4 2015, Telekom Romania Mobile's total customer base decreased by 7.1%, to 5.3 million, out of which 30.5% are post-paid customers.

The total number of business customers grew by 6.3% compared to Q4 2015, reflecting the company's targeted offers for professional users and synergies created following its rebranding, together with Telekom Romania Communications, under the Telekom Romania brand.

Effective management of costs led to increase of 1.7% in Adjusted EBITDA in Q4 2016, against Q4 2015, to EUR 17.7mln.

FIXED OPERATIONS

in million EUR	2014	2015	2016	
Total revenues	609.1	601.7	602.5	↗
Pro forma EBITDA	159.9	118.4	93.5	↘

MOBILE OPERATIONS

in million EUR	2014	2015	2016	
Total revenues	439.4	438.5	457.1	↗
Pro forma EBITDA	105.9	87.1	81.7**	↘

**Consolidated revenues

2.2 OUR SUSTAINABILITY STRATEGY

"We, as Telekom Romania, integrate economic, environmental and social aspects along our entire value chain and maintain regular exchange with our stakeholders. We invest in infrastructure that ensures long-term development of the economies, but also in solutions for smart cities in which technology, administration and citizens are part of an effective ecosystem."

Miroslav Majoroš, CEO Telekom Romania

OUR CONTRIBUTION TO UN SDG

As part of Deutsche Telekom and OTE Group, member of Global Compact Network Romania and integrated telecommunication company in Romania, we have accepted the challenge to contribute to the achievement of the United Nations' Sustainable Development Goals (UNSDG) and we are delivering our contribution here in Romania (G4-15).

Our vision of a Sustainable Society is simple: as a good life and well-being for all now and in the future. We believe that Information and Communication Technology (ICT) can help achieve the UN Sustainable Development Goals and what drives us are three interconnected human needs: the need to communicate, the need to belong and the need to live in a clean and healthy natural environment.

INTEGRATING GLOBAL GOALS IN OUR VISION

For Telekom Romania sustainability refers to creating economic value through responsible core business practices and increasing our positive impact on society and economy as well as reducing negative environmental impacts. Our mission is to connect the unconnected, build low-carbon society and help stakeholders to connect life and work. To achieve this vision we focus on material issues presented in this report and we track our progress based on KPI's. The ground of our strategic thinking of Telekom Romania is consistent with the sustainability strategy of Deutsche Telekom Group as well as the OTE Group CR Policy implemented in our company in 2016.
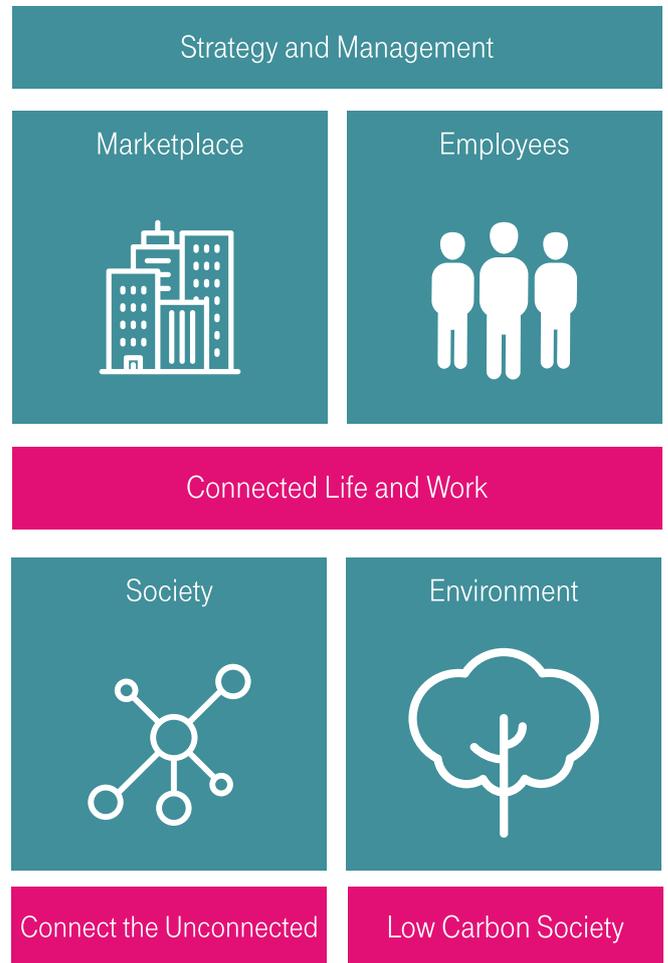
Telekom Romania is committed to corporate governance based on the principles of corporate responsibility (CR). With CR's governance structure, we ensure that topics related to sustainability are integrated in key business processes. The Board of Directors grants overall responsibility for Corporate Responsibility to the CEO. Corporate Communication Romania Director is responsible for strategic design and implementation of relevant actions.

G4-DMA Indirect Economic Impacts, G4-DMA Employment, G4-DMA Materials, G4-DMA Energy, G4-DMA Emissions, G4-DMA Procurement Practices, G4-DMA Supplier Environmental Assessment, G4-DMA Supplier Assessment for Labor Practices, G4-DMA Supplier Assessment for Impacts on Society, G4-DMA Investment, G4-DMA Effluents and Waste

HOW DO WE MEASURE OUR STRATEGIC PROGRESS WITHIN CORPORATE SOCIAL RESPONSIBILITY?

In order to measure and steer our CR performance, Telekom Romania uses guidelines and indicators developed by both Deutsche Telekom and OTE Group. These indicators are of the essence as they help us to systematically and transparently optimize and improve our performance. Nine (9) ESG key performance indicators are monitored within the Deutsche Telekom Group (Link). We have also implemented OTE Group Social Charter and we steer our CR performance by employing some of OTE's Group KPIs. All of them cover three strategic impacts - environmental, social and employees.

ADDITIONALLY, IN 2016 WE HAVE SUCCESSFULLY:

- Completed ISO 14001:2004 certification through external audit and participated in Climate Change Strategy Project of Deutsche Telekom Group. You will find more information in the chapter "#6. How we support transition to low carbon society?"
- Implemented Telekom Romania 2016 Scholarship Program. You will find more information in the chapter "#5. How we connect the unconnected?"
- Participated in DT's project in the area of "Vendor Management & Sustainable Procurement"
- Issued our first Sustainability Report based on Global Reporting Initiative (GRI) G4 guidelines – the most recognized methodology. Our report is comparable to other reports based on GRI within the sector. Data covering Corporate Responsibility of Telekom Romania were also included in the 2015 COSMOTE Sustainability Report. More information you will find in the chapter "#9. About our reporting"

OUR IMPACTS

Telekom Romania contributes to the UN Sustainable Development Goals;

TELEKOM ROMANIA KPIS

Strategic area	KPI	Definition	2014	2015	2016	
Environment	CO2 Emissions DT ESG KPI	(difference in emissions compared to the climate target base year 2008 in thousands of t CO2)	122,447	93,318	84,298	
	Energy Consumption ESG KPI	(energy consumption in thousands of MWh/revenue in billions of €)	431	407	345	
	Renewable Energy DT ESG KPI	(share of renewable energy in total electricity consumption)	n/a	84	84	
	Used Cell-Phone Collection DT ESG KPI	(cell phones collected in thousands / customers in millions)	0.62*	0.62*	0.31*	
Society	Community Investment DT ESG KPI	(Telekom Romania's involvement in the community either financially, in-kind or by time contribution of its employees measured in thousands of euro)	254	640	452	
	Social Commitment DT ESG KPI	(difference between the assessment of the importance of social commitment and Telekom Romania's social commitment activities (expressed in percentage points)	n/a	-14	-10	
	Beneficiaries DT ESG KPI	(number of people involved in community activities and in target group that benefited from community activities in thousands of people)	413	407	352	
	Media Literacy DT ESG KPI	(% of people reached through programs addressing media literacy from total number of beneficiaries)	0	0.17	8.07	
	OTE Group KPI	(Number of projects (volunteering)/ Number of Corporate Volunteering activities)	6	22	30	
Employees	Employee Identification with CR Commitment DT ESG KPI	(employee identification with Telekom Romania's CR commitment in %)	n/a	156	n/a	

Cases in which we do not have indicator in fix but have in mobile

OUR DIRECT IMPACT IN ROMANIA

Industry, Innovation and Infrastructure (#9)
ICT plays a crucial role in providing affordable and increased access to information through enabling research into new, sustainable technologies and solutions.

Sustainable cities and communities (#11)
ICTs can play a significant role in reducing the carbon footprint of cities by moving to a more intelligent use of energy but also connecting various "smart" realms of activities like electric mobility, e-Health, e-Care, and e-Governance.

OUR CONTRIBUTION THROUGH OUR SUSTAINABILITY STRATEGY

Affordable and clean energy (#7)
Providing ICT-enabled solutions such as smart grids, smart buildings and smart logistics which can play a major role towards an energy efficient future, reducing global GHG emissions.

No poverty (#1)
Increasing efficiency, competitiveness and market access for SMEs, create new jobs, revive old occupations, and add new public services.

Good health and well-being (#3)
Supporting e-health policies and strategies that foster health education through a portfolio and smart health solutions and additional solutions to educate the market and access to preventive information as well as remote diagnostics.

OUR INDIRECT IMPACT AS AN ICT COMPANY

Zero hunger (#2)
Facilitating access to timely information that helps trigger rapid responses when battling hunger, managing the procurement, storage and distribution of essential food.

Quality education (#4)
Widening the access by reducing the physical and social barriers to education, supporting the improvement of the educational management and contributing to modernization of schools.

Gender equality (#5)
Providing mobile services that help fight violence against women.

Clean water and sanitation (#6)
Support in mapping and monitoring water infrastructure.

Decent work and economic growth (#8)
Transforming traditional employment sectors and creating brand new employment opportunities in areas such as social media management, gaming and the mobile apps economy, information technology outsourcing (ITO) or business process outsourcing (BPO).

Reduced inequalities (#10)
By facilitating a broad and easy access to internet, ICT can address health, education and economic inequalities by focusing on most marginalized groups or regions.

Responsible consumption and production (#12)
ICTs have the potential to foster sustainable consumption and production through product-specific improvements, increased dematerialization and virtualization, and the implementation of smart technologies.

Climate action (#13)
ICT plays a crucial role in sharing climate and weather information and in forecasting and early warning systems.

Life below water (#14)
ICT is already playing an important role in communicating water related scientific knowledge effectively. Geographic Information Systems and remote sensing provide opportunities for water monitoring and sustainable management of marine and coastal systems.

Life on land (#15)
The protection, conservation, and restoration of terrestrial ecosystems can't be achieved without real time and accurate information. Satellite-based monitoring delivers timely and accurate data on a global basis, while local sensors deliver updates in real-time.

Peace and justice, strong institutions (#16)
ICTs can play an important role in crisis management, humanitarian aid and restoring peace. For example, governments are starting to make more and more information readily available to the masses via the internet/"ICT" sphere, pieces of legislation posted online, digitalization of some processes (apply online for certain permits). This openness from the Government's side increases transparency, empowers citizens, and helps drive economic growth.

Partnerships for the goals (#17)
The spread of ICTs and global interconnectedness has great potential to bridge the digital divide by developing more knowledge-based economies and societies.

G4-56

WHAT IS OUR PURPOSE AND HOW DO WE WORK TOWARDS IT?

We are determined to achieve our vision of becoming the integrated operator and leading driver of digitization in Romania by fulfilling the promise of technology that supports and enhances people's well being in the modern world without compromising the ecosystem or the prospects of later generations. Our corporate culture, a set of values serving as road signs for all our activities, is a key factor that will shape our way of working towards this goal. These road signs are reflected in our Guiding Principles which define how we behave and act on our values in practice, both within and outside the organisation.

We make sure that the Guiding Principles are regularly communicated via our internal communication, helping to incorporate them into the everyday work of our employees. One example is our annual Guiding Principles Day "Best Place to Perform and Grow". This "day" is held every year across the Group and it implies calling all of our employees to think about our Guiding Principles, bring them to life and find ways on how to implement them into the day-to-day work. This is done through different campaigns and team events such as competitions, workshops, and panel discussions.

2.3 OUR WAY OF WORKING

The following principles describe the manner in which we work together within the company as well as our interactions with third parties. They also serve as the basis for our Code of Conduct, explaining what they mean in our daily work as well as their tangible and practical impact.

I. CUSTOMER DELIGHT AND SIMPLICITY DRIVE OUR ACTION

The first Principle reminds us that the needs of our customers should always be at the core of all our activities. It's about the thoughts, emotions, needs and experiences of our customers as the drivers of our success.

II. RESPECT AND INTEGRITY GUIDE OUR BEHAVIOUR

This principle applies both internally and externally. We need to respect each other when working together within our teams but also when interacting with the outside world. This applies not only to our customers but also partners, suppliers and shareholders.

III. TEAM TOGETHER – TEAM APART

The third Guiding Principle relates to the culture of cooperation. When working as a team, all issues must be discussed openly. There has to be room for different opinions and discussions that get to the root of the problem. But once a decision is reached, it is final and will be implemented accordingly.

IV. BEST PLACE TO PERFORM AND GROW

Our employees are the key to achieving our business objectives. This Guiding Principle is an obligation for all managers to recognize individual commitment and success and to offer a positive environment with opportunities for professional development.

V. I AM T – COUNT ON ME

The fifth Guiding Principle addresses the personal commitment of each employee. What this means in practice is that we are all personally committed to finding a solution to a customer's problem. This customer may be a consumer, a colleague, business partner or another corporate partner, such as companies that are not our business customers but with whom we engaged in partnerships for various purposes e.g. different types of events.

You can find more about Our Values and Guiding Principles by accessing this link.

2.4 OUR RELATIONS

Our stakeholders are the people who can affect our business and who are affected by it. We have identified groups of stakeholders based on the strength of the impact of the company and the interest of the stakeholder.

WHO ARE OUR STAKEHOLDERS?

Telekom Romania stakeholders: Customers, Media, Suppliers, Communities & NGOs, Employees, Investors, Public Autorithies
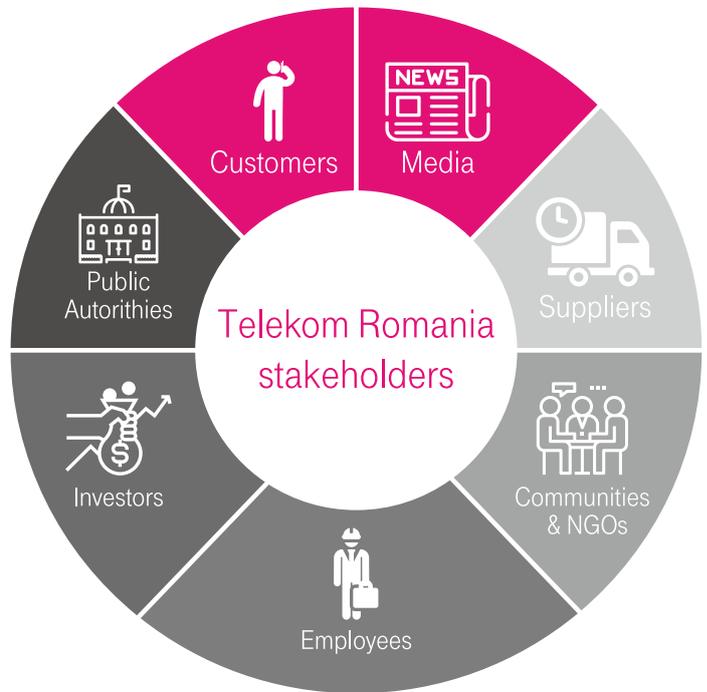
HOW DO WE RUN THE DIALOGUE AND WHAT WE LEARN FROM IT?

KEY 2016 ENGAGEMENT TOPICS AND CONCERNS	ENGAGEMENT TYPE AND FREQUENCY
CUSTOMERS	
Activation of products, quality of services (in relation to costs)	Customer satisfaction surveys monthly
Technical Support (e.g. web hosting, DNS services, IPVPN)	CR Surveys biannually
Commercial and Billing Issues	Tracking Studies monthly
Telephony Operations	Call Centers daily
Improving the way customer complaints are handled	Customer Account Managers daily
Safe use of Services	Social Media daily
Electro Magnetic Fields	Sales Network daily
Responsible Marketing (e.g. consumer rights)	
Introduction of new technologies	
Data Security and Privacy	
MEDIA	
Timely Response	Corporate announcements and systematic contacts with media representatives dailly
Management	Press conferences and events monthly
Commercial	Answers to media enquiries on CR topics weekly
Technology	CR Surveys biannually
Financial	
Environment	
Labour	
CR	

KEY 2016 ENGAGEMENT TOPICS AND CONCERNS

ENGAGEMENT TYPE AND FREQUENCY

SUPPLIERS

Key 2016 Engagement Topics and Concerns	Engagement Type and Frequency
Tender Criteria and clarification	Consultation on procurement issues (relevant laws, market issues etc.) monthly
Communication on Supplies Issues	Meetings daily
Transparency	CR Surveys biannually
Market Policy	Suppliers' Evaluation annually
Economic Growth	Partnerships daily
Inserting CR Criteria, including Environmental Criteria	

COMMUNITIES & NGOS

Importance of CR	Systematic liaison with central and local authorities bimonthly
Internet Safety Public Education	Meetings with NGOs weekly
Support for Vulnerable Groups and Charities	CR Surveys biannually
Social Contribution	Community projects weekly
Meetings and Electronic Communication preferred	Sponsorships weekly
Electro Magnetic Fields	
Biodiversity	
Environmental Performance	

EMPLOYEES

Rationalization and reduction of labor costs in agreement, as much as possible	Intranet daily
Fair Work (diversity, work– life balance)	Circulars on all important company decisions weekly
Planning and Conducting of Training Programs	Meetings with employees annually
Professional Development	Negotiations with labor unions weekly
Health and Safety	Emails and newsletters weekly
Protection of Personal Data	Employee satisfaction annually
	Surveys on different topics
	Pulse Surveys biannually, Employee Opinion Survey once every 2 years
	CR Surveys biannually
	Organization of internal events monthly
	Appraisal System annually
	Trainings daily

INVESTORS

Company strategy and results	Corporate Responsibility Reports annually
General legal and taxation framework	CR Surveys biannually
Outlook on labor relations, regulatory decisions	Participation in Corporate Responsibility ratings annually
Climate Change Policy	Conference Calls quarterly
	Meetings of Executives weekly
	Adoption and implementation of policies and guidelines weekly

PUBLIC AUTHORITIES

Implementation of Regulatory Measures	Consultations on proposed laws and frameworks for telecom markets monthly
Issues of Effective Regulatory Adjustment	Written or verbal communication with regulatory and public sector bodies weekly
Specialized National Goals for European Digital Agenda	Dialogue with representatives of national and local authorities weekly
Transparency	CR Surveys biannually
Governance	Attendance in associations and unions biannually
Economic Growth	

3. HOW WE INCREASE OUR IMPACT THROUGH TRANSFORMATIONAL SOLUTIONS?

How do we understand innovation?

→

What can change through our products and services?

→

What does a Smart City look like?

→

As a modern technology company, our aim is to assume a pioneering role and help shape the systems that set the scene for better, more sustainable lives for future generations.

This is why we develop smart solutions that create greater efficiency and convenience for users while keeping environmental impact to a minimum. While keeping our eyes and ears open to changing conditions and needs in our environment, our current focus is on areas such as machine-to-machine communication, telemedicine, smart offices and smart cities. We are proud to say that our products and solutions are already supporting the transformation of cities and communities in inclusive, safe, durable and sustainable urban spaces.

But we do not stop there. Through our business solutions we help large organisations not only to create efficiencies and reduce their carbon footprint but also to foster a sustainable growth of Romanian SMEs. Taking it a step further, through participating in the local start-ups community, we use our expertise and resources to identify new, grassroots technologies, giving way to new generations of innovators.

Our product and service strategy aims to achieve the following goals:

- Enable sustainable growth of our company

- Support the transition to a low carbon society

- Facilitate access to education and health services for as many people as possible

- Support the sustainable development of Romanian communities

- Enable customers to achieve their own sustainability goals

3.1 SMART CITIES

DT GROUP: BEING "SMART" MEANS SOMETHING DIFFERENT FOR EACH CITY

The Deutsche Telekom vision for smart cities is one of an ecosystem enabled by a more efficient administration of public services through ICT-based solutions, ultimately increasing the quality of life for its citizens, attracting visitors and supporting the economic development. From Bonn to Budapest, Gijón to Dubrovnik, Bucharest and Prague – thanks to DT's smart city initiatives, life in many of Europe's urban spaces are becoming more convenient.

Understanding that each city is different means that the solutions must take into account different motivations, requirements, limitations, challenges and objectives very often generated and required by the dominant political and economic groups.

"Today's cities are faced with enormous challenges, from continued rapid growth and resulting ecological and economic pressures, to complex urban transformation needs due to recent technology advances. "

Ralf Nejedl, Senior Vice President B2B DT Europe.

While cities account for a large share of global CO_2 emissions, at the same time they can also be the origin and driving force behind innovative solutions that push societies towards sustainability. Benefitting from Deutsche Telekom group's expertise, we are dedicated to initiatives that help reshape cities into smart urban spaces.

With the support of Cisco as our technology partner in 2016 we rolled out the first integrated Smart City pilot-project in the Tineretului Park in Bucharest. Combining four components: City Safety, Smart Lighting, Smart Parking and WiFi connectivity integrated through an Internet of Things platform, the project ensures a better and safer experience in a landmark green space.The City Safety solution incorporates a video surveillance system and an application that permits identification of specific predefined scenarios that trigger intervention from city authorities. The solution provides alerts for cases of vandalism or trespassing in restricted areas. It also provides early warning in cases where a person is in a situation requiring immediate help. Another benefit of the solution is the possibility to identify illegally parked cars.
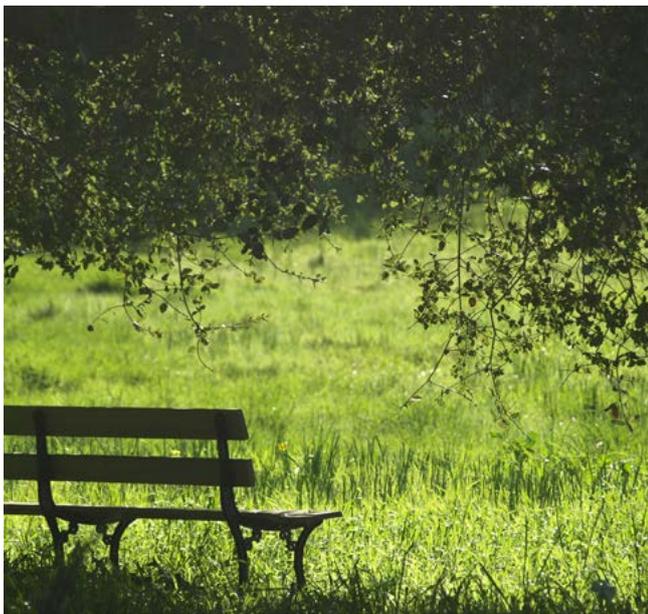
The Smart Lighting solution was used on eight polls equipped with LED lights and controllers equipped with motion sensors and technology that responds to ambient light intensity. The lighting system can be controlled remotely or automatically to increase light intensity whenever an individual is close by. This can result in energy costs decrease of as much as 60%, yielding a significant benefit to local authorities.

The Smart Parking solution allows the local authorities to use the data to output reports on parking space occupancy and traffic levels in the area. Drivers, on the other hand, can use a dedicated app to easily identify whether a parking space near the park is available.

Tineretului Park visitors can also enjoy free internet access in a designated area.

HOW DOES A 'SMART CITY' LOOK LIKE?*

PUBLIC TRANSPORT MANAGEMENT

Efficient management of public transport (real-time information with regards to arrival times of busses, line information or rout changes)

Citizens having remote access to traffic information (traffic density on a certain avenue at a certain time)

Bike-sharing systems (where are the "bike sharing depots" located and number of available bicycles)

SMART PARKING

Lower carbon emissions

Fluid traffic, reduced congestion

Efficiencies in parking surveillance

Reduced illegal parking

Greater efficiency of traffic monitoring

SMART STREET LIGHTING

Energy-efficient

Flexible intensity depending on occupancy

Real-time maintenance reports

WASTE MANAGEMENT

M2M solution for selective pick-up of garbage bins

Reduced costs of logistics due to fill-level sensors

Innovative billing solutions enabling a more fair waste management pricing

Garbage collectors able to notify the city authorities when containers are used improperly

Health and Safety

ELECTRICAL CARS CHARGING STATIONS

Mapping the network charging stations for electric vehicle drivers

Automated transaction tracking creating transparency on vehicle energy costs

TELEMEDICINE

Connecting patients with adequate health care providers and specialists

Facilitating remote medical examination

Health care cost reduction and optimization of medical activity

*Solutions available in Telekom Romania portofolio

Moreover, the internet solution can be extended in a way to include data analytics features providing local authorities with a tool to analyse traffic flow peaks and lows based on which security services in a certain area can be managed more efficiently: see on which streets the traffic is dense and afterwards relay this information to emergency services so they know to avoid it and find a more optimal route.

The digitalization of urban space is motivated by societal, economic, ecological and technological developments. These include current and future challenges such as increasing urbanization and demographic changes as well as area-specific issues faced by local communities. Therefore, the road towards a Connected City must be understood as a complex interplay of different interests and objectives, marrying the demands of entire cities, individual citizens as well as other stakeholders such as local businesses and institutions.

Our Smart City solutions entail many different facets and challenges – from processes, hardware, software and communications layers to the design of new business models. Building on our expertise at operating, managing and advancing large communication infrastructures, as well as our experience in the M2M sector and IT integration capabilities, we take it upon ourselves to put the pieces of this complex ecosystem together.

Collaboration, open platforms and multi-layered urban networks are the key to taking digital transformation of cities to the next level. This is an evolutionary process in which heterogeneous building blocks need to be integrated in a larger ecosystem of connected things and people. The step by-step transformation of public infrastructures and services addresses the challenges of modern cities – from energy supplies and traffic planning to economic and ecological sustainability.

3.2 FOSTERING INNOVATIVE COMMUNITIES

We are always looking for solutions that will help us, our customers and the Romanian society in building sustainable progress. Our approach to encouraging innovation is to support new technological ideas and initiatives, which can contribute to social and economic progress while protecting the environment. Besides the innovative solutions in our portfolio, we are an active supporter of the local tech and creative start-up community.

We support a number of start-ups through pilot projects. We encourage early stage start-ups to submit their proposals as to where they see room for collaboration. These innovative products and services are then assessed by our subject matter experts and, depending on the development stage, the start-up will be offered customized recommendations for its further development or a partnership. Among the piloted projects are:

- SEMSEYE, which provides in-store analytics for retailers
- DeviceHub.net, an IoT-based project management platform for manufacturers
- Omnipaste, an application, which allows desktop computers to connect to an Android device
- SafeDrive, a mobile application rewarding drivers for not using their phones

Besides inviting start-ups to collaborate with us directly, we are also connected with the start-ups community in Romania and internationally through a number of partnerships. The most important of them is our participation in promoting Romanian start-ups through hub:raum Krakow (Deutsche Telekom's innovative start-ups incubator) and its acceleration program WARP. Offering mentoring from experienced professionals, workshops featuring international experts and meetings with relevant companies, WARP is a great platform for early stage start-ups.

In the last years, during five editions of WARP Accelerator, over 3,000 start-ups have been evaluated and 58 teams from 18 countries were invited to take part in the program. Among them, 10 teams from Romania. At the beginning of 2016, TypingDNA, which provides an online security solution based on the way people type on their keyboards – was one of the four projects selected by Deutsche Telekom for the 2nd phase of the hub:raum Krakow acceleration program – WARP. In 2015, a Romanian start-up, DeviceHub.net, which provides cloud services for the Internet of Things communication, was awarded 80,000 euros from hub:raum Krakow to develop their project. The team supported by hub:raum's benefit of access to 150 million Deutsche Telekom Group customers all over Europe.

We are also involved in Deutsche Telekom's other international programs dedicated to start-ups and entrepreneurs such as ChallengeUP, a project rolled out in cooperation with Cisco and Intel.

On a local level, we support several start-up communities by providing connectivity services, mentoring or financial support. This includes cooperation with co-working spaces such as TechHub Bucharest, NOD Makerspace and WeLoveDigital where we provide high-speed Internet services to their members. We are also an active participator and partner of key industry events, such as How to Web, which is the most important event dedicated to technology innovation and entrepreneurship across South-Eastern Europe, or MVP Academy, a pre-acceleration program addressed to start-ups from Central and Eastern Europe. For further information, please visit our corporate website section for start-ups.

CASE STUDY

Technology against dementia

Spring of 2016 also saw the launch of Deutsche Telekom's global project Sea Hero Quest in Romania. This innovative game is specifically designed to help bring scientists one step closer to developing new diagnostic tests for dementia. Sea Hero Quest marries entertainment with scientific research by providing data about how its users navigate everyday life.
By October 2016, downloads of the game Sea Hero Quest since its global launch have reached about 2.4 million and the game has been collectively played for over 30 years generating the equivalent of more than 4,500 years of similar lab based research. The mobile game created in partnership with University College London, University of East Anglia, the Alzheimer's Research charity and game developers Glitchers received nine awards at 2016 Cannes Lions International Festival of Creativity.

3.3 RESPONSIBLE PRODUCTS FOR SUSTAINABLE BUSINESS

Technological progress offers new ways of addressing challenges posed by climate change and scarcity of resources and fosters the development of innovative healthcare systems. Information and communications technologies play a key role in this context.

G4-EC8

We offer responsible products and services: secure for the length of their lifetime, with appropriate and informative labelling, always keeping in mind the confidentiality of their personal data. To fulfil this obligation we make sure that all our products and services are certified and carry all obligatory markings required by EU legislation, directives and regulations regarding safe use, hazardous substances restrictions and the reduction of electronic waste.

To us, enhancing the reuse and recycling of materials as well as encouraging safe use of the Internet are imperative. All our marketing communications are carried out in accordance with applicable laws and regulations, while we continue working to develop tools and procedures that ensure customer data security.

With our growing offer of green products and innovative ICT solutions consumers and businesses can effectively lower their energy consumption and reduce CO_2 emissions. For several years now we have been offering services that help dematerialize business processes. Each year we invest in further growth of these solutions, offering our business customers the competitive edge they need to succeed and helping them grow in sustainable ways.

Cloud computing provides online services within a safe and reliable IT infrastructure, giving users the ability to directly access, monitor and manage their data through user-friendly tools.

Moving business applications such as email, CRM and bundled productivity software from local computer systems to centralized cloud services companies can cut their IT electricity consumption and directly contribute to CO_2 emissions reduction. In addition to that, our 'One Drive' cloud service, providing 1TB of data storage space, helps reduce the costs of logistics and maintenance.

One of the services based on cloud computing is our integrated teleconference application, which allows corporate clients to make video conferences from anywhere and through any device. This helps them not only save time and reduce significant travel costs but also minimize the use of fuel.

Business Services
- Convergent services
- VoceNet
- IT Manager
- Net Business

CASE STUDY

Smart offices

Turning IT&C technological innovations into specific solutions means offering services that meet an array of needs to business of different profiles and sizes. Especially on a market such as Romania it is essential that we help small and medium companies manage their resources more efficiently and identify new opportunities for developing their own business.

Our two machine-to-machine (M2M) packages, Security Package and Comfort Package, allow companies to control, monitor and automatize their offices remotely. Both packages are managed through mydlink Home application which intuitively connects and coordinates all the equipment using the office Wi-Fi. Through user-friendly functionalities, customers can then tailor the settings to fit their needs and add other smart devices to the package such as water sensors, sirens, IP cameras or Wi-Fi audio extender.

The Comfort Package includes a Smart Plug, a motion sensor and a HD camera with built-in night vision function which assists the human eye to see up to 5 metres in complete darkness. For those who are looking for a more secure environment, the Security Package includes a connecting hub, a 3-in-1 sensor for door and window opening, temperature and light, a siren and a HD camera monitor. Connected Home Hub ensures the connection between the Wi-Fi network and the other devices, while users can control and monitor the office remotely through the mydlink Home application.

4. HOW DO WE TAKE CARE OF CUSTOMER EXPERIENCE & SAFETY?

What is the new philosophy of transformation of Telekom Romania?

→

How we take care of our customers and their satisfaction?

→

What dialogue channels do we offer to our customers? What changes do we plan in order to improve their experience?

→

Telekom brand was born in Romania in 2014 following the rebranding of Cosmote and Romtelecom; it was then when we announced our new vision and strategy tailored to differentiate in the Romanian price-driven market. In 2016 we continued to build on this strategy further embedding our name in the Romanian telecom arena. 2017 will mark a time of transformative changes at Telekom Romania, changes aimed to further solidifying this foundation. We are looking forward to spreading our philosophy and becoming a more simple, personal and digital business for our customers. If we are to make this mindset for our business reality, we will need to focus on areas such as growth of fixed and mobile FMC business and the ICT growth, but also tackle key processes upgrades, undergo organisational restructuring and improve our infrastructure. Tackling on all these challenges will take us to the next level in terms of delivering a better customer experience throughout all our touch points.

Experiențe Împreună (Romanian equivalent of "Life is for sharing)". In the realm of telecom services the first step to delivering excellent customer experience is to get people connected efficiently and securely. Hence, one of our key focus is to constantly aim to bridge the digital divide by expanding internet access. We believe that by improving both broadband and mobile availability we can help create new business opportunities and foster social change. Being part of a telecommunications network, enables new forms of communication and collaboration possible and through allowing people to get involved, boosts economic development in Romania.

Offering great value to our customers is at the heart of our strategy. Making it our priority will trigger all other aspects of our operations to gradually fall into place. We believe in achieving this through bringing more competitive, simplified and personal services along with providing great customer experience through all touch points.

We make sure that our commercial operations are built around the guidelines defined in our corporate responsibility strategy: Customer Satisfaction, Information Security and Data Privacy.

4.1 ADVANCING QUALITY OF PRODUCTS AND SERVICE

Reaching our goal of designing and implementing cutting edge customer experience means focusing on delivering a great service as well as setting new standards in customer care across the organisation. Our Priority Customer Service introduced as part of our "integrated services" offering has proven that our call centre can service customers in 10 seconds for FMC customers. We will further introduce new initiatives ensuring that our contact centre employees are highly skilled professionals who are able to support customers by choosing the best fixed-mobile integrated services, tailored to their specific communications needs. Another improvement will be the introduction of quality check contact procedures following service installations.

Delivering a great customer experience also means capitalizing on our existing strengths hence; we will further enhance our FMC offering. Since the launch of our convergent fixed, mobile bundle, respectively fixed-mobile and cloud bundle for business customers, we have been rolling out an intensive campaign in this regard. The offer is a full fixed-mobile integrated bundle. The results so far are more than encouraging as over 370,000 customers have opted for the integrated offers by the end of 2016.

Keeping in mind that in order to delight our customers we must go beyond their standard-level expectations, we are also working to enhance our TV offering (especially with the focus on IPTV), the best TV experience on all screens. We are setting the highest standards on the Romanian market with uniqueinteractive features, highest number of HD channels, all-screen experience and exclusive content such as UEFA Champions League and Europe League.

In order to consolidate our strong position in the B2B segment, we are further developing our One Stop Shop philosophy andfocusing on integrated offers with cloud component. We are the only operator offering fixed-mobile-cloud services on the market, with a complete portfolio of fixed and mobile solutions, applications and IT integrated solutions that address all communications and ICT needs of modern day businesses. Additionally, with innovative cloud and M2M solutions, we are helping them gain competitive edge, making us their most trusted Partner for Digitization.

CASE STUDY

Increasingly, ecological, social and ethical aspects are taken into account by customers when making a decision to buy. To this end, Telekom Romania strives to improve customer satisfaction with sustainability issues. Telekom Romania aims at offering responsible products and services, well labelled and communicated, keeping our customers safe throughout the products and services life cycle and ensuring the customers' law consequent private data.

TOWARDS CUSTOMER EXCELLENCE

Customer satisfaction and the experience we provide are at the essence of our strategy and must be at the heart of everything we do. To make sure that this customer-centric approach is followed through, we are constantly monitoring and analysing customer satisfaction. To ensure the transparency of this process we use both surveys issued directly by us to thecustomers as well as independent studies realized by a third party. Our goal is to understand and respond to client needs and then improve our service quality accordingly.

G4-SO8

We have started by analysing our business processes and operations to pinpoint the areas that need remodelling. We identified that in order to deliver a more robust service to our customers, we must become a more agile company and improve our business performance.

G4-PR5

Currently we are at the stage where we are designing new and improved processes that will make it possible for us to provide users with over-the-expectation experiences delivered by a stronger, faster and more efficient provider. The ultimate goal of this transformation is to become the first choice provider of mobile and fixed communications services, all-in-one entertainment and complete ICT solutions.

In order to achieve this goal, all operational and remodelling changes of the processes that will be implemented during 2017 will be developed at a strategic level. Implementing the transformation program will mean selecting Transformation Champions to represent all the business areas. They will help our management team create a new organizational structure and set up new business processes. The Champions will ensure that the results delivered by the transformation project team are always cross-checked against relevant business activities across the company.

As part of the transformation program and the social dialogue frame, our management team is also planning a series of consultation meetings with trade unions representatives from different Telekom Romania companies. These sessions will ensure that the trade unions are informed and consulted about the changes implied by the new operational model.

Hence, in 2017, we are taking on a number of initiatives that will improve our customer satisfaction, as measured against the TRI*M index performance indicator.

The TRI*M indicator analyses, measures and portrays stakeholder relationships on the basis of standardized indicators. The index is made up of 4 points of view: performance, recommendation, further usage and competitive advantage. The information is based on surveys/ interviews.

In order to improve our services, in 2016 we launched "Telekom Forum" (forum.telekom.ro). The platform is dedicated to customers and other stakeholders who would like to express their views on company products and services. The forum is available to anyone who registers, whether our client or not.
Users can not only post comments and ask questions under one of the six specific topics, but also offer solutions based on their previous experiences.

They contain a set of applicable requirements under European legislation on the adequate protection of personal data. They have been applied within Deutsche Telekom as of December 2013 and were enforced within Telekom Romania starting with December 2016.

In 2016 TUV Nord recertified our Information Security Management System based on ISO 27001 in the mobile operations. In the fixed operations our Information Security Management System based on ISO 27001 implemented at company level successfully passed the first surveillance audit.

Baing part of OTE and DT framework programs, but also based on specific needs and requirements of our local systems architecture, during the reporting period Telekom Romania implemented a series of measures and projects for the improvement of the safety and security of data protection systems.

4.2 SAFE DATA

"Sound business decisions grounded on a solid legal frame is protecting the company and its stakeholders from future trouble and constitutes the basis for sustainability. Together with constant efforts to enhance data privacy for our large base of customers and our employees following the internal compliance rules of ethical behaviour, we make sure we are keeping and advancing our responsible business model."

Mihaela Ionita, Legal, Corporate Affairs and Compliance Director Romania

Information security and data privacy are incredibly important to us as an organisation, as they are to our customers, our partners and employees. Our continuous commitment to providing a secure information environment and guaranteeing that data privacy is embedded in our DNA and in the personal values of all our employees.
Our shared information security and data privacy framework is based on the following elements:

- Specific policies and safety standards, which cover areas such as: IT/NT Security, Information Security and Data Protection;

- Binding Corporate Rules. Privacy within the DT Group. The new "Binding Corporate Data Privacy Rules" cover the legal requirements for the exchange of personal data within the Deutsche Telekom Group.

SAFETY AND SECURITY INITIATIVES

- 2,685 employees were trained in 2016 on information security aspects via our e-learning platform, security awareness articles frequently featured in the weekly newsletter, and the dedicated information security intranet website, which is updated with relevant information.
- We run regular awareness campaigns on current Information Security issues; 3,296 employees trained in 2016 on data privacy aspects;
- We are testing numerous applications for vulnerabilities and misconfigurations as well as CPE (customer premises equipment) that we provide to our customers;
- We actively monitor security events in the internal network;
- We contractually require our partners and suppliers the implementation of high information security standards compatible with ours and impose information security in all newly acquired applications and products;
- In the concluded contracts with our contractors we provide all the necessary clauses to ensure that they protect personal data according to our best standards and practices.

Ensuring data security and technical conditions of processing information in as a safe environment as possible are equally important, therefore we ensure that our employees receive regular training on handling personal data.

TRAINING OF EMPLOYEES

in percent

|	2014	2015	2016
in percent	41.12	16.45	54.17
TRAINING HOURS	2,619	1,068	3,296
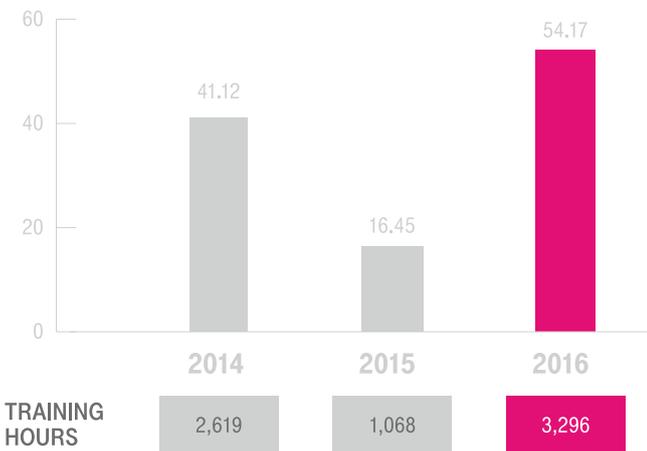
In compliance with the internal procedures regarding the online training on data privacy, all employees must be trained once every two years.

During 2016, we received one data privacy inspection from the competent authority, because of an external complaint, finalized with no penalty for Telekom Romania. In addition, we also had an investigation on Cloud Computing Services, which was also finalized without any penalties.
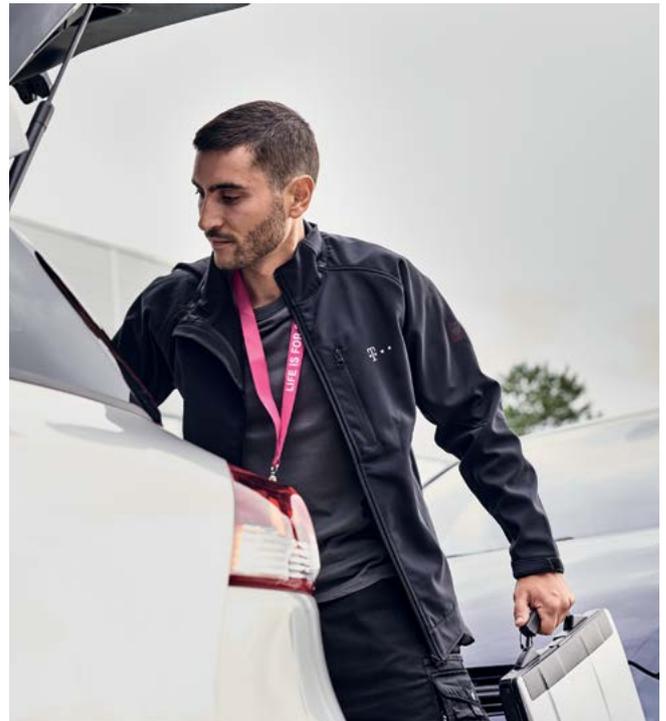
BUSINESS CONTINUITY

Business continuity is as important as information security and data privacy in order to be able to offer seamless communication with minimum interruption and damage to human lives, material assets and environment. The Business Continuity Management System is based on ISO 22301 and has been certified by TUV Hellas since 2014 for our companies.
The Business Continuity Management System's aim, in response to a significant disruption (whether actual or impending), will always be to:
- Ensure the safety of the Company's employees and other occupants or visitors within the buildings;
- Endeavour to meet our obligations to employees, customers, shareholders and other interested parties;
- Minimize disruption to our customers and to protect and preserve our assets and reputation;
- Facilitate a return to normal operations as soon as practicable;
- Stay in business.

Telekom Romania' Business Continuity Management System Key Objectives are to:
- Ensure the availability of the company's products, services and key business functions in-line with key stakeholders' expectations considering business objectives;
- Maintain the organization certification as a prerequisite for auctions or contracts as well as to ensure a good reputation on the market.

G4-PR8

4.3 SAFE USER

We provide our customers not only with services they use, but also with services that can often go unnoticed, such as helping to keep them and their families safe online. It is imperative that as one of the leading providers of internet services in Romania, we are always dedicated to creating and maintaining networks that guarantee user safety.

Naturally, we see this as joined responsibility of all those involved: industry members, the government, law enforcement, civil society and finally, the consumers themselves. We are also aware that each of these strongholds is just as important and therefore we will never shy away from taking all the precautionary measures to protect internet users.

We protect our customers, their households and businesses by providing them with safe and secure services on one hand and by building their awareness about possible risks on the other; in order to do so we are:
- Providing services with a high degree of data privacy and data security;
- Improving internet literacy of our customer base and working in partnership with others to create a child-friendly internet;
- Incorporating data privacy and security aspects throughout the entire lifecycle of our products;
- Collaborating closely with prosecuting authorities, NGOs and with other partners from business, politics, and society to ban online content that is harmful to children and young people.

PROVIDING PRODUCTS AND SERVICES THAT PROMOTE CUSTOMER SAFETY

Telekom Romania offers its customers a variety of services addressing online safety and security. The broad range of applications include: anti-virus, anti-spam, firewall, browser protection, as well as enriched parental control services that allow parents to monitor, filter and block access to websites with inappropriate content (e.g. violence, adult content, weapons, drugs etc.).

The parental control functionality gives users the ability to adjust the level of protection depending on the age of the children. Parental Control Services are also offered, in both IPTV and satellite platform. With these services, the subscribers have the option to set the parental control level of their choice to block access to specific programs, based on the parental control rating level. Additionally, in the case of our satellite service, subscribers can block access to specific channels.

Our mobile services enable user-friendly parental control offered to our subscribers free of charge. Specifically, the antivirus and security protection program "Lookout" is pre-installed in all Android devices that we distribute, offering parents the option to block the "erotic" category as well as to block unwanted access by calling our customer help line.

CASE STUDY

ONLINE SAFETY

Through our Teachtoday program we are concentrated on raising awareness of safe and effective use of the media. Since 2015 we have participated in it by advertising the "Media, sure! But secure." contest in Romania. Teachtoday supports children, young people, parents and grandparents as well as teachers by offering hands-on tips and materials through online and at face-to-face events. To find out more about the program go to www.teachtoday.de.

ROBUST PROTECTION FOR BUSINESSES

We are looking at data security from many angles as the threats have been intensified, diversified and multiplied. In 2016 the cyber security incidents in the telecom industry grew with a staggering 70% compared with 2015 and thus, our objective is to ensure viable protection for our customers.

Our security solutions are organized on the following categories:

1. Network Security
Distributed Denial of Services (DDoS) – on-line detection and mitigation at network level for local and international attacks up to 10 Gbps.

2. Cloud Data Security
In case of disaster, Telekom data centers guarantee data recovery and business continuity for all customers.

3. Equipments Security
Our security services portfolio include Norton Security Online to ensure protection for any device: mobile phone, tablet, PC.

CASE STUDY

As a member of Deutsche Telekom Group and OTE-COSMOTE, Telekom Romania is part of the "CEO Coalition to make the internet a better place for the kids", an auto-regulatory platform launched by the European Commission in December 2011. This platform is designed to respond to emerging challenges from the diverse ways in which young Europeans go online, its signatories committing to take positive action to make the internet a safer place for children. In addition, since 2009 we support the now called "Ora de Net" (The Internet Hour) project. This project implies the collaboration between the Romanian Police and the "Salvati Copiii" (Save the Children) Organization, and carries out awareness raising, information and counselling activities aimed to increase the safety of young people when using the internet.

Our customers and their safety is essential.

More information about a safer internet for children

5. HOW DO WE CONNECT THE UNCONNECTED?

How do we contribute to the development of the Romanian society?

→

What are the effects of Telekom Romania social activities and investments?

→

What is the social impact of Telekom Romania Foundation's social engagement projects?

→

Fostering a knowledge-based Romanian society is the main task at hand for us. As a leading company in the ICT sector we recognise our key role in the development Romania and all its communities. We must provide exhaustive and reliable access to the benefits of modern information and communication technology for all. These benefits can manifest in all aspects of our lives - whether economic, social, educational or cultural. We are determined to facilitate inclusive access to the advantages of information and communication technology for as many Romanians as possible.

TELEKOM ROMANIA
CORPORATE
SOCIAL ENGAGEMENT

SOCIAL IMPACT

INCREASING ACCESS

DIGITIZATION & EDUCATION

HELPING THROUGH SPORT
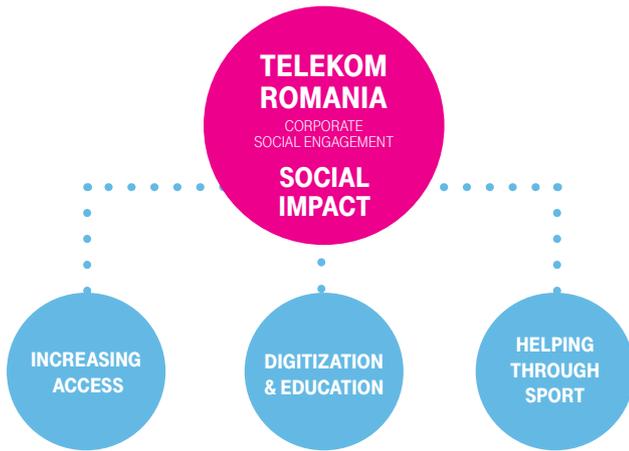
But we extend the definition of building connections beyond the digital realm. We want to act as a good corporate citizen, connecting our activities with individuals and communities in need of our support. Our initiatives help the advancement of security, education, health, environment as well as innovation.

TELEKOM ROMANIA FOUNDATION

SOCIAL IMPACT

HELPING THE LESS FORTUNATE
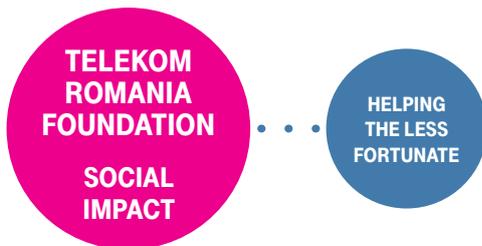
In 2016 we have extended our contribution to over 430,000 EURO through Fundatia Telekom Romania and our Teimplici.ro platform, as well as other community investment projects. Over 1,300 volunteers engaged in 30 corporate citizenship projects and we provided EUR 433,384 for communities with 351,358 beneficiaries, through over 60 partnerships with NGOs, educational institutions and hospitals. We have also devised internal scholarship and volunteering programs, through partnering with relevant projects and using our services and infrastructure to support local causes and initiatives.

Our aim is to create A Better World for All.

Amount invested in social projects supported during 2016	433,384
Beneficiaries of social projects supported during 2016	351,358
Number of external fundraising initiatives supported in 2016	53
Sums collected via Telekom donation lines (estimated value in LEI)	1,300,000

5.1 INCREASING ACCESS TO TELECOMMUNICATIONS

There is still a lot to be achieved before we can say that Romania is truly connected. Only 89% of all households have access to fixed broadband, which is significantly below the EU average (97%). What is more, only 63% of households subscribe to fixed broadband (EU average is 74%) and less than 71% subscribe to mobile broadband (EU average is 84%), according to Europe Digital Progress Report. This limits Romania's ability to tap into the benefits of digital economy. Given our role and position on the Romanian market we see providing access to broadband and mobile internet as our key responsibility.

We are committed to building a sustainable infrastructure, promoting inclusive and sustainable industrialization and encouraging innovation. At the end of 2016 our 4G services covered as much as 97.43% of Romania's urban population. The number of localities in which we are offering 3G services reached over 8,100. In the fixed segment, our fibre (FTTx) coverage increased to 2.1 million households' footprint.

Customers opting for this technology benefit of speeds of up to 1 Gbps for broadband as well as interactive television (IPTV) services.

"In 2016 as well, the free phone line for children 116 111 was the trusted partner of more and more children who chose to express their own thoughts and fears but also to seek help with regards to their abuses all by the help of one simple call. Thanks to the support offered by Telekom Romania, children and parents who have approached 116 111 have benefited free of charge from psycho-social and legal counselling from Specialists of the Children's Phone Association (541,642 minutes in total was the duration of all the calls received in 2016). Together with Telekom Romania, we are thus able to give children access to the only telephone help line where they can express their fears and problems in complete confidentiality. "

Cătălina Surcel, Executive Director Telefonul Copilului Association

CASE STUDY

RO-NET PROJECT

Following a thorough tendering process we have also been selected in 2014 as the contractor for an project of building a national broadband infrastructure in disadvantaged areas. Commissioned by the Ministry of Communications and Information Society (Ministerul Comunicațiilor și pentru Societatea Informațională - MCSI), RO-NET is one of the largest communication infrastructure projects in Romania.
It focuses on 783 out of 2 268 localities throughout Romania in "white areas", which have no access to communication networks. The selected 783 localities have been divided into seven sections, which will ultimately result in connecting some 400,000 residents, 8,500 businesses, and 2,800 public institutions to an internet broadband network. At the end of 2016 we concluded works in approximately 400 localities and in other 180 localities the works were in an advanced phase of network construction from the 783 included in the project.

We have maintained a constant investment level over the last 5 years, of around 150 millions Euros yearly. In 2016, our total investments cumulated 211 million euro and were directed mainly towards the expansion of both fixed (FTTx) and mobile infrastructures (3G / 4G). This infrastructure serves as a foundation for a constantly increasing scope and quality of services but also helps us maintain our competitive edge.

CASE STUDY

TE IMPLICI.RO

  Launched in 2014 Teimplici.ro promotes beneficial implementations of IT&C technologies in Romania. The project focusses on identifying NGO projects that bring benefits to specific communities in areas such as education, health, environment, innovation, development and social protection.
In 2016, we evaluated 126 projects submitted through the platform by NGOs and as a result 10 organizations were selected to receive funding of 70,000 Euros for their 2017 activities. The planned projects involve a wide range of topics covering areas such as seismology, education and counselling, tourism and IT. Since the launch of the platform, 400 projects have been submitted and evaluated by a jury made up of subject matter experts and consultants. The total value of funds provided for the implementation of 30 projects has exceeded 150,000 Euros.

Area	Focus
EDUCATION	Enhancing and enabling education through technology
ENVIRONMENT	ICT technology for environmental protection and awareness
HEALTH	Improvement of medical services through ICT solutions
INNOVATION	Advancement of innovation through ICT technology
DEVELOPMENT	Reduction of social disparities using ICT
SOCIAL PROTECTION	Using ICT to protect the disadvantaged social groups and address social challenges

"Through the nature of our work within the Academy of Inventions, we are actively involved in preparing young people for a future that can only be under the sign of technology. This is why we put a high price on two aspects without which such an approach cannot achieve its objectives: the STEAM approach and partnerships with organizations active in the technology field which are aware of the need to engage in practical education programs and are aligned to the real requirements of the business sphere. "
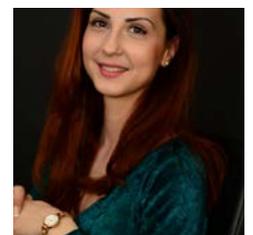
Cristiana Bogățeanu, Co-Founder at Academia inventeaza.ro

[1]Defined as cities, communes, villages
[2]Defined as communes, villages

5.2 SOCIAL IMPACT: DIGITIZATION & EDUCATION

Inspired to contribute to the UN Sustainable Development Goals, we are committed to ensuring inclusive and quality education for all and promoting lifelong learning. For us this means using our technology and expertise to support the advancement of education in Romania. We do this by facilitating educational delivery at all levels and reducing the physical and social barriers to education. We are also working to improve educational management by providing empowering teacher training.

Media Literacy ESG KPI	Number of people reached through programs addressing media literacy from total number of beneficiaries	13,209

DEVELOPING EARLY PROGRAMMING SKILLS

Since 2011 we have been the host of Coder Dojo workshops that offer children aged 7-16 free lessons in computer programming in an informal setting. More than 130 children attended the workshops during the school year 2016-2017 to study programming and computer-assisted electronics based on the Arduino development platform. The children and young attendees are coordinated by approx.10 volunteer mentors - professionals who want to get involved in educating the younger generation.

TELEPRESENCE

In a partnership with Cisco and Webhit, Telekom Romania is providing modern technologies for virtual reality learning in 36 schools throughout Romania in a project started in 2015. It offers 10,000 pupils a variety of resources ranging from digital learning to live virtual lessons. Children can follow the content of the class and interact with it in real time, which gives them an opportunity to learn from teachers based in other schools. Often, this allows for a unique interaction between schools in rural and urban areas. The schools participating in the program recorded a significant rise in attendance rates together as well as an improvement in performance.

ELECTRONIC CATALOGUE

To further support the digitization of Romanian schools we launched an electronic school catalogue as part of our digital product range. It includes a tablet connected to the internet and access to an educational management platform. The application supports school managers in efficient organization and increases interactions between teachers, students and parents. Schools where the platform has been introduced have seen an up to 63% decrease in absence rate and an improvement in test results.

TECHNOLOGIES OF THE FUTURE

We are proud to have provided equipment for the International Center for Research and Education in Creative Technologies (CINETic), the first international center specialized in the study of digital interaction. Telekom Romania handled the supply and configuration of CINETic laboratories, as well as the installation of the equipment, software as well as data and voice network in the CINETic building.

CINETic is the first center in Romania where students can learn the newest multimedia creation methods, stereoscopy, virtual and augmented reality and can use a wide range of IT equipment and software. Six laboratories featuring complex scientific research equipment and 10 state-of-the-art broadcasting innovative-creative technologies are at students' disposal. The equipment purchased through the project opens new areas of research and innovation in motion control, the capacity to capture motion in 3D, stereoscopy and stop motion animation.

Number of students' benefitting from virtual learning systems from Telekom Romania, Cisco and Webhit	8,000
Number of schools with virtual learning systems from Telekom Romania, Cisco and Webhit	36
Number of students in learning to code	130

Telekom Romania financial contribution for students in 2016 (LEI)*	300,000
Total number of students awarded with Telekom scholarships	105
Total number of students awarded with Telekom scholarships in 2016	10

VOCATIONAL TRAINING AND INTERNSHIP

Our involvement in undergraduate education manifests our support for the dual system, which helps students to complement their theoretical studies with on-the-job experience during three years of trade school. During the 2015-16 school year we started a collaboration with the Embassy of Austria in the College of Economic studies Costin C. Kiritescu in Bucharest. Through the o'SCAR program, together with six other companies, we offered scholarships to 5 secondary school graduates, who wanted to specialize in sales. They had an opportunity to immediately practice their selling skills in the organization. Since the school year 2015-2016, we started to support 7 students from the Post and Telecommunications Technical College Gh. Airinei in Bucharest, and other 6 from the following school year. They received an internship in Telekom Romania, and benefitted from scholarships and other facilities, and after three years of trade school had priority in seeking employment within the company. We intend to support other students who will start school in the fall of 2017, in order to increase the number of enrollments in trade schools.

We are offering internships to students who wish to experience what it's like to work in a big technology company. For us this is a great opportunity to interact with students and find out about their expectations. In 2016 we offered internships to 12 students from the Polytechnics University in Bucharest, 5 students from University of Bucharest and Academy of Economic Studies, and 10 pupils from the Technological High school of Electrotechnics and Telecommunications Constanta.

TELEKOM SCHOLARSHIPS

Starting as early as 2007 we have been supporting the educational performance of younger generations within the framework of Telekom Scholarship programme. Our goal is to identify and foster potential future leaders, high-performing students passionate about their field, with clearly defined career objectives, who are also involved in extracurricular activities and volunteering.

In 2016 The Scholarship programme was organized in the form of a contest open to all students admitted to an accredited higher education institution from Romania, regardless of profile or year of study. We granted ten scholarships each worth 11,250 lei (over 2,500 EUR) to young people with outstanding academic results. Since the initiation in 2007, we have offered a total of 105 Telekom scholarships. To find out more, go to www.burseletelekom.ro.

"I have to confess that it's a little difficult to be excited with student exams after almost 25 years in the academic field. I am dissatisfied with this and I'm trying to fight hard against the routine that inevitably tries to set in. Fortunately for almost 7 years now it is much easier for me, because every autumn I have the perfect opportunity to meet with exceptional youngsters as I am a member of the Telekom scholarship jury (and no, there is no exaggeration). In the 2-3 days that the selection lasts, I manage to charge myself for a whole year. In short, thank you Telekom for this fantastic initiative, I think I enjoy the experience of judging almost as much as the winners of scholarships, which are awarded with so much generosity. "

Sorin Psatta, Lecturer at the Faculty of Journalism and Communication Sciences - University of Bucharest and Strategy Director at Graffiti BBDO Romania

*sum representing the total monetary value received by the supported scholars in 2016

5.3 SOCIAL IMPACT:
HELPING THE DISADVANTAGED

WHAT IS THE SOCIAL IMPACT OF TELEKOM ROMANIA FOUNDATION'S SOCIAL ENGAGEMENT PROJECTS?

Our Telekom Romania Foundation operates as a link between Telekom Romania and social initiatives benefitting. The aim is to support people in special situations, social causes, children and adults diagnosed with serious illnesses, talented young students and campaigns requesting humanitarian aid in case natural disasters occur.

"One part of our Corporate Resposibility strategy is oriented towards sensitive issues that have a great impact on people's lives. This means focusing on people and communities facing challenging situations but also supporting talented young people and humanitarian causes. Our primary tool for addressing these aspects is the Telekom Foundation. It's main goal is to identify, by way of direct interactions with communities and people, the social categories and specific cases that we should be prioritising. "

Ionela Paunica
Executive Director, Telekom Romania Foundation and Senior Coordinator Internal Communication, Corporate Events & Corporate Responsibility

In 2016 Telekom Romania Foundation rolled out the 6th edition of the program "You choose and we help together", first launched in 2010. Since its beginning, the program financially supported approximately 70 children and adults from disadvantaged backgrounds. This year's edition was addressed to our colleagues or their family members diagnosed with serious illnesses.

In 2016, the Telekom Foundation made 26 donations for children and adults suffering from severe illnesses. The foundation also donated 4,500 euros to cover the costs of speech therapist needed for 30 children with the Down Syndrome Association. Money generated by fees charged in corporate sports events such as the Brasov International Marathon went to the Crystal Children's Association. 4,000 euros provided specialized therapy for 17 children with autism over a period of four months.

We also offer continuous support for medical institutions and initiatives assisting those in need. At Christmas 2016, we supported the Pavel Association in distributing gifts and food to young patients suffering from cancer and other life-threatening illnesses.

With Red Cross we collected food and clothes for the benefit of disadvantaged families in Vaslui and Vrancea. The donations were distributed before the Easter holidays to 100 families and 40 elderly people, with the help of volunteers from Telekom Romania and the Romanian Red Cross. Bags full of more than 1,600 kg of food, clothes and toys were collected and donated.

In partnership with SOS Children's Villages Romania, our Foundation provided support for 53 children from four communities in Bacau. The project was aimed at raising awareness of the problem and encourage local authorities in Bacau to develop immediate solutions to prevent and combat cases of child labour and exploitation. The beneficiaries of the project were families with children between the ages of 14 and 16 who no longer attend school.

CASE STUDY

We are also supporting social and environmental initiatives of external NGOs to rise their necessary funding through dedicated phone and SMS lines which we are providing free of charge for illness situations or at a significantly discounted rate for other causes. This donations program runs on the basis of Telethon (donations through voice calls) and the SMS donation service, both managed by corporate. Visit www.donatie.ro for details.

5.4 SOCIAL IMPACT: HELPING THROUGH SPORT

As a leader of the telecommunication sector in Romania and an active social participant, we are determined to be actively involved in sport, take the lead and inspire other to get involved and play. Especially when it leads to helping greater social good. We proudly share the same values as the Romanian National Football team: fair-play, integrity and the will to succeed. Therefore it was a natural step for us to continue on into 2016 as its main sponsor.

Estimated number of participants in recreational sport activities	54,000
Cash donations leveraged through sport initiatives and events (EUR)	2,500

When sport connects thousands of people from different communities it demonstrates our common need for companionship and maintaining a healthy lifestyle. Through our Sport is Good campaign we are leveraging donations to social causes, multiplying the outcomes of our efforts with everyone's help. More than 50,000 people from 16 cities in Romania participated in the sixth edition of the "The Biggest Sports Hour" festival of sports and movement. In 2016 we proudly hosted the event as part of our Sport is Good campaign.

During the festival a new world record was set for "the largest number of people running 100 meters in a 12-hour outdoor relay". Around 1,000 runners took part and ran a total distance of 154 km in the city of Bucharest over a period of 12 hours.
Participants could benefit from numerous sport and fitness classes as well as seek expert advice on nutrition and lifestyle. The Telekom Romania Foundation donated in 2016 approximately 1,500 euros for the charitable causes supported within the "The Biggest Sports Hour". The beneficiaries were a school for talented young people, children with cancer, patients in terminal phase that need palliative caring and an online donation platform for projects developed in the community.

Second edition of the Brasov International Marathon was another event held as part of the Sport is Good campaign in 2016. More than 2,000 national and international runners have participated. The fees collected from the 5 km race and 15% of the value of the other races, which took part during the event were donated by the Telekom Romania Foundation to the "Copiii de Cristal" Association which helps children with autism.

Our other sport-related initiatives include supporting the traditional Gerar semi-marathon held in during heavy snowfall and Telekom Arena ice rink which encourages the practice of sport amongst children and youngsters.

Powered by our TV station, Dolce Sport, the 3rd edition of Sport is Good took place as part of the event "The biggest sports hour" in Brasov Telekom Romania Foundation chose to support the daily center Hospice "Casa Sperantei "for terminally ill patients. "Sport is good" is a campaign first started by Dolce Sport in 2011 to promote health and well being through sports and diet.

6. HOW DO WE SUPPORT THE TRANSITION TO A LOW CARBON SOCIETY?

How do we contribute to the Deutsche Telekom Group's goal to cut 20% CO2 emissions by 2020?

→

What are the priorities of our environmental strategy?

→

What have we have achieved so far?

→

Safeguarding the preservation of natural environment is a major concern for Telekom Romania. Driven by the three pillars that define our strategy, we are especially focused on creating energy efficiencies, reducing the impact of electro-magnetic fields and the implementation of systemic changes that bring us closer to a circular economy business model. Lead by both the sustainability standards and provisions of Deutsche Telecom and OTE Group on a global level, and our Romania-specific responsibilities on a local level, we want to set an industry example through reducing our footprint.
In that respect a lot has been achieved at Telekom Romania over the last three years, including a ˜12% decrease in our CO2 emissions. Nevertheless, there is still a lot to be done and taking on the DT Group goal means committing to a 20% smaller carbon footprint by 2020. Other challenges include further work on better waste management and giving second life to the materials and equipment used by us and by our customers. We have also invested 277,033 euro into our environmental programs to reduce the environmental impact of our operations.

"As Telekom Romania, we have a big responsibility with regards to sustainability, as we have a very big footprint around the entire country in terms of network elements and in terms of electricity consumption. We have a major transformation program in our data centers to reduce consumption and we have a huge modernization effort underway, replacing legacy equipment that tends to consume a lot of electricity with modern, more environmental friendly technologies. "

Timos Tsokanis, Chief Technology and Information Officer Telekom Romania

IMPLEMENTATION OF ENVIRONMENTAL STRATEGY IN 3 PILLARS

Energy

Emissions

Products and Services

Energy and Climate Change

Circular Economy

Electromagnetic Fields

Raw Materials

Waste Management

Products and Services

Operation within safe exposure limits

Continous Measurements
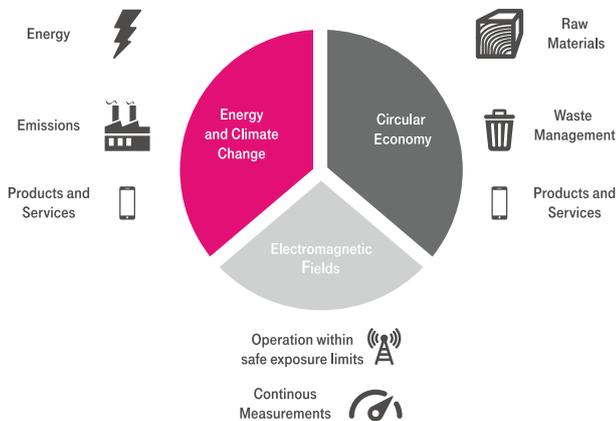
6.1 ENERGY AND CLIMATE CHANGE

We are committed to the low carbon society vision, both directly, by reducing our own CO2 emissions and indirectly, by providing services and products with a low carbon footprint over their life cycle which translates into reducing our customers' footprint. Our goal in this regard is defined by Deutsche Telekom Group's Climate Protection strategy, which aims for 20% less CO2 emissions by 2020. Our strategy is focusing on long and middle term goals through four pillars:

I. Lower energy consumption through efficiency mea-sures.
II. Increased share of renewable in used energy sources.
III. Reduction of direct CO2 emissions.
IV. Expanding our sustainable products portfolio.

ENERGY EFFICENCY

RENEWABLE ENERGY

REDUCED CO2 EMISSIONS

SUSTAIABLE PRODUCTS

Climate protection strategic goals

Long term goals 2016-2020

Increase the global energy efficiency with minimum 15%

Identify opportunities and solutions to use renewable energy within operations

Increase the efficiency of space usage for all our locations through relocation and consolidation

Medium term goals 2016-2018

Modernization of equipment and installations with low energy efficiency

Usage of equipment, technologies and installations with high energy efficiency standards

Improve electric power factor for equipment and installations

Reduce fleet fuel consumption through aquisition of fuel efficent cars and utilization of fuel efficent tires

Increase energy efficiency awerness of employees through periodical communication and engagement

CO2 EMISSIONS

In 2016 we registered approx. 12% decrease of CO2 emissions and approx. 5% decrease in overall electricity consumption as compared to 2015.

We are constantly monitoring our performance regarding energy consumption and CO2 emissions using a set of key performance indicators (KPIs) developed to cover all aspects of our operations. The CO2 emission calculation is based on our environmental indicators database, covering all types of energy we consume in our operations: electricity, fuels, heating energy and natural gas. We calculate our CO2 emissions on the basis of standards such as the internationally recognized Greenhouse Gas (GHG) Protocol, which distinguishes between three CO2 emissions categories: GHG Scope 1, 2 and 3. Over the last 2 years we have managed to expand our monitoring programmes and collect data, which allows us to report on GHG scopes 1 and 2. We are planning on extending our monitoring and reporting to Scope 3 within the next 2 years.

In 2016 our total CO2 emissions, direct and indirect (scope 1 + scope 2) dropped by approx. 12% compared to 2015, from 93,317.97 t CO2-eq to 81,845.83 t CO2-eq. We've also decreased our energy consumption by approx. 5%. One of the most relevant contributors was the introduction of energy efficiency measures in the telecommunication network in previous years. Our first ever Scope 3 emissions calculation in 2016 resulted in 428,322 t CO2-eq (the sources of these emissions derive from purchased goods and services).

IMPROVING ENERGY EFFICIENCY

Improving energy efficiency represents one of our major sustainability objectives. In 2016 our total energy consumption for mobile and fix operations was 274.11 GWh, 4.27% lower than in 2015 (286.35 GWh) due to reduced electricity consumption for mobile network and data centres as well as lower fleet fuel consumption.

For both our fixed and mobile operations we set out energy efficiency plans which are reported yearly to ANRE (National Regulatory Authority for Energy). Our energy efficiency management approach is based on:

- Long term goals towards 2020
- Midterm goals covering a period of 2 years
- Yearly operational efficiency measures

Through a variety of our energy efficiency and conservation programmes we managed to achieve energy savings of 12.24 GWh, out of which, 9.77 GWh refer to electricity and 2.47 GWh to heating and fuel consumption. Amongst relevant measures we took in 2016 was the modernization of our electricity network, increased control and management of temperatures in equipment rooms with BTS (base transceiver stations) as well as replacement of old equipment and air conditioning systems.

CO2 EMISSIONS EVOLUTION BREAKDOWN

Tons CO2-eq	2014	2015	2016	
Total CO2 emissions (scope 1 and 2)	122,578.1	93,317.97	84,298.00	↘
Direct emissions (scope 1)	14,627.06	14,077.12	13,626.72	↘
Indirect emissions (scope 2)	107,954.04	79,240.85	68,219.11	↘
Other indirect emissions (scope 3)	-	-	428,322	

ENERGY CONSUMPTION EVOLUTION

GWh	2014	2015	2016	
Electricity consumption	218.89	215.04	205.27	↘
District heating and fuel consumption in buildings	27.45	29.91	29.70	↘
Fuel consumption (fleet)	45.05	41.4	39.14	↘
Total	291.39	286.35	274.11	↘

TOTAL ENERGY CONSUMPTION

(% mobile and fixed operations)

67 Fixed operations

274.11 GWh

Mobile operations 33
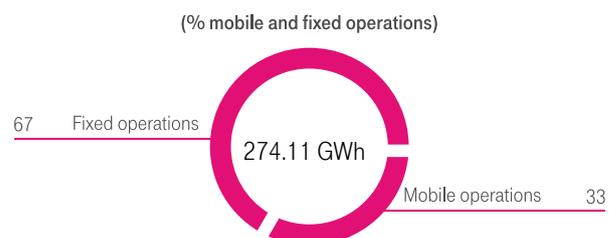
[1] Direct GHG emissions from operations that are owned or controlled by the organization
[2] Energy indirect GHG emissions that result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by the organization
[3] Energy indirect GHG emissions within the value chain, that result from extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the organization

ELECTRICITY CONSUMPTION

Our mobile and fixed networks accounts for almost 90% of our total electricity consumption representing our main focus within the modernization process. In 2016, our total electricity consumption (mobile + fix operations) was of 205.27 GWh, 4.27% lower compared to 2015 (286.35 GWh).

We continued the upgrade process of the mobile telecommunication network and the implementation of saving energy solutions and we managed to reduce the electricity consumption by almost 5% compared with 2015. Nevertheless, we expect an increase for 2017 as we are continuing to expand our coverage.

BREAKDOWN OF ELECTRICITY CONSUMPTION
(% of operations)

1.2 Shops	Fixed network 51.19
205.27 GWh	Data centers 4.0
35.05 Mobile	Buildings 10

DISTRICT HEATING AND FOSSIL FUEL CONSUMPTION

We are using district heating energy and natural gas for heating purposes in our buildings and shops, especially for our fixed operations locations. We installed electricity backup generators using diesel on all our technical locations to ensure the reliability of service and technical integrity of our systems. These improvements are restricted by an old heating infrastructure as well as limited availability to control heat generation and distribution.
District heating is used only on our fixed operations facilities and compared to 2015, the consumption decreased slightly with 6.7%. We also managed to reduce our fuel consumption in backup electricity generators and base stations by 14%, partly due to a decline in national grid power cuts.

FLEET FUEL CONSUMPTION

Our car fleet consists of service vehicles used for all technical operations and commercial vehicles used by our sales team. In 2016 our fuel consumption increased by over 4% compared to 2015 although the numbers of cars decreased. The average fuel consumption per kilometre within the fleet increased also with 12%, from 0.067 l/km in 2015 to 0.076 l/km in 2016.

BREAKDOWN OF ENERGY CONSUMPTION

|	2014	2015	2016	
District heating (GWh)	12.5	12.7	11.9	↘
Natural gas consumption (thousands m3)	1,843.83	2,162.19	2,265.28	↗
Fossil fuel for electricity generation (liters)	106,147	85,642.45	73,563.3	↘

6.2 MOBILE-RELATED CHALLENGES

We are continuously monitoring other key aspects related to our activities that may have an impact on the environment as well as on the health and wellbeing of a society. We are aware of the issues being raised concerning our infrastructure. We recognise the need to acknowledge and map out mobile-related challenges such as maintaining low noise levels, preserving natural landscapes and measuring the impact of electromagnetic fields.

SAFETY AND COMFORT OF NEIGHBOURING AREAS ELECTROMAGNETIC FIELDS

The impact of electromagnetic fields is a topic that has been discussed for more than 40 years. Being aware of the concerns related to EMF Radiation, we adopted the EMF Policy that addresses these concerns by means of transparency, through raising awareness and taking on a participatory, scientific approach. Following our EMF Policy we have adopted a number of practices, which help us monitor, analyse and publicly communicate all aspects related to EMF. Based on these practices, we are confident that the levels of electromagnetic fields in all our Base Stations are significantly lower than the national limits set by the Order of the Minister of Public Health no. 1193/2006 which transposes Recommendation 1999/519/EC on the limitation of exposure of the general public to electromagnetic fields (0 Hz to 300 GHz), a reference document for all the EU Member States, endorsed by the Commission on Non-Ionizing Radiation Protection (IC-NIRP), a non-governmental organization formally recognised by the World Health Organization.

In 2016, there were 26 EMF measurements performed by ANCOM on Telekom Romania sites at the request of external stakeholders. These have not indicated levels exceeding those provided by the Order of the Minister of Public Health no. 1193/2006.

Through fixed monitoring sensors installed in urban centres the Romanian National Authority for Management and Regulation in Communications (ANCOM) makes electromagnetic field strength measurement results available to the general public in real time. Adequate data is disclosed for mobile equipment.

ANCOM map of conducted EMF measurements with mobile equipment

NOISE

Telecommunication technical installations do not generate noise, but the auxiliary equipment does (generators, air conditioning systems and outdoor cooling equipment). In 2016 we received and solved 3 external complaints regarding the noise level of our equipment (competent authorities performed measurements and the resulting levels were below the legal noise limit). We are maintaining the noise level of our equipment below legal thresholds through maintenance programmes and by replacing old equipment.

PRESERVING THE LANDSCAPE

Visual impact aspects are associated with our Base Stations, which often have elements visible on high ground. We are reducing this by integrating our Base Stations within existing infrastructure, collaborating with other telecommunication operators and public utilities companies. We are also using smaller Base Station equipment where possible. To this date, we have not receive any complaints regarding the visual impact of our installation in 2016.

COMPLIANCE WITH LAWS AND REGULATIONS

In 2016 we have received 7 complaints regarding our operations, out of which 3 referred to the noise impact of our equipment, 3 to electromagnetic fields and 1 to waste management. While 4 of the complaints had no grounds or have been closed following noise and EMF level measurements, the other 3 generated a series of 9 corrective measures from local police and National Environmental Guard, which have been implemented. In the reporting period, Telekom Romania was not part of any other incidents regarding the compliance with environmental regulations.

SEEING ENVIRONMENTAL IMPACT IN BROADER TERMS OZONE PROTECTION

We are using refrigerants within our cooling systems for offices and technical rooms and our objective is to avoid and reduce leakages, which can occur due to technical failures, during reparations and refilling activities. To improve the control of refrigerants and increase the efficiency of our cooling systems, we have implemented a clear maintenance and verification programme, which allows us to detect failures and leakages. In 2016 our cooling systems lost through leakages a total quantity of 2,715.53 kg of refrigerants.

REPLENISHED REFRIGERANTS

Kilograms	2015	2016	
Total	2,029.85	2,715.53	↗
R134a	6.30	38.55	↗
R407c	693.80	1,016.70	↗
R410a	829.75	992.28	↗
R427a	500.00	668.00	↗

WATER CONSUMPTION

Water consumption is associated with our administrative and commercial activities in both our office and commercial buildings. We are only using water from public sources. In addition to increasing awareness internally, we have limited technical ability to influence water usage, which depends on buildings owners (with the exception of Telekom owned buildings).

WATER CONSUMPTION

Cubic meters	2014	2015	2016	
Total	98,682.4	102,511.5	101,893.2	↘
Fixed operations	93,410.4	93,660.0	93,106.0	↘
Mobile operations	5,272.0	8,851.5	8,787.2	↘

BIODIVERSITY

Preserving Romania's unique biodiversity and recognizing the relationship between sustainable development and human wellbeing are central concerns shaping our policies. We have to constantly strive to keep a balance between sustainability and technological advancement of the society. High quality telecommunication services everywhere and at any time necessitates the operation of a geographically extensive network of installations, which inevitably include protected areas.
In 2016 there were 31 base stations that were situated in protected areas. 31 base stations and one building were situated in terrestrial ecosystems protected areas in the following counties: Alba, Bihor, Brăila, Braşov, Caraş Severin, Giurgiu, Gorj, Harghita, Mehedinţi, Mureş, Sibiu, Tulcea, Vâlcea, Neamţ, covering a total area of 0.017 km^2.

All our protected area sites are developed, installed and operated based on Environmental Impact Assessment studies approved by designated authorities, in line with national legislation.

The contents of these studies and the approval process that includes a public consultation phase are specified in the relevant legislative acts. These studies, on the basis of current scientific knowledge, conclude that impacts on biodiversity are not material, and therefore there are no protected and/or restored habitat areas that are affected by Telekom Romania operations.

6.3 WHAT'S THE CHALLENGE FOR THE FUTURE?

We believe in the concept of circular economy as opposed to the linear 'take, make, dispose' model, which currently still prevails but is reaching its physical limits. A circular economy is restorative and regenerative by design, aiming to keep products, components, and materials at their highest utility and value at all times. Such business models are based on a continuous development cycle that preserves and enhances natural capital.

In that respect, following Deutsche Telecom's example set out in the Circular Economy Strategy, we strive to minimize the environmental impact of our operations and to raise awareness of our employees and stakeholders on acting more responsibly on the issue of environmental protection.
- Applying the principle "Reduce – Reuse – Recycle" for our activities.
- Expanding the lifetime and overall utilization of the equipment provided to customers, and facilitating the recycling of their discarded equipment.
- Informing and encouraging citizens to adopt recycling practices.

RESOURCE AND WASTE MANAGEMENT STRATEGY

Through our environmental policy and objectives we are committed to managing and reducing the environmental impacts of our operations. Thus we have established a precise and detailed monitoring system for all materials and resources we use. This enables us to identify the potential for improvement and set out specific measures to tackle those aspects, which are within our control.

To advance our material efficiency and waste management we developed our strategy around 7 key principles:
- Monitor the consumption of materials associated with our operations.
- Reduce the use of materials with high environmental impacts in their production phase.
- Prevent waste generation whenever possible.
- Maximise the reuse of materials or recycle them through specialized companies.
- Manage all electric and electronic waste to prevent environmental impact.
- Enhance environmental awareness, internally and externally, to increase participation in recycling practices.

We focus on reducing our waste quantities and increasing our recycling rate. At the same time we are developing initiatives and programmes that support collection and recycling of batteries and accumulators (WB&A) as well as old electric and electronic equipment (WEEE).

USE OF MATERIALS

Our commercial operations use packaging materials to pack, transport and deliver our products to shops and customers. Furthermore, we are using packaging for marketing and administrative purposes. Within this category, we are monitoring the following packaging materials: plastic, paper and cardboard, wood, aluminium and bags.

In 2016 we consumed 79.54 tons of paper in our offices and recycled 47.8% of total paper and cardboard waste generated. We are reusing as many cartridges as possible through refilling and we have established an alternative collection system for those at end of their refilling cycle.

MATERIALS CONSUMPTION

Tons	2015	2016	
Total	1,434.7	658.14	↘
Paper and cardboard	564.36	355.16	↘
Plastic	13.12	25.01	↗
Wood	166.93	67.65	↘
Biodegradable bags (pieces)	301.04	0	↘
Paper bags (pieces)	389.25	210.32	↘
Aluminium	0.025	0	↘

ASSOCIATED MATERIALS CONSUMPTION

Tons	2015	2016	
Total	261.6	394.5	↗
Office paper	66.69	79.54	↗
Reused Ink cartridges (pieces)	195	315	↗

WASTE MANAGEMENT

We classify the waste generated by our fixed and mobile operations according to specific criteria:
- Hazardous waste (lead batteries, lamps, portable batteries, wooden poles with creosote, refrigerants, oils, ink cartridges);
- Technical waste generated during technical operations on our networks and systems (e.g. cables, metals, electronic and telecommunication equipment) and used products (e.g. phones and related accessories, etc.);
- Others (waste categories not included in previous categories, such as residual waste).

All materials that can be recycled or managed in an environmental way are disposed separately with authorized contractors and the rest of the waste is sent to landfills or incinerated.

WASTE GENERATED

Tons	2015	2016	
Total	7,189.66	6,988.48	↘
Technical waste	3,060.88	2,173.22	↘
Hazardous waste	89.60	255.91	↗
Others	4,039.19	4,559.34	↗

WASTE GENERATED

(% of operations)

Hazardous waste 4

Technical waste 31

2016

Others 65
(incl. residual waste)
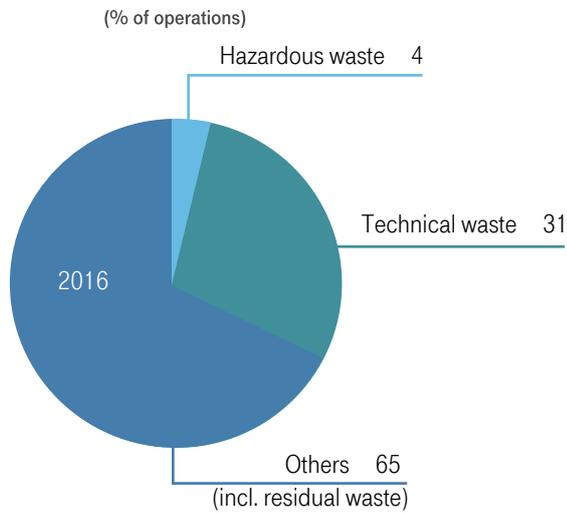
TECHNICAL WASTE BREAKDOWN

Tons	2015	2016	
Total	3,096.05	2,173.36	
Cables, aluminium, copper, etc.	2,479.29	907.90	
IT hardware and telecommunication equipment (WEEE)	578.89	1,265.21	
Phones, Batteries & Accessories	0.72	0.11	
Other waste (obsolete merchandise)	37.15	0.14	

G4-EN23

WASTE MANAGED

Tons	2015	2016	
Total	7,112.24	6,988.48	
Recycled waste	3,263.38	2,321.82	
Non-recycled waste (including residual waste)	3,848.86	4,666.66	

CASE STUDY

IT hardware and telecommunication equipment represent the main WEEE type we collect and manage. In 2016 we have continued our modernization programme by replacing old equipment. We have decommissioned and collected 1,265.21 tons of IT hardware and telecommunication equipment (which was either sold at recycling centres or exchanged through a buyback system).

WASTE DISPOSAL COST

EUR	2015	2016	
Waste disposal, packaging, WEEE, batteries and accumulators	356,792.86	268,883.5	

In 2016 we produced 6,988.48 tons of waste and recycled a total 2,321.82 tons. Internally, our efforts to raise awareness focus on recycling of paper, cardboard, mobile devices and accessories. We have seen an increase of recycling rates in all of these categories:

- 907.9 tons cables, aluminium, copper;
- 1,265.21 tons of IT and telecommunication equipment;
- 38.05 tons out of total 79.54 tons of paper (reaching 47.8%);
- 0.11 tons of mobile devices and accessories ;
- 0.93 tons of plastic.

CASE STUDY

We promote recycling in our stores and office buildings to educate employees and customers on ways to reduce their own environmental footprint. The latter targets the recycling of waste generated in offices and is based on the sorting-at-source principle. Therefore in our offices we have separate sorting bins for plastic, paper and household waste as well as collecting bins for E-waste (e.g batteries or neon-lamps).

7. OUR PEOPLE
A VALUABLE TEAM

Who are our employees?
How do we create a good place to work?

→

What is our corporate culture?
How do we ensure our employees' development?

→

How do we foster the social engagement of our employees?

→

We recognise that aiming at a leading position on the market requires great leadership and skills within the organisation. Adding to that is the need for fostering a digital-minded culture and giving high performing teams the space and support they need to drive technological innovation. Adapting to challenging market conditions requires constant transformation and can create great pressure on the people working towards it.

Having faced our need for changes within the organisation, we focused on creating the best possible conditions for our employees, helping them find their way in new and challenging situations, whether inside or outside our structure. Adopting a new operational model is never an easy process and it can destabilise company culture at all levels. Having indentified some necessary changes, we recognise the need to rebuild a sense of trust and security within the organisation.

Going forward we will continue to create a safe and fair working environment where talent is recognised and nurtured. Placing the right people in the right roles and supporting future leaders in their development are imperative for our future growth. But the starting point for tackling any challenge is to give our people clear guidelines and ensure open upward communication. We can only go forward by making sure that all our employees feel like they are part of a healthy, supportive working environment.

7.1 WHO ARE OUR EMPLOYEES?

Maintaining relationships based on trust with our employees, trade unions and employee representatives is at the core of our responsible employer vision.

At the end of 2016, the total workforce of our mobile and fixed operation was of 6,084 full time employees, which is with 4.5% less compared to 2015. Our active change management program "Job Service & Placement", was set out to prepare employees whose positions are scheduled to be cut or have already been cut for employment opportunities within and outside the company. We assisted them with professional location analyses, provided consulting on their employment prospects and assisted them with their applications for compensation payments.

WORKFORCE EVOLUTION INDICATORS

	2015	2016	
Total employees (full time, part time, indefinite and definite contracts)	6,368	6,084	↘
Employee turnover as a percentage of total employees (%)	7.1	9.64	↗

Even in these trying circumstances we managed to maintain a culture based on open dialogue and made sure that everyone involved was well informed at all times. To this end, we are using internal communication processes and tools to ensure that information reaches our employees in a unified and synchronized manner. In 2016, we continued to communicate with the employees through an array of digital channels such as the Intranet, YAM groups and campaigns, newsletters, text messages and live streaming sessions. Recognising the need to encourage a more open exchange, we allocated additional resources to direct communication channels to stimulate feedback and start real conversations.

G4-DMA Employment, G4-DMA Diversity and Equal Opportunity

In 2016, we ensured a 100% response rate for any inquiry received through the dedicated Corporate Communication e-mail. In order to offer new dialogue opportunities, we launched a forum section on our Intranet. We've also seen a 48% increase in participation of Romanian YAM users on the Group's international platform. Also, the company had a different approach, using for video messages from top management, road tours for one-to-one meetings and promoting the live streaming of local events or events hosted by Group.

KEY EMPLOYMENT FIGURES

92% of our employees have contracts on an indefinite period; almost 100% are full time employees.

WORKFORCE EVOLUTION INDICATORS

	2015	2016	
Indefinite contract employees	5,828	5,586	↘
% of employees with contracts on an indefinite period	92%	92%	→
Definite contract employees	540	498	↘
Full time employees	6,231	6,049	↘
Part time employees	137	35	↘
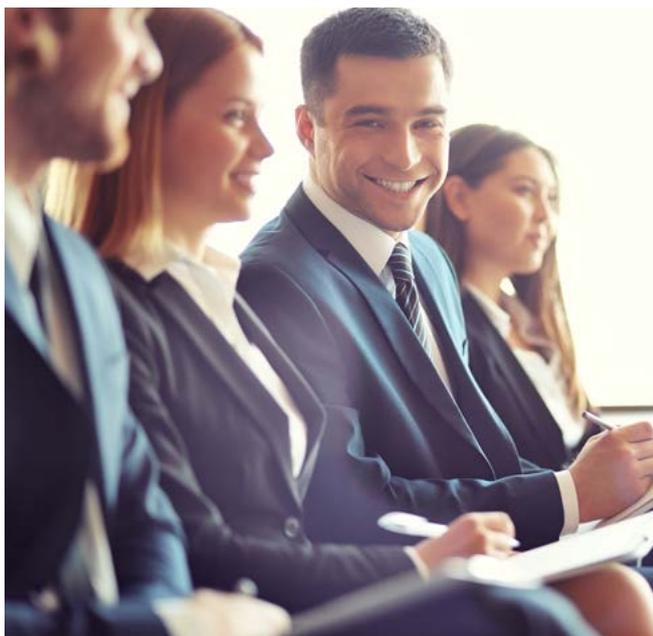
64% of our employees are over 30 years old, 18% over 50 years old. More than half are men.

WORKFORCE EVOLUTION INDICATORS

	2015	2016	
Chief Executive Officers (CXO)	11	8	↘
CXOs <30 yo	0	0	→
CXOs 30 yo<50	8	5	↘
CXOs > 50 yo	3	3	→
Female CXOs	1	1	→
% of Female CXOs	9	12.5	↗
Male CXOs	10	7	↘
% of Male CXOs	91	87.5	↘
Directors	34	33	↘
Directors <30 yo	0	0	→
Directors >30 yo<50	28	30	↗
Directors > 50 yo	6	3	↘
Female Directors	10	12	↗
% of Female Directors	29	36	↗
Male Directors	24	21	↘
% Male Directors	711	64	↘
Full time employees	6,231	6,049	↘
Managers and supervisors	746	556	↘
Managers and supervisors <30 yo	49	40	↘
Managers and supervisors >30 yo<50	553	403	↘
Managers and supervisors > 50 yo	144	113	↘
Female managers and supervisors	300	218	↘
% of female managers and supervisors	40	39	↘
Male managers and supervisors	446	338	↘
% of male managers and supervisors	60	61	↗
Staff	5,600	5,483	↘
Staff <30 yo	1,056	1,009	↘
Staff >30 yoi<50	3,663	3,463	↘
Staff > 50 yo	881	1,011	↗
Female staff	2,222	2,149	↘
% of female staff	39	39	→
Male staff	3,378	3,334	↘
% of male staff	61	61	→

Most of our employees are over the age of 30, in 2016 the number of employees over 50 year old increased by106.

	2015	2016	
Total employees < 30 yo	1,206	1,049	↘
% of employees under 30 yo	19	17	↘
Total employees >30 yo < 50 yo	4,137	3,904	↘
% of employees over 30 yo	65	64	↘
Total employees >50 yo	1,025	1,131	↗
% of employees over 50 yo	16	19	↗
Female employees	2,516	2,381	↘
% of Female employees	40	39	↘
Male employees	3,852	3,703	↘
% of Male employees	60	61	↗

The group with the highest exposure for the turnover of employees is the one under 30 years old.

	2015	2016	
Turnover rate < 30 yo	26.7%	34.7%	↗
Turnover rate >30 yo < 50 yo	5.34%	5.81%	↗
Turnover rate >50 yo	0.86%	0.35%	↘
New employees <30 yo	628	372	↘
New employees >30 yo <50 yo	321	157	↘
New employees >50 yo	7	7	→

	2015	2016	
Turnover rate for female employees	11.01%	12.35%	↗
Turnover rate for male employees	7.06%	8.13%	↗
New female employees	397	275	↘
New male employees	559	321	↘

7.2 HOW DO WE CREATE A GOOD PLACE TO WORK?

Non-discrimination, fairness and integrity in the workplace are fundamental values at Telekom Romania. The framework of our fair labour policy, based on respect for human rights, is in accordance with the following:

- The regulatory framework in Romania and the EU, which prohibits the use of child labour and forced labour.
- The United Nations Global Compact, which Telekom Romania signed in 2015.
- The Telekom Romania Code of Conduct and Employee on Labour Relations Policy, recognizing explicitly the basic freedom of association and the right to participate in collective agreements under national legislation, and expressly prohibit unlawful discrimination or harassment based on age, sex, religion, ability, background or sexual orientation.
- The management of personal data is realized in accordance with the Code of Conduct for the Protection of Human Rights, developed in accordance with the existing national legal framework, in view of ensuring human rights.

The core principle of our human resources management is that all decisions and actions relating to matters such as recruitment, wages, growth and employee development and termination of contracts are characterized by meritocracy, transparency and non-discrimination.

Our Code of Conduct is the framework guiding the behaviour of all employees. It reaffirms our strong commitment to comply with laws and regulations, with the specific obligations relating to ethical behaviour which, together with the five Guiding Principles, support our success. Our non-discrimination principle covers gender, age, religion, ability, origin and sexual orientation and have established internal reporting mechanism for all questions, concerns or complaints related to non-discrimination and all Code of Conduct principles.

FREEDOM OF ASSOCIATION AND COLLECTIVE LABOUR AGREEMENTS

We fully comply with the Romanian regulation on labour, freedom of association and collective labour Agreements. Our employees are organized within representative unions, covered 100% by collective labour agreements. Within Telekom Romania Mobile Communications a union has been formed in 2015 and a collective working agreement was concluded in 2016.

The Collective Labour Agreements within Telekom Romania regulate health and safety topics, rights and obligations, working time, remuneration and other monetary rights, vacations, individual labour agreements, evaluation procedure in case of professional under performance, social protection, labour discipline, and union rights.

CASE STUDY

At Telekom Romania the ratio of male/female remuneration is 1:1. Compensation level is determined by the level of the position held, performance at the job, education level, market information available, while the minimum wage level is adjusted according to the law.

PARENTAL LEAVE

Telekom Romania provides parental leave for childbirth and parental leave for childcare. Parental leave, which is considered and paid as working time, is provided to working mothers or fathers immediately after the end of maternity leave. All working employees made use of parental leave as they were entitled to. No employee resigned during child care leave with pay, and all men and women, returned to their normal duties.

EMPLOYEE WORKING TOOLS AND BENEFITS

We provide a range of benefits and programs to employees, supporting them and their families in their day-to-day lives, promoting a healthy work and life balance and helping them through personal emergencies. Our employee benefit system is based on a flexible scheme that fits each person individually and offers partnerships with a variety of different suppliers to ensure the quality of available services. These include:

WELLBEING
Meal tickets
Sport Club – 7Card
Medical services
On site chair massage
Discount to Spa & Beauty
Settlement of expenses for transport home - work home
Friend and family program
Discount to travel agencies
Settlement of expenses for tourism and/or treatment
Fuel Card

HOLIDAYS
Holiday bonus
Christmas Premium
Christmas money gift for children
Easter Premium
Easter money gift for children
"8th of March" Money Gift for Women
"1st of June" Children Money Gift

WELLBEING IN THE FUTURE
Private Pension Pillar 3
Life insurance (Risks Covered – death, total and partial permanent disability by any cause, hospitalization by any cause, allowance for temporary disability due to hospitalization)
Special Offers for banks

DEVELOPMENT
Discount to libraries
Discount to education & entertainment
Discount to electronics
Microsoft licences
Gift Voucher

HEALTH AND SAFETY

In 2016, our objective was to continue to strengthen our H&S management sphere and increase our performance on all core aspects. We achieved our objectives and improved our performance by not having any injuries related to work tasks (as a prime example, we managed to cut in half the number of accidents resulting from falls from heights).
We have initiated corrective actions and preventive measures and we are keeping our 0 injuries goal for 2017.
In Telekom Romania Communications, despite an increase in number of accidents, we registered a good decrease of the severity index by over 30%. Having acknowledged that the overall organisational average of recorded accidents has increased, we focused our management programs on reducing the injury rates.

We have also focused on ensuring that our employees remain healthy by providing easy access to basic, legally re-quired medical exams, as well as additional medical services provided in the compensation and benefits package.

Health and safety strategic objectives achievement status:

HEALTH & SAFETY OBJECTIVE	STATUS	
No occupational diseases caused by performed activities	No occupational disease have been identified in 2016	✓
No occupational diseases caused by performing activities amongst pregnant women	No occupational diseases have been identified in 2016	✓
No work-related injuries	9 working injuries recorded for all operations	⛔
Training of employees on health and safety (100% employees trained)	All employees have been trained periodically based on health & safety training topics	✓
Training of workplace supervisors on health and safety (100%)	All workplace leaders have been trained periodically based on health & safety training topics. In addition, 8 workplace leaders graduated the H&S course (40 hours)	✓

KEY HEALTH & SAFETY FIGURES

We recorded a slight increase in the number of non-fatal work-related injuries. The number of fatal injuries was kept at 0.

HEALTH & SAFETY PERFORMANCE INDICATORS

Number of employees	2014	2015	2016	
Work-related fatal injuries	0	0	0	→
Work-related non-fatal injuries	7	4	9	↗
Work-related non-fatal injuries (lost days)	610	360	530	↗
Health & safety training (hours/emplyees)	10.18*	11.17*	13.65	

*Estimation

HEALTH & SAFETY INDICATORS

Number of accidents/total number of working hours by all employees	2015	2016	
Injury rate (number of accidents/total num-ber of working hours by all employees).	0.12	0.16	↗
Lost days rate (total number of lost days as a result of accidents / total number of working days planned for the year in scope)	11.72	9.7	↘
Lost days rate female	n/a	3.26	
Lost days rate male	19.14	13.70	↘

Because of the slight increase in injury numbers an increase in lost days rates and absentee rates is to be seen.

Injury rate = (Total number of injuries / Total hours worked) x 200,000. The factor 200,000 is derived from 50 working weeks for 40 hours per 100 employees. The data includes all accidents resulted in injury, including first-aid injuries.
Lost day rate = (Total number of lost days / Total hours worked) x 200,000. The factor 200,000 is derived from 50 working weeks for 40 hours per 100 employees. Lost days are calculated as calendar days and their count begins on the day of the injury. For the fixed operations, the lost days resulted from accidents occurred in previous year are included.

HEALTH & SAFETY TRAINING

Number of employees	2015	2016	
H&S periodical training	6,368	6,107	✖
H&S induction training		Our H&S induction training is mandatory upon employment and therefore all of our new employees went through it.	✔
H&S specialist training	22	16	✖

*In 2015, a number of 60 employees received a first aid training from one of our partners

HEALTH & SAFETY MEDICAL EXAMS

Number of employees	2015	2016	
Medical examination at hiring	1114	649	✖
Periodical medical examinations	According to law	According to law	✔
Other medical examinations	50	68	↗

COMPLIANCE WITH HEALTH AND SAFETY LAWS AND REGULATIONS

During the reporting period, Telekom Romania participated in 17 inspections from Labour authorities resulting in 1 financial penalty, and 2 inspections from Emergency Situations authorities, which resulted in 2 penalties. All the financial penalties amounted to 1,550 EURO.

HEALTH & SAFETY INDICATORS

Number of employees	2015	2016	
Occupational disease rate occupational related illnesses/total number of worked hours of all employees)	0	0	➡
Occupational disease rate female	0	0	➡
Occupational disease rate male	0	0	➡
Work related fatal injuries (number of employees)	0	0	➡
Work related fatal injuries female	0	0	➡
Work related fatal injuries male	0	0	➡

Occupational disease rates and work related fatal injuries were kept at 0.

7.3 ENSURING THE DEVELOPMENT OF OUR EMPLOYEES

Team together – Team apart and Best place to perform and grow represent the core principles of our employee engagement approach. The involvement, the commitment and the satisfaction of our employees are key elements of our business success.

We believe in open and continuous communication between all levels of our workforce, as essential ingredient for an inclusive and fair working environment. We inform employees about the strategic, technological and organizational changes made, encouraging active participation and involvement in all decisions. Hence, our employee survey is an essential tool through which our employees have the chance to provide feedback on a regular basis. The biannual "Pulse Survey" captures up-to-date feedback, which we then incorporate into our management team's decisions and initiatives.

The 3 values that define our approach to employee engagement:

Team spirit: we can feel like a family, it is up to us create the working atmosphere we want.

Development opportunities: soft skills training, technical certificate courses, promotions and internal recruitment are all opportunities available to our employees who wish to advance within Telekom Romania or the DT Group.

Technology and innovation: Telekom Romania is a place where the digital mind-set is constantly fostered and opportunities to work with cutting-edge technology are created.

CASE STUDY

Collaborations to cover compulsory practice internships with various universities and high schools: 12 integrated students from Polytechnic University of Bucharest; 5 students from other prestigious universities in Bucharest (e.g. ASE, Bucharest University) and 10 students from the Technological High School of Electrical Engineering and Telecommunications Constanta.

Development Days involved around 650 people in several cities from the whole country in a new concept of training, based on a mix of internal champions and acclaimed external experts in extensive soft skills training. The sessions covered themes such as Management and Leadership, Sales, Negotiation and Customers Services, Personal and professional development, Team development, as well as topics regarding Project management.

Brand Champions Awards was a competition designed to identify those employees that best embody the Telekom brand values (Innovation, Competence and Simplicity). The aim was recognise how individuals contribute to the success of our brand in extraordinary ways. Following a two-stage evaluation, the top 10 candidates were each awarded 1,000 Euros to pay a training of their choice.

Certification of more than 100 employees on specific technical topics: CISCO, PMP, ACCA, ITIL etc.

TRAINING EVOLUTION INDICATORS

In 2016 we maintained the 100 percentage of trained employees.

Number of employees	2015	2016	
Employees trained	6,373	6,107	↘
% of employees trained*	100	100	→
Total training (hours/employee)	25.29	20.84	↗
Total training female (hours/employee)	n/a	12.35	
Total training male (hours/employee)	n/a	25.4	

*An estimate of 100% of our employees receive trainings (in HR, Business Management, Management Systems either in class or E-learning etc). Because of the fact that our training system is not integrated and because of the yearly turnover, the figures of trained employees are higher than the actual number of employees, (e.g. one employee receives training and might leave the company in the same year).

PERFORMANCE AND CAREER DEVELOPMENT REVIEW

Number of employees	2015	2016	
% of employees receiving regular performance and career development reviews	100	100	→

In 2016, 100% of our employees went through the performance evaluation process and 99% of the evaluations were finalized.

7.4 HOW DO WE FOSTER THE SOCIAL ENGAGEMENT OF OUR EMPLOYEES?

We believe that managing social responsibility in an organisation should take place within two dimensions: corporate and personal. Hence, at Telekom Romania we always seek to provide our employees with opportunities to realise their needs and passions through engaging with their communities, thus building a culture of participation. Such projects are focused on supporting a balanced life, which involves personal growth through social contribution.

Our volunteering framework provides the informational, technical and administrative support for direct employee involvement. This enables them to participate directly in activities addressing the following aspects:

- Reforestations
- Blood donation
- Supporting sport events
- Promotion of healthy living
- Supporting children healthcare

EMPLOYEES VOLUNTEERING

	2016
Number of employees participating in volunteering initiatives	5% (282)
Volunteering Hours	15,146

In 2016 we involved our employees, customers, suppliers and business partners in various initiatives and programs in areas such as reforestation, sports events, blood donations and volunteering for children's healthcare. We make sure that our employees are always well informed about all our CR initiatives so that they can contribute according to their personal needs and values and fit these activities in their busy schedules.

CASE STUDY

Developed with the help of over 200 volunteers in Bucharest Botanical Garden, Green Work is a program built in partnership with Team Work Association. Telekom Romania employees, together with their families and friends, joined a team of biologist to assist them in the revitalisation of green spaces that had been neglected for over 10 years. Bucharest Botanical Garden is an important landmark and this project gave our employees an opportunity to preserve a representative space in Bucharest, which offers a green refuge to over 12,000 visitors each month.

CASE STUDY

In 2016, our team participated in the second edition of the Bike2Work competition and ranked second among 27 companies. Our colleagues travelled 452 routes, a total distance of about 2,650 km. The Bike2Work contest is a European Union program organized in Romania by Green Revolution Association. The contest involved in total over 1,400 bikers in Romania that travelled for over 280,000 kilometres.

"Our belief is that the positive change we want to bring in the society starts with our company. Our aim is to ensure a fair, diverse, supportive and safe working environment which will leverage both professional and personal development of our people. Values and mission are translated into our day to day activities so we are permanently developing the necessary endowment, proactively improve the ways in which we guide and support our employees. Incorporating the external knowledge and good practices into our company environment, supporting through our employees a healthier and better society – this is how we see the connection between the internal and external dimensions of corporate responsibility. "

Carmen Dumitrache, Chief Human Resources Officer
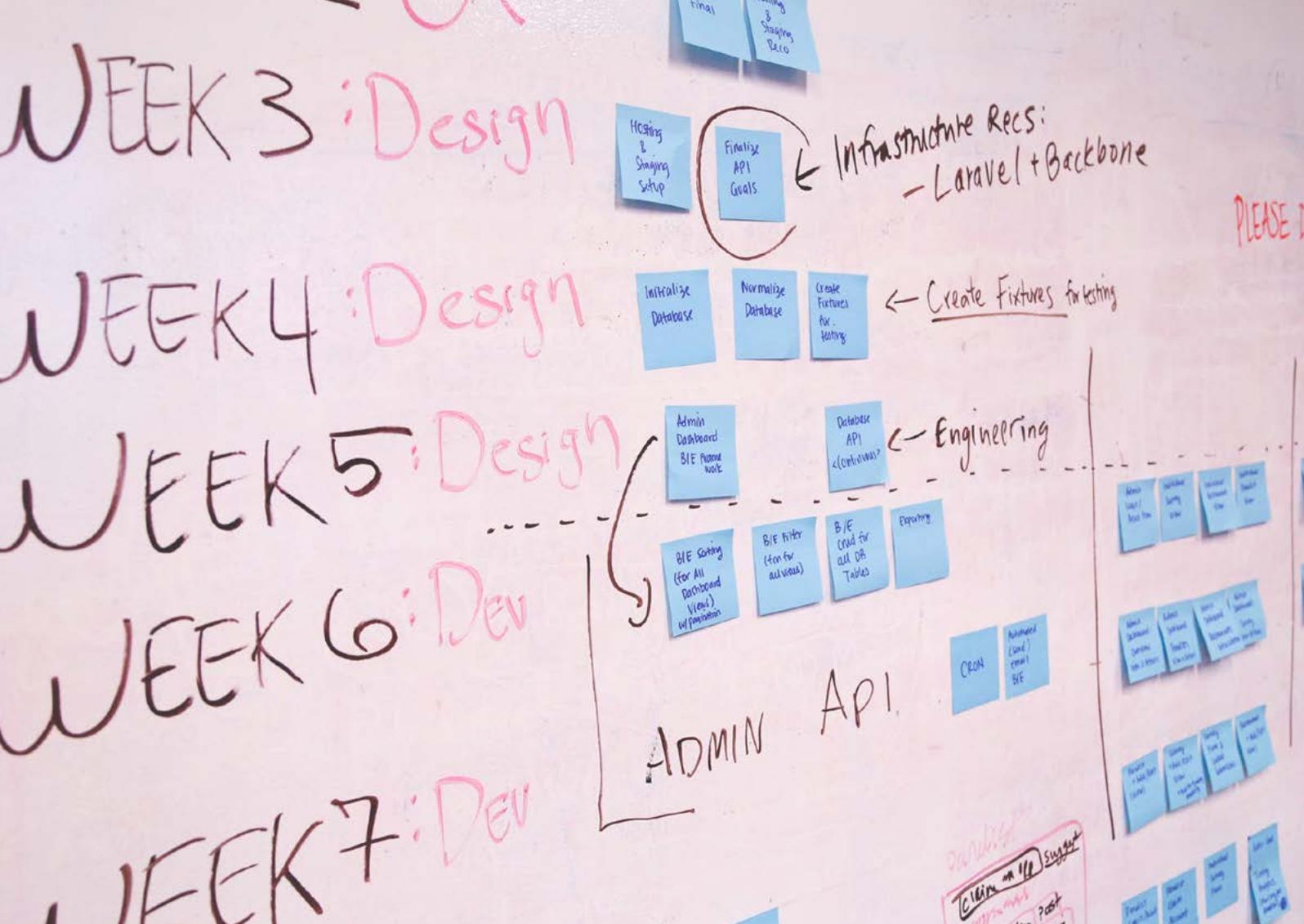
8. OUR BUSINESS CONDUCTED RESPONSIBLY

What is our corporate governance?
How we create a culture of ethics?

→

How we ensure resposibility for the market and our supply chain?

→

How we implement our corporate resposibility commitments?

→

G4-56

For large, multi-layer organisations such as ours, it is not enough to just acknowledge the need to be socially and environmentally responsible. It is not enough to strategize and make promises to our stakeholders. If we are to be their trusted companion, we must make sure we put all the necessary measures in place in every corner and evaluate our behaviour at each and every step of our way.

At Telekom Romania this is not a daunting task, but a positive approach supported by our belief in the personal integrity of our employees. Our trust in them, grounded through adequate internal compliance systems, will then translate into maintaining the trust of our customers, suppliers, partners and all external stakeholders.

Our corporate responsibility strategy is founded in ethics, compliance and risk management. From the external perspective, compliance and risk management become especially important in the current context of a national battle against corruption in Romania. Internally it is essential for all employees to feel involved through adapting a culture of ethics as only then can we say that it really take effect on an organizational level.

Our goal is to support and strengthen our core operational principles:
- Transparency;
- Justice;
- Professionalism;
- Integrity;
- Respect for the rule of law and for the ethical principles.
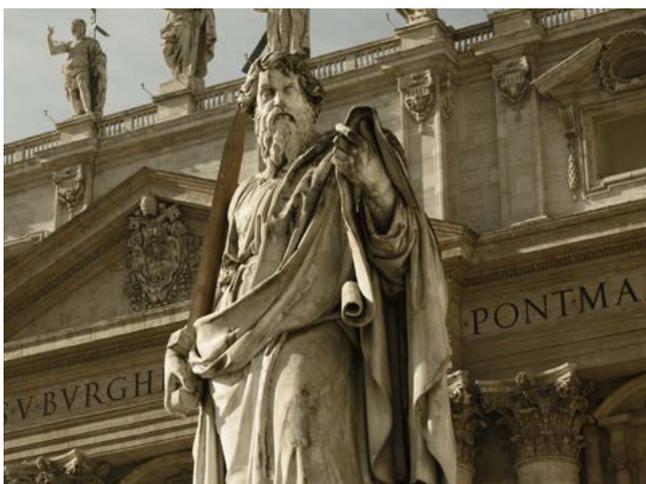
8.1 WHO IS RESPONSIBLE?

G4-34

The board is responsible for the adoption of business strategic plans as well as sustainability strategy, the monitoring of operational performance and management, and the development of appropriate and effective risk management policies and processes. Members of the Board are selected based on their qualifications and expertise, while at the moment there is no separate consideration of gender and other indicators of diversity in the selection criteria.

Members of our Boards of Directors in 2016

TELEKOM ROMANIA COMMUNICATIONS S.A.

Mr. Michail Tsamaz	President of the Board of Directors
Mr. Miroslav Majoroš	Executive member
Mr. Charalampos Mazarakis	Non-executive member
Mrs. Eirini Nikolaidi	Non-executive member
Mr. Nicholaos Stamboulis	Non-executive member
Mrs. Anca Georgescu-Aladgem	Non-executive member
Mr. Robert Hauber	Non-executive member
Mr. Bogdan Voicu	Non-executive member
Mr. Florin Furdui	Non-executive member

TELEKOM ROMANIA MOBILE COMMUNICATIONS S.A.

Mr. Charalampos Mazarakis	President of the Board of Directors
Mr. Miroslav Majoroš	Executive member
Mrs. Daniela Bujic	Non-executive member
Mr. Konstantinos Liamidis	Non-executive member
Mr. Anastasios Tzoulas	Non-executive member
Mr. Dimitrios Tzelepis	Non-executive member
Mr. Florin Furdui	Non-executive member

BREAKDOWN OF CORPORATE GOVERNANCE BODIES

	2015	2016	
% of people from governance bodies <30 yo	0	0	→
% of people from governance bodies >30 yo<50	64	57	↘
% of people from governance bodies > 50 yo	36	43	↗
Female in governance bodies	6	5	↘
Male in governance bodies	19	21	↗
Minorities in governance bodies	0	0	→

Governance bodies include:
- Board of Directors
- Management Team
- Audit Committee
- Nomination and Remuneration Committee
- Enterprise Risk Management & Corporate Governance Committee
- Compliance Committee

One of the key roles of the management team is to provide corporate leadership by articulating transcended goals, communicating high performance standards, setting the ethical and professional behaviour example and communicating clearly the values by which the company is being governed.

In 2016 changes were made in the management team to ensure a more agile organization structure, with simpler and customer-oriented processes, enabling the increase of the operational efficiency and the acceleration of the company strategic plans. Find out more information about our Management Team.

8.2 CREATING A CULTURE OF ETHICS

At Telekom Romania "Compliance" defines the way we "want" to act, not the way we are "obliged" to act. A culture of personal ethics and integrity is at the core of our compliance programmes that support principled performance.

During 2016, Telekom Romania:
- Was not part of any incidents of non-compliance with regulations regarding money laundering and corruption;
- Did not receive any discrimination complaints.

We have integrated the compliance principle in all our activities under the umbrella of the Compliance Management System and combined it with the goal of supporting and strengthening our core operational principles: transparency, justice, professionalism, integrity and respect for the rule of law and ethical principles.

We focus on:
- Raising awareness about the risks of non-compliance and building compliance culture;
- Prevention of misconduct;
- Detection and treatment of compliance issues;
- Provide necessary compliance consultancy.

COMPLIANCE MANAGEMENT STRUCTURE

Group Compliance Officer

Compliance Strategy, Organizations, Risk Management

Awerness	Prevention	Detection & Response
Classroom training	Policies and procedures	Tell Me - Ethics Line
E-learning	Consultation desk - Ask Me	Case Management
		Compliance Risk Assessment

Monitoring & Reporting

Communication
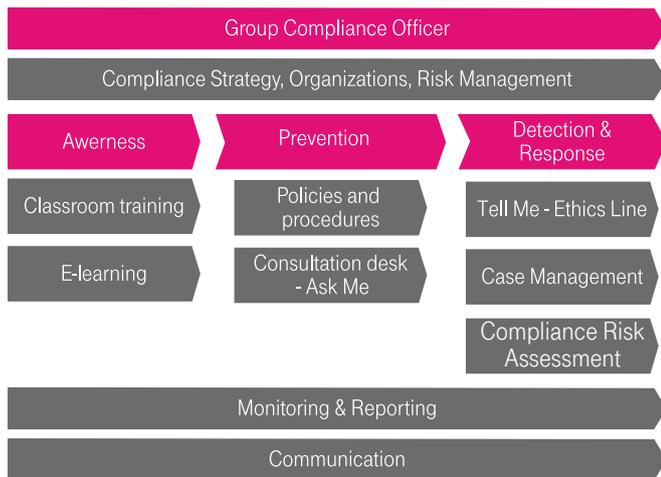
POLICIES

Compliance Management System is based on internationally recognized principles and frameworks including German audit standard PS 980 issued by the German Public Audit Institute. The compliance guidelines and policies within the existing framework include:

- Ethical code of conduct;
- Policy of avoiding corruption and other form of conflict of interest;
- Categories of partners / compliance due diligence principles;
- Telekom suppliers code of conduct;
- The code of ethics for senior finacial officers;
- Policy on accepting and granting of benefits;
- Events policy;
- Donation policy;
- Sponsorship policy;
- Insider trading policy;
- Anti-fraud policy;
- Policy on antitrust law;
- Whistleblowing policy;
- Policy on avoiding sexual harassement.
- Other policies pertaining to a culture of ethics: Corporate responsibility policy, Internal operations regulation code of conduct for the protection of the individual's rights to privacy in the handling of personal data policy on employee relations, Benefits policy.

At an organisational level we make sure that we conduct our behaviour according to best practices through complying with certification:

- Certification Anti-Corruption: in 2013, the auditors confirmed that the processes of the compliance organization are effective; in 2017 we aim to reach a re-certification with a focus on anti-corruption, among other Deutsche Telekom Group subsidiaries.

- Antitrust Certification: The Antitrust System of Telekom Romania was examined as well by an independent auditing institution in 2014 according to the German standard IDW PS 980. The audit report certifies that Telekom Romania has an effective compliance management system to avoid antitrust violations and to recognize them in time. As part of this certification Telekom Romania, as well Deutsche Telekom AG and OTE were examined.

RISKS

The high risk areas in the company have been highlighted as those related to corruption. As a result of the assessment process, the following potential risks related to corruption have been identified in the company:

1. Active Corruption reflected through the following potential scenarios:
- A benefit is granted to an employee or representative of a partnering business in connection with a specific forthcoming business decision in order to gain an unfair competitive advantage.
- A benefit is granted to a member of the public sector in connection with a decision-making processes.
- A sales agent/advisor uses part of their fees to win a contract through bribery.

2. Passive Corruption reflected through the following potential scenarios:
- Employee formulates selection criteria in favor of one supplier/consultant. Procurement has no choice other than to include this supplier/consultant in its selection. Alternatively, an employee influences an auction/tender in favor of one bidder. In return, the employee receives a benefit from the supplier/consultant.
- Employee/buyer agrees terms to the disadvantage of DTAG or the Telekom entity when awarding contracts for services in return for money or other benefits.
- Employees place lucrative orders to retailer IDs and accept money in return.
- Acceptance of a benefit in connection with a specific business decision.

G4-SO3

AWARENESS

In 2016 our compliance training programme reached a total of 22% employees (1,359) and focused on topics such as Anti-Corruption. Sessions, based on national and international case studies, were organised in classroom and online formats. This created an opportunity to really participate and understand the relevant compliance risks that apply in their day to day activities and how to mitigate these risks, based on the existing processes and procedures. Our Compliance training programme is based on internal guidelines and policies which are updated annually as part of continuous improvement of the Compliance Management System.

COMPLIANCE TRAINING PER TOPIC

In number of trained employees	2014	2015	2016	
Anti-Corruption	5,849	1,647	1,144	⊗
Induction Training on Compliance	135	268	215	⊗

CASE STUDY

"Transparency is essential in order to move forward" - this was the theme of Anti- Corruption Day held on 9 December 2016. We celebrated it together with our Deutsche Telekom colleagues all over the world, remembering what transparency and integrity means, how we fight against corruption in our daily business and how important it is to act in transparent ways.

Throughout 2016 the "Speak up Culture" employee-oriented campaign launched at DT Group level served as an enabler, promoting communication channels and creating opportunities to address issues early on and potentially avoid costly enforcement actions and other litigation.

PRIVACY AND SECURITY

In number of trained employees	2014	2015	2016	
Data Privacy training for internal employees	1,560	632	3,296*	↗
Anti-Trust	141	495	38	↘
Data Privacy on Telecommunication Secrecy for internal employees	1,059	436	0	↘
Data Privacy for external employees (call centers)	215	4	0	↘
Information security training		4,176	2,685	↘
Anti-Money Laundering	n/a	73	1,069	↗

* Data Privacy on Telecommunication Secrecy for internal employees as included in the standard Data Privacy training for internal employees

8.3 HOW WE ENSURE BEING A RESPONSIBLE MARKET PLAYER?

During 2016, Telekom Romania:
- Was not found in material breach of national fair competition and monopoly regulations and no significant fines given on non-compliance with laws and regulations. There was one small case identified in 2016 and it was related to a complaint from ANAF (National Agency for Fiscal Administration) based on the organization own initiative. The complaint covered the topic of unlimited benefits for certain tariff plans. The complaint was formulated against the fixed and mobile company on February 16, 2016. Following our response to their complaint, we received a fine of 3,500 LEI. We took the ANAF decision into the court and we won in the mobile company case, but not in the fixed company case.
- Was not identified as being non-compliant with regulations and voluntary codes concerning marketing, communications including promotion and sponsorship.

Our companies are committed to compliance with national and European regulations of the telecommunications market in Romania. We are committed to working together with government agencies, enterprises and other stakeholders to ensure a regulatory framework that protects all stakeholders' interests and contributes to the overall welfare of society. In 2016 we concentrated on a number of regulatory and administrative actions on the following topics:

■ Customers' information about contractual conditions to ensure transparency on the market.
■ Respecting the licenses' obligations regarding spectrum utilization, numbering, technical resources allocation.
■ Respecting the obligations regarding wholesale, interconnection, MVNOs, alternative services partners.
■ Electromagnetic fields public perception mitigation, through ensuring transparency of ICNIRP and national regulations and World Health Organization recommendations.
■ Debating legislative proposals on the telecommunication market regarding charge control and other local authorities initiatives.
■ On-going consultancy process regarding European and national legal framework implementation in the business activity.
■ Conforming to the applicable laws and regulations for communication and advertising including "Commercial communication rules on telecommunication services and products" issued by the Romanian Advertising Council (RAC).

G4-DMA Public Policy, G4-DMA Anti-competitive Behaviour, G4-DMA Marketing communications

CASE STUDY

According to the general authorization regime adopted by the regulatory authority (ANCOM), any person intending to start the provision of public electronic communications networks or publicly available electronic communications services has the obligation to send ANCOM a notification on this intention. The assessment process ensures the compliance with current legislation, the resolution of complaints, as well as the assessment of the quality of the provided networks and services.

Additionally, providers are obliged to inform ANCOM on aspects such as general statistical data, contracts, access and interconnection or annual financial statements. In 2016 ANCOM registered 143 complaints regarding our mobile operations and 209 regarding our fixed operations. All the complaints were answered in the legal term. For unfulfilling of obligations regarding informing of costumers and closing contracts at distance, ANCOM applied a warning and three fines totaling approx. 4,500 EUR for the fixed company.

8.4 HOW WE ENSURE RESPONSIBILITY OF OUR SUPPLY CHAIN ?

SPENDING ON LOCAL SUPPLIERS

85% of suppliers are from Romania, the rest are from North America and Asia. 100% of new suppliers were screened using environmental, labor practices, using human rights and impacts on society criteria in accordance to our Group policy.

	2014	2015	2016	
Local suppliers	1,229	1,301	1,273	
External suppliers	209	208	216	

G4-12, G4-EC9, G4-LA14, G4-EN32, G4-SO9

WHO ARE OUR SUPPLIERS?

Contractors, licenses, consulting services, companies selling telecommunications equipment and services, companies developing computer hardware and software, licenses usage of content rights, building/facilities managed services, marketing services, HR services, print services, mail services.

HUMAN RIGHT DUE DILIGENCE PROCESS IMPLEMENTED IN ORDER TO MEET REQUIREMENT OF UNITED NATIONS GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS COVERING DT VALUE CHAIN

G4-DMA Investment (as to human rights)

Raising awarness, trainings & engagement (6)

- Awarness for senior managers
- Active engagement with stakeholders

Control, communication and reporting (5)

- Monitoring: Social Charter Performance Report& Employess Relations Policy Review
- Transparent communication and reporting

Integrating a human rights perspective (4)

- Internal: Relevant business departments and processes (e.g. Supplier chain, compliance audits)
- External: Clients, suppliers and further relevant groups

Human rights due dilligence

6 1
5 2
4 3

Basic Statement on human rights (1)

- Respect for human rights (Social Charter, Global Compact Lead, Sustainability Code)

Grievance mechanism (2)

- Contact points accesible internally and externally (via hotline, mailbox, post and also anonymously, i.e. Whistleblower portal TellMe!)

Human rights risk and impact assesment (3)

- Identifying potential impact of business activities on human rights

We see sustainability in our supply chain as an opportunity for all. We are aware that without the support and collaboration of our suppliers we can't achieve a sustainable growth but also, as leading telecommunication company in Romania we drive development along our entire supply chain. Thus through a development program, we help strategic suppliers to introduce business practices that are socially and ecologically acceptable and economically efficient. The program is developed around four key components which together ensures that the relationship with suppliers are mutually beneficial, respects social responsibility and environmental sustainability principles and forms our Supplier Assessment Framework.

SUPPLIERS' SELECTION

The suppliers are selected on the basis of purchase orders (POs) issued via SAP-ERP systems, within a 12 month period. All the selected suppliers are evaluated by the business units involved and also a self-assessment questionnaire is completed by the Supplier. The selection criteria are based on technical specification, price, commercial terms, contractual issues and CR specific requirements.
The contracts with all suppliers include specific clauses or annexes on health and safety, anti-corruption, security, environment protection, confidentiality and compliance with Telekom Romania Supplier Code of Conduct.

Supply Chain Management Process Lifecycle

SELECTION

Procurement conducted according to Procurement Policy.
Suppliers comply with the Supplier Codes of Conduct
Evaluation of new vendors / proposals (supplier's selection criteria including Integrity Check). Incorporation into the suppliers' contracts of clauses on health and safety, anti–corruption, security policy, confidentiality and environment protection.

EVALUATION

Assessment of overall major vendor performance based on cross functiona criteria set/KPIs by OTE Group Management.
Self-assessment of the major vendors' CR performance through a self-assessment sustainability performance questionnaire.
Major vendors sign the Supplier Codes of Conduct Acceptance Declaration.

DEVELOPMENT

Specify plans to work on the improvement of "weak" vendors Monitoring of actions and results. Communication to Group of excluded vendors.

CLASSIFICATION

Classification of suppliers' based on quantitative and qualitative assessment results. Presentation of assessment results to OTE Group Management.

TELEKOM ROMANIA SUPPLIER ASSESSMENT FRAMEWORK

CASE STUDY

Supplier Code of Conduct
- Requires ethical and legally impeccable behaviour.
- Addresses requirements of honest behaviour for business relationships, for handling information and the avoidance of conflicts of interest.
- Active and passive corruption, public procurement, trade controls, donations, sponsorship, money laundering, data security and privacy are addressed in detail.

Corporate responsibility and anti-corruption clause
- Obliges suppliers to take all measures that are necessary to prevent and sanctimonies active and passive corruption.
- Contains obligations for our suppliers to improve the environmental performance and to reduce energy use.
- Includes our Code of Conduct.
- Provides regulations to review the adherence of them and includes regulations how to handle breaches.

Environmental consideration for supplier assessment procedure
The overall assessments of suppliers consider the establishment and implementation of an Environmental Policy, including procedures, clear targets and improvement programs regarding:
- pollution prevention;
- resource reduction;
- safe utilization, handling, transportation, storing, recycling, re-use and disposal of hazardous substances;
- disposal of wastewater and solid waste.

Social Charta
- Refers to the Declaration of Human Rights, the OECD guidelines, Global Compact and the ILO core labour standards.
- Includes the topics of human rights, working conditions, prohibition of child labour and forced labour, equal opportunities as well as labour, health and environmental protection.

SUPPLIERS' EVALUATION

The active suppliers of our companies are evaluated on an annual basis. This process is coordinated by the Process Management and Improvement Division. The suppliers to be evaluated are selected on the basis of purchase orders (POs) issued within a 12 month period. Thus all suppliers with orders worth over 2 million EUR and all suppliers providing crucial supplies (as defined by the OTE Group, i.e. goods and services that have a significant impact on products and services provided to customers) worth more than 500.000 EUR, were evaluated. In addition, all suppliers of products/services related to certified management systems of these companies are evaluated (i.e. Management systems according to ISO 9001, ISO 14001, OHSAS 18001, etc.)

SUPPLIER CLASSIFICATION AND DEVELOPMENT

The rating of suppliers, performed by the involved business units of our companies, together with the completed suppliers' self-questionnaires, are posted into the OTE Group's Supplier Evaluation System, in order to obtain a quantified performance of each supplier. The performance of each supplier on Corporate Responsibility represents 10% of the total score. For the suppliers with a low score, the decision about further actions is taken at the level of OTE Group Management, whether they need to show improvement in their performance or whether their cooperation with the Group is terminated. In the case of international suppliers, the decisions are taken based on DT supplier policy.

8.5 HOW WE ENSURE THAT OUR CR COMMITMENTS ARE IMPLEMENTED?

To ensure that our commitment is transformed in action and results we have connected the Corporate Responsibility with the Board of Directors scope through our Corporate Communication functions. With CR's governance structure, Telekom Romania ensures that topics related to sustainability are integrated in its key business processes. The Board of Directors grants overall responsibility for Corporate Responsibility to the CEO, who in turn keeps BoD up to date. Corporate Communication Romania Director is responsible for strategic design and implementation of relevant actions.

We have defined the key roles and goals of CR bodies for 6 key business areas as follows:

FINANCE MARKET

- Generates sustainable added value
- Contributes to the inclusion of Telekom Romania in appropriate sustainability indexes and steadily improve its rating and ranking evaluations

SUPPLIERS AND HUMAN RIGHTS

- Ensures compliance with national and international rules, standards and laws
- Ensures and actively support adherence with environmental and social standards and human rights during all stages of the supply chain
- Manages CR opportunities and risks in the Group's purchasing process
- Identifies risks and improvement potential, and develop improvement measures
- Analyses and evaluate the impact of the IT industry on society

RESOURCE AND ENERGY EFFICIENCY, CLIMATE PROTECTION

- Develops, implements and reviews a company-wide waste management strategy
- Improves resource efficiency by providing instructions and recommendations
- Provides transparency on the company overall environmental footprint and identify improvement potentials
- Monitors company's actions with respect to their environmental effectiveness

SOCIETY

- Supports the most vulnerable groups among the population
- Enables disadvantaged people to participate in the knowledge and information society
- Supports education initiatives and opportunities via sponsorships, donations and corporate volunteering programs

CUSTOMERS AND PRODUCTS

- Improves customer satisfaction with sustainability issues
- Assesses the relevance of product and service sustainability in a dialog with external stakeholders

ENVIRONMENTAL AND OTHER MANAGEMENT SYSTEMS

- Establishes framework conditions for environmental performance according to the current relevant standards
- Evaluates and implement relevant national and international standards on CR aspects
- Reviews and improve the efficiency of CR related management systems

Corporate Responsibility Governance Framework

Board of Directors
Approves CR policies and significant strategic projects, as needed

Chief Executive Officer
Recommends CR policies and strategic projects to the Board of Directors, approves and supervises the CR strategy and performance

Communication Director
- Recommends and formulates CR policies, strategy and guidelines ;
- Designs strategy, assigns work and strategic actions;
- Cooperates with the CEO on CR issues and informs the CEO seeking guidance or approval;
- Acts as the interface between the CR bodies.

Internal Communication, Corporate Events & CR Department
- Develops CR strategy, policy and programs streamlining with OTE Group and Deutsche Telekom;
- Coordinates and monitors implementation of CR policies;
- Develops indicators and monitors progress towards target achievement;
- Participates in the OTE Group CR Managers Network and the DT Group CR Managers Network.

"Telekom Romania corporate responsibility report is a picture in time of our sustainability efforts that we deploy everyday along the year. The reporting exercise takes sustained efforts and time and we are proud to share with you our achievements and challenges in making our business sustainable. A company is a living organism that requires constant care and adjustment, and abiding to a philosophy of corporate responsibility ensures we are targeting and living every day the right values for a healthy business development. "

Ruxandra Vodă, Corporate Communication Director Romania

8.6 ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management (ERM) is a systematic approach of identifying, analysing and evaluating risks in order to develop preventive strategies and ensure the effectiveness of existing control measures.

Since March 2013 Telekom Romania has implemented the ERM framework comprising of Risk and Insurance Management Policy and the Enterprise Risk Management & Corporate Governance Committee. This framework observes the provisions of ISO 31000 Risk Management Principles and Guidelines, COSO framework and COBIT. The ERM processes performed locally are fully aligned with both OTE and DT ERM methodologies, processes and practices.

In 2016, the company has obtained the ISO31000 attestation on the implemented Risk Management System. This is an independent recognition that the ERM processes applied for risk identification, evaluation, communication and treatment observe the international standards, thus contributing to fulfilment of company's strategic goals.

PROVIDING AN INTEGRATED ERM FRAMEWORK

ERM function designed and implemented a unified methodology for performing risk assessment in all departments in line with ISO requirements, Romanian legislation requirements and commercial purposes.

ERM team collected all formal risk assessments carried out throughout the company, analysed them, and reported them as per the ERM criteria and processes in place.

COORDINATION AND COOPERATION WITH BUSINESS

The responsibility for specific risks management lays primarily with our operational managers, while the ERM team is responsible to align with them, to provide an integrated framework for risk assessment and to report the enterprise risks which meet the predefined set of criteria.

In order to ensure a timely capture of potential new risks and to stay up to date with the evolution of current risks and their mitigation measures, we communicate quarterly and ad-hoc with a network of key people in business areas. In addition, we consult management reports, financial reports, industry reports, macro-economics indicators and progress reports of ongoing/planned strategic initiatives.

To further increase ERM methodology awareness, we have organized dedicated workshops with key business managers and representatives of all functions performing risk assessment in the company. Upon request, ERM team has also delivered dedicated risk management trainings to the interested teams inside the company.

REPORTING ON ENTERPRISE RISKS

ERM team identifies and records the ERM risks, then it assesses their impact and probability based on models agreed with risk owners. ERM risks exceeding Eur 500,000 EBITDA impact were included in the Quarterly ERM Report which has been validated by the ERM & Corporate Governance Committee.

The amended report was further presented to the Audit Committee, and upon its acknowledgement, Internal Audit & Risk Management Director has sent it to OTE ERM team for consolidation. Prior to that, the report was presented to CEO.

Twice a year, Internal Audit & Risk Management Director presents the top10 risks to the Board of Directors.

The ERM & Corporate Governance Committee is responsible to:
- Perform a sanity check over the Quarterly ERM Report (check for the significant risks to be included, and mitigating measures are up to date, review risk trends and risk position);
- Agree on the risk impact and probability assessment;
- Discuss the proposed mitigating measures, decide whether the risk is mitigated sufficiently; and
- If necessary, decide an escalation of issues to other corporate bodies able to the address the risks.

In 2016, this Committee comprised of the following people:
- Internal Audit & Risk Management Director (chairman);
- Chief Financial Officer;
- Chief Human Resources Officer;
- Legal, Corporate Affairs and Compliance Director;
- Compliance Manager; and
- Security Manager.

ERM ANNUAL ACTIVITY

During 2016, we have reported five new risks (two operational risks, two regulatory risks and one financial risk) and closed two other risks (one operational and one pertaining to regulatory issues).

By the end of 2016, the Risk Register comprised of 27 on-going risks (actively monitored and with mitigation measures in various degrees of implementation) and 21 risks that were removed as result of the actions taken by top management. In terms of risk trends, we encountered 4 cases where risks have deteriorated and 14 cases when risk have improved, which shows strong commitment of top management to make the necessary efforts addressing the reported risks.

In going forward, we aim next years to a set of objectives, as follows:
- Strengthen cooperation with Strategy function and be involved in the strategic planning process;
- Implement risk appetite approach (including risk tolerance, risk limits, and risk capacity) within the context of ERM framework;
- Consider ERM software tools allowing for increased capabilities in early identification of key risk indicators and correlations, monitoring risks and mitigation measures, and differential reporting;
- Instil the ERM culture in our organization through continuous communication and training.

"The Enterprise Risk Management function is actively supporting our company to achieve its strategic initiatives. Regular discussions with management reveal risks related to strategy, finance, reputation, operations, technology, legal, and regulatory topics. We help management in finding the sweet spot between excessive risk-taking and a risk-averse mentality, therefore achieving a customized and balanced approach, as the key to an effective risk management process. "

Codrut Bogdan, Enterprise Risk Management Senior

9. ABOUT OUR REPORTING

Which are our
standards for reporting?

→

Which are the material
aspects relevant for
Telekom Romania and
GRI Indicators?

→

How was our contribution
to Romania's development
recognized during 2016?

→

CULTURE OF TRANSPARENCY

We are happy to present the second Telekom Romania Corporate Responsibility Report. It represents the continuation of a regular reporting cycle of 1 year which we began with 2015 report we intend to follow in the future as an expression of our corporate responsibility culture and also a part of the commitment of Deutsche Telekom and OTE groups towards sustainability and business responsibility. Both groups are publishing annual sustainability reports for more than 10 years. As we would like to improve the quality of our reporting, we are open for any of your feedback or input. Please feel free to send your suggestions or questions at: csr@telekom.ro.

REPORTING SCOPE

The scope of this report encompasses the operations of Telekom Romania Communications S.A. and Telekom Romania Mobile Communications S.A in an integrated approach. Throughout the present report, the terms „TELEKOM ROMANIA", „TELEKOM ROMANIA companies", „We" or „Our companies" refer to both Telekom Romania Communications S.A. and Telekom Romania Mobile Communications S.A. All references to plural shall be construed as a reference to TELEKOM ROMANIA. Also, „Mobile Operations" mean the telecommunication related services managed by Telekom Romania Mobile Communications S.A. and „Fixed Operations" mean the telecommunication related services managed by Telekom Romania Communications S.A.
Throughout this report, where data was available, we are presenting separate data and facts for the two business areas. We encountered several data gaps which we could not address at this point due to the recent integration process.

The report presents the company's actions, challenges, results and achievements in 2016 (January – December). Where applicable, we have provided historical data from the two previous years. The GRI indicators have not been verified by an external independent auditing company but the Financial Data used throughout the report was taken from the company's financial statements, hence they were externally assured. Throughout this report, there were no restatements of previously reported information due to mergers or acquisitions, change of base years/periods or changes in the nature of the business.

REPORTING GUIDELINES

This report has been prepared in accordance with the GRI's Sustainability Reporting Guidelines (G4 Core). The GRI Index synthesizes the way we have addressed all requirements concerning indicators and disclosures. In defining the content

of the report we have also considered the UN Sustainable Development Goals (SDGs) and the UN Global Compact principles.

MATERIALITY ANALYSIS

In order to cover all the relevant sustainability aspects in our reporting process, we follow steps recommended by GRI (Identification, Prioritisation, Validation). The results were used to define the structure and content of our Corporate Responsibility Report as well as list of GRI indicators.
For the current reporting cycle we have:
- Defined sustainability aspects which are connected with our services, products and operations basing on external sources, SDG's, as well as strategic priorities in DT and OTP Group.
- Carried an extensive process of stakeholders dialogue with more than 150 persons from more than 35 organizations (between March and May 2016), on the sustainability aspects material for the ICT sector in Romania.
- Discussed internally with organizational stakeholders the relevance of each category of aspects from their perspective
- Gained feedback to our previous (G4-29) 2015 Corporate Responsibility Report through interaction with 7 key external experts and representatives of stakeholders (June 2017) to understand what are the areas for improvement.

CASE STUDY

Our 2015 CSR Report created the optimal framework, laid the overall foundation for a high quality and sustainable, continual Sustainability Reporting.

The current CSR 2016 Report is the second one in the succession with significant improvements being made on the content and quality spheres. From the standpoint of the 10 GRI Reporting Principles, added value has been brought when it comes to "Sustainability context", "Materiality", "Balance", "Comparability", "Clarity".

G4-30, G4-31
G4-17, G4-22, G4-28, G4-33
G4-18, G4-29
G4-32

MATERIALITY ASSESSMENT RESULTS

Taken as a sole concept, "Materiality" is a principle that helps define and determine the business, social and environmental topics that matter most to a business and its stakeholders. Through the "Materiality Assessment Process" a triage of what is of high importance/less important to be reported, emphasized on is made; in our case of Telekom Romania, the graphics below illustrates this process:

AREA OF TOPIC	PRIMARY MATERIAL TOPICS	SECONDARY MATERIAL TOPICS
ENVIRONMENTAL	■ Materials (the type of materials used in the products) & Waste management ■ Energy efficiency and climate change mitigation (including efficiency of resource use within company operations) ■ Services that promote and facilitate resources efficiency (including ICT solutions for a low-carbon economy/ products with low environmental impact)	
ECONOMIC/CLIENT	■ Research and development ■ Economic impact ■ Access to telecommunications products and services (bridging the digital divine, expanding broadband & mobile internet) ■ The economic performance of the organization ■ Service quality (customer service & satisfaction) ■ Responsibility for privacy and personal data protection (data security & privacy/ cyber safety)	■ Customer's health & safety (including EMF, noise, etc.) ■ ICT and child safety
SOCIAL IMPACT	■ Social products & services ■ Social impact management (including direct social contributions) ■ Business enterprising	■ Employee Volunteerism
WORKPLACE	■ Employee satisfaction, involvement & motivation ■ Fair employment/ Responsibility in labour relations/ Responsible transformation ■ Employee development	■ Health & Safety ■ Welfare of employees
GOVERNANCE		■ Compliance & risk management (including anti-corruption) ■ Promoting sustainable development (including human rights in the supply chain)

During our materiality assessment process we have identified the aspect boundaries based on the criteria bellow:
Material aspect relevance within Telekom Romania;
Material aspects for which the impacts can occur within the boundaries of Telekom Romania, respectively during the operations directly managed by Telekom Romania:
- Fixed operations;
- Mobile operations.

Due to relevance considerations in our current 2016 Report, certain changes from previous reporting periods concerning Materiality are to be seen. We decided to omit the following:

From the "Environmental" category, aspects such as Water, Biodiversity, Transport and Environmental Grievance Mechanism. Being a Telecom Company, the main water source is the national water grid, the impact on biodiversity is minimal, no significant environmental impacts due to transporting products/other goods or materials are to be seen because of our line of business and therefore there are no environmental grievances. Indicator G4-EN24 is also no longer covered as non-material.

From the "Social" category, aspects such as Child Labour, Forced or Compulsory Labour, as well as the indicators corresponding to Supplier Human Rights Assessment are inapplicable. Telekom Romania purchases locally, the interaction with the wider supply chain prone to social risk is covered by global agreements on the Group level of Deutsche Telekom (references to policies and global practices in this regard are made in the report).

Indicator G4-PR6 "Sales of banned disputed products" is no longer covered as Telekom Romania does not sell products that are banned in certain markets nor any of the products were the subject of public debate.
To raise transparency in "Labour" category, we decided to include indicator G4-LA11 regarding the percentage of employees receiving performance and career development reviews as appraising employee performance aids to their personal development and contributes to both skills management and the development of human capital within the organization.

Material aspect relevance outside Telekom Romania:
Material aspects for which the impacts can occur outside the boundaries of Telekom Romania (operations not under direct control of Telekom Romania) at the level of contractors, suppliers, distributors and customers:
- Network maintenance and development contractors (A)
- Administrative services contractors (B)
- Facility maintenance contractors (C)
- Hardware suppliers (D)
- Software suppliers (E)
- Distributors / commercial partners (F)
- Business customers (G)
- Private customers (H)

GRI G4 CONTENT INDEX

Our report prepared in accordance with the GRI G4 Guide-lines, has successfully completed Content Index service. This confirms that the GRI Content Index of the report is accurate.

Content Index
Telekom Romania

Aug 2017 Service

		GENERAL STANDARD DISCLOSURES		
Indicators	Page	Title of the disclosure	Status/Comment	SDG/UN Global Compact
STRATEGY AND ANALYSIS				
G4-1	p.3	A statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	Fully implemented	
ORGANIZATIONAL PROFILE				
G4-3	p.6	The name of the organization	Fully implemented	
G4-4	p.7	The primary brands, products, and services	Fully implemented	
G4-5	p.6	The location of the organization's headquarters	Fully implemented	
G4-6	p.7	The number of countries where the organization operates and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	Fully implemented	
G4-7	p.7	The nature of ownership and legal form	Fully implemented	
G4-8	p.6	The markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Fully implemented	
G4-9	p.6	The scale of the organization	Fully implemented	
G4-10	p.52	The total number of employees by employment contract and gender, the total number of permanent employees by employment type and gender, the total workforce by employees and supervised workers and by gender, the total workforce by region and gender	Fully implemented	UNGC Principle 6 SDG 8
G4-11	p.54	The percentage of total employees covered by collective bargaining agreements	Fully implemented	UNGC Principle 3 SDG 8
G4-12	p.64	The organization's supply chain	Fully implemented	
G4-13		Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	No changes have been realized during the reporting period.	
G4-14	p.61	Whether and how the precautionary approach or principle is addressed by the organization	Fully implemented	
G4-15	p.12 p.16	The list externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Fully implemented	

G4-16	p.12	The list memberships of associations (such as industry associations) and national or international advocacy organizations.	Fully implemented	

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-17	p.71	List all entities included in the organization's consolidated financial statements or equivalent documents	Fully implemented	
G4-18	p.71	Explain the process for defining the report content and the Aspect Boundaries	Fully implemented	
G4-19	p.72	List all the material Aspects identified in the process for defining report content	Fully implemented	
G4-20	p.73	For each material Aspect, report the Aspect Boundary within the organization	Fully implemented	
G4-21	p.73	For each material Aspect, report the Aspect Boundary outside the organization	Fully implemented	
G4-22	p.71	The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Fully implemented	
G4-23	p.73	The significant changes from previous reporting periods in the Scope and Aspect Boundaries	Fully implemented	

STAKEHOLDER ENGAGEMENT

G4-24	p.20	Provide a list of stakeholder groups engaged by the organization	Fully implemented	UNGC Principle 6 SDG 8
G4-25	p.20	Report the basis for identification and selection of stakeholders with whom to engage	Fully implemented	UNGC Principle 3 SDG 8
G4-26	p.20	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	Fully implemented	
G4-27	p.20	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	Fully implemented	

REPORT PROFILE

G4-28	p.71	Period (such as fiscal or calendar year) for information provided	Fully implemented	
G4-29	p.71	Date of most recent previous report (if any)	Fully implemented	
G4-30	p.71	Reporting cycle (such as annual, biennial)	Fully implemented	
G4-31	p.71	Provide the contact point for questions regarding the report or its contents	Fully implemented	
G4-32	p.71	Report the GRI Content Index	Fully implemented	
G4-33	p.71	Report the organization's policy and current practice with regard to seeking external assurance for the repor	Fully implemented	

GOVERNANCE

G4-34	p.60		The governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	Fully implemented	

ETHICS AND INTEGRITY

G4-56	p.19, p.60		Description of the organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Fully implemented	UNGC Principle 10 SDG 16

SPECIFIC STANDARD DISCLOSURES					
Indicators	Page	Omissions	Title of the disclosure	Status/Comment	SDG/UN Global Compact
Category: ECONOMIC					

ECONOMIC PERFORMANCE

G4-DMA Economic performance	p.15				
G4-EC1	p.15		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.	Fully implemented	SDG 2,7,8,9
G4-EC4			The total monetary value of financial assistance received by the organization from governments during the reporting period.	No financial assistance have been received from the Government in 2016.	

INDIRECT ECONOMIC IMPACTS

G4-DMA Indirect Economic Impacts	p.16, p.36				
G4-EC7	p.36		Development and impact of Infrastructure Investments and Services Supported	Fully implemented	SDG 9
G4-EC8	p.23, p.36		Significant Indirect Economic Impacts, including the extent of impacts	Fully implemented	SDG 8,10,17

PROCUREMENT PRACTICES

G4-DMA Procurement Practices	p.16, p.64				
G4-EC9	p.64		Proportion of spending on local suppliers at significant locations of operations	Fully implemented	SDG 12
Category: ENVIRONMENT					

MATERIALS

G4-DMA Materials	p.16, p.48				
G4-EN1	p.48		Materials used by weight or volume.	Fully implemented	UNGC Principle 7,8,9 SDG 7,12,13

ENERGY

G4-DMA Energy	p.16, p.43				
G4-EN3	p.44		Energy consumption within the organization	Fully implemented	UNGC Principle 7,8,9 SDG 7, 8, 12,13
G4-EN6	p.44		Reduction of energy consumption	Fully implemented	UNGC Principle 8,9 SDG 7, 8,12,13

EMISSIONS

G4-DMA Emissions	p.16, p. 43				
G4-EN16	p.44		Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Fully implemented	UNGC Principle 7,8,9 SDG 3,12,13
G4-EN19	p.44		Reduction of greenhouse gas (GHG) emissions	Fully implemented	UNGC Principle 8,9 SDG 13

EFFLUENTS AND WASTE

G4-DMA Effluents and Waste	p. 16, p.47				
G4-EN23	p.49		Total weight of waste by type and disposal method.	Fully implemented	UNGC Principle 7,8,9 SDG 3,6,12

COMPLIANCE

G4-DMA Compliance	p.61				
G4-EN29	p.46		Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully implemented	UNGC Principle 8 SDG 8,16

OVERALL

G4-DMA Overall	p.43				
G4-EN31	p.43		Total environmental protection expenditures and investments by type.	Fully implemented	UNGC Principle 7,8,9 SDG 7, 13

SUPPLIER ENVIRONMENTAL ASSESMENT

G4-DMA Supplier Environmental Assesment	p.16, p.66				
G4-EN32	p.64		Percentage of new suppliers that were screened using environmental criteria	Fully implemented	UNGC Principle 7, 8

Category: SOCIAL - LABOR PRACTICES AND DECENT WORK

EMPLOYMENT

G4-DMA Employment	p.16, p.51				
G4-LA1	p.53		Total number and rate of employee turnover by age group, gender, and region.	Fully implemented	UNGC Principle 6 SDG 5,8
G4-LA2	p.54		Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	Fully implemented	UNGC Principle 68 SDG 8

LABOR/MANAGEMENT RELATIONS

G4-DMA Labor/Management Relations	p. 54				
G4-LA4			Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	The collective agreement for fixedoperations stipulates consultations with unions regarding reorganization processes, when these processes result in the reduction of the number of employees, with 20 calendar days before they become effective.	UNGC Principle 3 SDG 8

OCCUPATIONAL HEALTH AND SAFETY

G4-DMA Occupational Health and Safety	p.55				
G4-LA5	p.54		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.	Fully implemented	UNGC Principle 3 SDG 3, 8

G4-LA6	p.55		Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Fully implemented	SDG 3,8
G4-LA8			Health and safety topics covered in formal agreements with trade unions.	100% coverage of health and safety topics within agreements with trade unions, respectively: personal protective equipment, joint management-employee health and safety committees, participation of worker representatives in health and safety inspections, audits, and accident investigations, training and education, complaints mechanism, right to refuse unsafe work, periodic inspections.	UNGC Principle 3 SDG 3, 8

TRAINING AND EDUCATION

G4-DMA Training and Education	p.56				
G4-LA9	p.57		Average hours of training per year per employee by employee category and by gender	Fully implemented	UNGC Principle 6 SDG 5, 8
G4-LA10	p.57		Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Fully implemented	SDG 8
G4-LA11	p.57		Percentage of employees receiving regular performance and career development reviews.	Fully implemented	UNGC Principle 6 SDG 5,8

DIVERSITY AND EQUAL OPPORTUNITY

G4-DMA Diversity and Equal Opportunity	p.51				
G4-LA12	p.52, p.61		Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Fully implemented	UNGC Principle 6 SDG 5,8

EQUAL REMUNERATION FOR WOMEN AND MEN

G4-DMA Equal Remuneration for women and men	p.54				
G4-LA13	p.54		Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Fully implemented	UNGC Principle 6 SDG 5, 8

SUPPLIER ASSESMENT FOR LABOR PRACTICES

G4-DMA Supplier Assesment for Labor Practices	p.16, p.66				
G4-LA14	p.64		Percentage of new suppliers that were screened under labor practices criteria	Fully implemented	UNGC Principle 1,2 SDG 8

Category: SOCIAL – HUMAN RIGHTS					

INVESTMENT

G4-DMA Investment (as to human rights)	p.16, p.65				

NON-DISCRIMINATION

G4-DMA Non-discrimination	p.53				
G4-HR3	p.61		Total number of incidents of discrimination and actions taken.	No incidents of discrimination have been recorded during the reporting period.	UNGC Principle 6 SDG 5,8

ANTI-CORRUPTION

G4-DMA Anti-corruption	p.61				
G4-SO3	p.62		Total number and percentage of operations assessed for risks related to corruption and the significant t risks identified	Fully implemented	UNGC Principle 10 SDG 16
G4-SO4	p.63		Communication and training of anti-corruption policies and procedures	Fully implemented	UNGC Principle 10 SDG 16
G4-SO5	p.61		Confirmed incidents of corruption and actions taken	Fully implemented	UNGC Principle 10 SDG 16

PUBLIC POLICY

G4-DMA Public Policy	p.64				
G4-SO6			Total value of political contributions by country and recipient/beneficiary	Telekom Romania was not involved in any political aspects and did not have any political contribution during the reporting period.	UNGC Principle 10 SDG 16

ANTI-COMPETITIVE BEHAVIOUR

G4-DMA Anti-competitive Behaviour	p.64				
G4-SO7	p.63		Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	Fully implemented	

COMPLIANCE

G4-DMA Compliance	p.61				
G4-SO8	p.30 p.46 p.56 p.63		Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully implemented	SDG 16

SUPPLIER ASSESMENT FOR IMPACTS ON SOCIETY

G4-DMA Supplier Assessment for Impacts on Society	p.16, p.66				
G4-SO9	p.64		Percentage of new suppliers that were screened using criteria for impacts on society	Fully implemented	UNGC Principle 1,2, 10 SDG 16

Category: SOCIAL - PRODUCT RESPONSIBILITY					

CUSTOMER HEALTH AND SAFETY

G4-DMA Customer Health and Safety	p.33				
G4-PR2	p.33		Percentage of new suppliers that were screened using criteria for impacts on society	Fully implemented	UNGC Principle 1,2, 10 SDG 16

PRODUCT AND SERVICE LABELLING

G4-DMA Product and service labelling	p.29				
G4-PR5	p.30		Results of surveys measuring customer satisfaction	Partially implemented	SDG 3

MARKETING COMMUNICATIONS

G4-DMA Marketing communications	p.64				
G4-PR7	p.63		Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Fully implemented	

CUSTOMER PRIVACY

G4-DMA Customer privacy	p.31				
G4-PR8	p.32		Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Fully implemented	

COMPLIANCE

G4-DMA Compliance (product responsibility)	p. 64				
G4-PR9			Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	In 2016, Telekom Romania Communication and Telekom Romania Mobile Communication received a total of 5,277 complaints through National Authority for Consumer Protection and the National IT&C Regulator, which generated a total of 42,100 EURO financial penalties for our companies.	SDG 16

ANNEX

AWARDS AND RECOGNITION

OUR STRENGHTS	AWARD	
Excellence in business	GALA ZF 2015	Award for obtaining 6th place in the ranking of the Top 100 Companies (Ziarul Financiar Gala)
Innovative marketing & communication with clients	effie awards	Award for innovative campaigns five Effie Awards, including the Grand Effie, at the Effie Gala 2016. This is the most important contest for the advertising industry in Romania. TADAAAM campaign won three silver awards at the Internetics 2016 Digital Creative Industry Gala (For additional information please follow this link)
Leadership in transformation into digital society	Nine O'Clock 25 Years Awards GALA C5 Romanian Rawards	Award in the Smart City Project category, for Smart City initiative in Bucharest (Comunicatii Mobile Gala) Excellence Award for Communications and Digital Industry" for the permanent effort to enhance the quality of integrated services and high end technologies, as well as the involvement in connecting the cities and villages at high communication standards (Nine O'Clock Awards 25 years) Romanian CSR Award for 2016 (second place) for the Teimplici.ro. project in the contest for the category Digital Innovation in CSR
Social engagement	GUINNESS WORLD RECORDS Romanian PR Award	World Record: "The largest number of people who ran a 100 m relay within 12 hours" – At the 6th edition of the event entitled "The Greatest Sports Hour" in Romania, part of the national program "Sport is good", almost 926 runners of all ages took part in the first relay run over a distance of 100 m. This lasted for 12 hours and covered a distance of 154 km The "Sea Hero Quest" campaign was nominated at the Romania PR Awards in the category for "Social responsibility and dialogue with the co-interested groups" Ionela Paunica was nominated as a responsible citizen (People for People Gala)
Expertise of our employees	Lady Lawyer Awards Gala C5 Romanian Rawards	Ruxandra Voda, Corporate Communication Director; Mihaela Ionita, Legal, Corporate Affairs and Compliance Director and Carmen Dumitrache, Chief Human Resources Offices, awarded for their career (Finmedia's Successful HR Women Gala) Mihaela Ionita, Legal, Corporate Affairs and Compliance Director, awarded for Excellence in Lawyer Carreer Development within Corporate Legal Directors category (Legal Magazine's Lady Lawyer Gala) Romanian CSR Award for 2016: Florina Serban, Senior Coordinator in the Corporate Communication team, was handed the CSR Leader Award Ionela Paunica, Senior Coordinator in the Corporate Communication team, won the jury award (Guiding Principle Hero – internal DT contest)

GLOSSARY

4G	Fourth generation of mobile technology, sometimes called LTE (Long Term Evolution)
B2C	Business to customer
B2B	Business to business
BPO	Business process outsourcing
CSR/CR	Corporate social responsibility/Corporate responsibility
CLA	Collective labour agreement
DNS	Domain name system
DDos	Distributed Denial of Services- attack which occurs when multiple systems flood the band width or resources of a targeted system,
ERM	Enterprise risk management
EBITDA	Earnings before interest, taxes, depreciation, and amortization
eTOM	Enhanced Telecom Operations Map
e-"Care"/e-"Health"/e-"Governance"	Electronically supported areas
FTTH	Fiber to the home
FTP	File transfer protocol (standard network protocol used for the transfer of computer files between a client and server)
FFTx	Generic term for any broadband network using fiber optics
FMC	Fixed-Mobile convergence market
GHG	Greenhouse gas
Gbps	Gigabits per second
GB	Gigabits
IPVPN	Internet Protocol Virtual private network (networking technology that allows users to connect over a public internet connection to their main network remotely)
ICT	Information and communication technology
ITO	Information technology outsourcing
IoT	Internet of things (a system of interrelated computing devices, mechanical and digital machines, objects, animals or people that are provided with unique identifiers and the ability to transfer data over a network without requiring human-to-human or human-to-computer interaction)
KPIs	Key performance indicators
Mbps	Megabits per second
MDM/EEM Policies	Mobile device management and Embedded Event Manager (security related policies)
NGO	Non-governmental organization
POS	Point of sale
RMS	Risk Management System
SAP-ERP	Systems- enterprise resource planning software
SME	Small and medium enterprises
SDG	Sustainable development goals