

2011 Sustainability Report

Živjeti zajedno



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Artist: Sanja Bachrach i Mario Krištović
Art piece: Up close and personal
T-HTnagrada@msu.hr competition, 2011

About the Report

About the Report

1.1. Communication is the basis of our daily lives. Every business and personal relationship is based on the interaction of its participants. Hrvatski Telekom (Croatian Telecom), Croatia's largest telecommunications company, seeks to facilitate and improve communication, making it easier and more effective. The success of HT lies not only in innovation, introduced to the market through new technologies and services. The Company's success includes the appreciation of the role it plays within the community in which it operates that stems from the understanding that responsible business represents a substantial long-term strategic advantage. Sustainability of business operations, through a responsible approach to the society in which we operate, is an integral part of our Company. Every day we implement a number of activities in order to build and maintain the trust of our customers and stakeholders, thereby justifying the confidence that the Company enjoys by a responsible approach to the community in which it operates.

1.2. Corporate responsibility means that the Company uses its own advantages and strengths to enrich everyday life and knowledge of the community in which it operates, in order to convey corporate values to all stakeholders it exchanges experiences with, on a daily basis. For example, the common denominator of donation projects in which HT participates is the orientation towards charity, education and projects whose crucial element is modern technology. Most projects are long-term, which guarantees their greater effectiveness, and many have an internal and external nature, which means HT employees are directly involved in helping the community.

1.3. The outlined strategy of environmental protection has a special place in terms of elements of responsibility. As an example of its activities as a leader, HT participates in digitization projects in society or provides Company resources for socially useful purposes. Its presence in the community is at the same time justified by numerous sponsorships the Company makes, especially in the field of culture.

1.4. Hrvatski Telekom has great expectations from its suppliers, not only providing its customers access to the highest possible level of quality, but equally in order for them to adopt corporate values, strengthen cooperation for mutual benefit and together with HT contribute to the community now and in the future.

1.5. This sustainability report focuses on presenting the ways in which HT communicates with its surroundings and the stakeholders, with which it enters into a creative and quality relationship, so as to encourage the exchange of views with the aim of general well-being, as well as to achieve

even a constant increase in positive synergistic effect which the Company strives for. Social responsibility does not imply only specific performed activities; it is a continuous process. Thus, this report is yet a further step of this Company, in this environment, and on the way towards sustainability in the broadest sense of the word.

HISTORY OF REPORTING

1.6. Hrvatski Telekom has been reporting regularly for four years on the achievements of the Company in the field of corporate social responsibility. As a member of a global United Nations agreement, Global Compact, HT has twice reported on its progress: firstly for 2007/2008 and then secondly for the year 2009. In 2011 it published its first sustainability report, on a much more detailed and wider scale: the Corporate Social Responsibility Report for 2010. This report continues the practice of communicating strategies, activities and outcomes in the field of sustainability to the Company's stakeholders - this time according to the GRI guidelines, internationally accepted standard of reporting on sustainability. The Company plans to continue this practice in the following period.

SCOPE AND FRAMEWORK OF THE REPORT

1.7. This report covers the reporting period of 2011 and sees the first ever implementation of the GRI 3.1. guidelines for sustainability reporting at the level of GRI G3.1 B+ reporting standard. The report on the progress in implementing the Global Compact agreement forms an integral part of this report. Also, a part of this report is the result of an independent verification of the presented data. HT plans to continue the practice of reporting on sustainability in two-year cycles using the GRI guidelines, therefore the next sustainability report will cover 2012 and 2013.

1.8 In this report, which covers the reporting period of 2011, HT presents its results in terms of economic, environmental and social performance in accordance with GRI guidelines, while trying to make the presented data accurate, balanced, comparable, up-to-date as well as clear, reliable, comprehensible and accessible. Although this is the first report of this kind, we seek to establish the continuity of the collection and verification of information in the report, which is the reason the report has been verified by independent auditors. An external assessment forms an integral part of this report. In addition, we plan to carry out an audit for following reports.

1.9 The sustainability report covers the operations of Hrvatski Telekom d.d. within the Republic of Croatia. The contents of this report cover the activities of HT d.d., but not all members of the HT Group. It does not in-

clude HP d.o.o Mostar, where HT has an ownership interest of 30.29%, or HT d.d. Mostar, where HT has an ownership interest of 39.1%, both outside the Republic of Croatia. The operations of its affiliates, Iskon d.o.o. and Combis d.o.o., are not the subject of this report, since these companies do not form an integral part of the organization, but rather operate as independent companies. Nevertheless, HT actively supports the initiatives of corporate social responsibility in these affiliates.

1.10 Given that socially responsible business is HT's long-term business strategy, the present report aims at standardization of data in order to achieve the highest degree of comparability in the future.

1.11 To the extent possible, all the data in this report are expressed in Croatian Kuna (HRK). The financial and other performance indicators can be found in the Company's regular financial and other reports on the Company's website: www.t.ht.hr/investitori. Other data are expressed in the appropriate standard units of measurement, with the use of multiple measurement devices, for example in the field of environmental protection, or an internal procedure of data collection in different organizational units of the Company.

1.12 The GRI content index is an integral part of this report, which lists specific GRI indicators and other data relevant to complete reporting of sustainability. This report and additional information related to information on the sustainability of T-HT's business activities can be found on the website: www.t.ht.hr/odgovornost.

CONTENTS OF THE REPORT

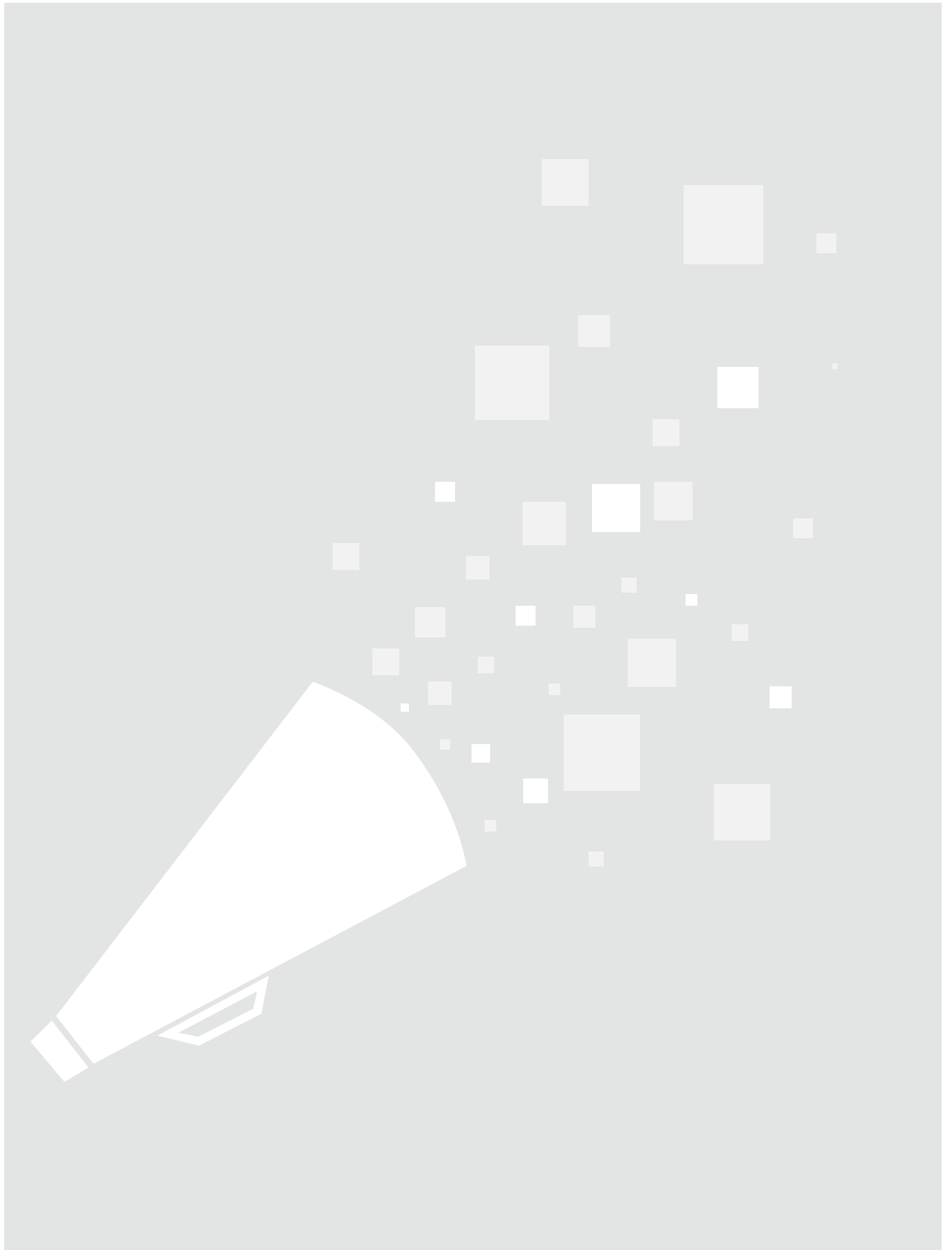
1.13 The report is constructed in line with the guidance for reporters provided by GRI using the materiality principle and the report presents progress in relevant areas that constitute an information base for assessing long-term sustainability principles. The Sustainability Report is basically divided into eight sections within three thematic groups which represent the priorities as defined by the company and of relevance to its key stakeholders: employees, customers, suppliers, investors, government authorities, NGOs and local communities, etc.

The first section presents the reporting guidelines and principles, including relevant available information and contacts, in order to facilitate the use of the report, encourage the readers to share opinions, and ultimately, to improve future standards thus meeting the expectations of stakeholders and the general public.

The second thematic section presents the principles of management and approach to sustainability. It contains all relevant rules and procedures of conduct in approaching corporate social responsibility. It also identifies various significant impacts and risks in operations, which are a reflection of the themes, inspired by stakeholders and experts, and all in order to transparently present our approach to sustainable business. Communication with stakeholders is an exceptionally important element of the Company, which is the reason we have presented key stakeholder groups with whom we exchange opinions on a daily basis. With the presentation of the relevant areas in the report, we have also presented performance indicators that reflect the long-term effects of our business on sustainability and also the impact on our business.

In the second group we have presented the achieved results in relevant areas: the impact on the community, customer care, the impact on the workplace, collaboration with suppliers, and the impact on the environment. These are areas in which the Company co-operates with its stakeholders, but also areas of significant importance for the long-term sustainability of the business.

The last section clearly sets out the goals for future periods so that stakeholders may evaluate the progress of the Company on the basis of transparent procedures.



Foreword - Statement of the CEO

Dear Stakeholder,

It is with great pleasure and pride that I present this introduction to Hrvatski Telecom's Sustainability Report for 2011. It shows our commitment to sustainability policies and practices which add value for the communities in which we work, for our employees, for our investors, and for all those associated with our company. We see communication, information and entertainment as fundamental to the working of modern, networked, societies and consider our responsibilities as a good corporate citizen to be a vital part of our profile. We take Corporate Responsibility seriously, recognising that we are a part of an evolving sector, working in an evolving marketplace, and striving to maximise our contributions to the well-being of all in the society in which we operate.

We are committed to continued improvement and innovation so that we remain a provider of choice, listening to, and responding to, our customers as they themselves articulate ever more sophisticated demands. In order for technology to work for people, there is a need to strive continually to improve, providing smarter, better integrated, more accessible services. To do this, requires a dedicated, skilled, and trained workforce which derives pride from being a part of our company. We seek to reward talent, innovation and creativity in all our employees, and to foster a team spirit. Above all, we are aware of the emerging challenges in terms of environmental impacts and the need to face these challenges in a way which ensures that we act not as consumers of the earth's resources, but as guardians and protectors of these resources for our children and our children's children. We have to take the right decisions, today, knowing that they will have long-term impacts. Improvements in terms of our environmental footprint are a vital part of our commitment to sustainability. Our profile in terms of community engagement, support for non-governmental organisations, and sponsorship of the arts and culture, expresses our concern to enrichen the lives of all citizens of Croatia, to support those with vision and dedication towards the less fortunate in society, and to make art and culture accessible to all.

We are committed to transparent and timely reporting on our commitments, our policies, our practices, and our impacts. Our membership of the United Nations Global Compact, and our commitment to reporting according to the 10 core principles, is a key part of this. In addition, this year for the first time, we report in accordance with the standards of the Global Reporting Initiative (GRI) G3, recognised as the leading, and most demanding, global reporting standard. The framework helps us in clearly defining the boundaries of our reporting, focusing on what matters to our key stakeholders. Using the GRI G3, we join a small number of leading reporters on Corporate Social Responsibility in Croatia. We shall continue to use the latest GRI framework, in the future, in order to benchmark our CSR practices, assessing our progress and reporting honestly on the challenges we face and on our plans for the future. We see this reporting as a crucial part of our communication with all stakeholders, providing answers to key concerns which they may have about who we are, what we do, and how we intend to go forward.

The last few years, globally and in Croatia, have been intensely challenging ones. The pace of technological change is unremitting but the incorporation of ever increasing technological possibilities in order to do good for the community as a whole is constantly challenging. At the same time, the impacts of the global economic and financial crisis, and Croatia's own struggle to maintain sustainable, smart and inclusive growth, have impacted directly on us. We have had to take difficult decisions based, not on short-term considerations, but on our assessment of how we can continue to be a provider of choice, at the cutting edge of developments in all fields of communication. We have a tried and tested governance structure which works hard to maintain the best standards of corporate conduct and to ensure that procedures are in place to deal with emerging risks in a timely and effective manner. At the end of 2010, we brought into force our Anti-corruption policy which provides guidance and sets out standards regarding potential corruption and conflict of interest within the company. It ensures that all those connected with the firm adhere to the highest ethical standards. We are committed to continuing to improve our procedures, and to educate our workers on this important issue.

We are proud of the progress we have made and the steps we have taken to integrate sustainability practices into our company. We are committed to assess and revise these commitments as we learn more and as we receive feedback from our stakeholders. This report is an important part of this process. Your suggestions, comments, criticisms, and concerns are not only welcome, but vital in helping us to continue to improve.

Ivica Mudrinić
President of the Management Board



Group Profile

1.15 Hrvatski Telekom is the sole company in Croatia to offer a full range of telecommunication services: it combines the services of fixed and mobile telephony, data transmission, Internet and international communications.

1.16 The basic scope of business of the Hrvatski Telekom d.d. company and other subsidiary companies, comprise provision of telecommunication services, design and construction of communication networks in the territory of the Republic of Croatia.

1.17 In addition to the provision of fixed telephony services, such as fixed-line access and traffic, as well as fixed network supplementary services, HT offers Internet services, including IPTV, data transmission services (lease of lines, Metro-Ethernet, IP/MPLS, ATM) and operates with GSM and UMTS mobile phone networks.

CUSTOMER-ORIENTED ORGANIZATION

1.18 Hrvatski Telekom d.d. is a joint-stock company with the majority ownership of Deutsche Telekom AG (DTAG). Its registered seat is at Savska cesta 32, Zagreb. The Company was founded on 28 December 1998 in the Republic of Croatia, pursuant to the provisions of the Act on the Separation of Croatian Post and Telecommunications into Croatian Post and Croatian Telecom, when the business operations of the former company Hrvatska pošta i telekomunikacije (HPT s.p.o.) were separated and transferred to two new joint stock companies: HT-Hrvatske telekomunikacije d.d. (HT d.d.) and HP-Hrvatska pošta d.d. (HP d.d.). The Company started its business operations on 1 January 1999.

1.19 The share capital of the Company amounts to HRK 8,188,853,500.00 and is divided into 81,888,535 ordinary shares with a nominal value of HRK 100.00.

In 2011, the revenue of HT d.d. amounted to HRK 7,759,828.109, of which HRK 7,476,180.222 gained from its core activities. The Company's share capital is HRK 8,188,853.500 and the total capital and reserves HRK 11,162,721.598. The liabilities of Hrvatski Telekom amount to HRK 1,950,348.007.

1.20 Pursuant to the provisions of the Act on the Privatization of Hrvatske telekomunikacije d.d. (OG no. 65/99 and no. 68/01), on 5 October 1999 the Republic of Croatia sold 35% of the shares of HT d.d. to DTAG, and on 25 October 2001 DTAG acquired a further 16% of the HT d.d. shares and thus became the majority shareholder with a 51% share. On 17 February 2005 the Government of the Republic of Croatia transferred 7% of HT d.d.'s shares to the Fund for Croatian Homeland War Veterans and Members of Their Families pursuant to the Act on the Privatization of HT d.d. (OG no. 65/99 and no. 8/2001).

1.21 In 2002, HT mobilne komunikacije d.o.o. (HTmobile) was established as a separate legal entity and a subsidiary fully owned by HT d.d., for the provision of mobile telecommunication services. HTmobile started its business operations on 1 January 2003, and in October 2004 it officially changed its name to T-Mobile Hrvatska d.o.o. (T-Mobile).

On 1 October 2004, the Company was re-branded as T-HT, thus becoming a part of the global Deutsche Telekom "T" family. The change of identity at corporate level was followed by the creation of trademarks of two separate business units of the Group: the fixed network operations business unit, T-Com, providing wholesale, Internet and data services, and the mobile operations business unit, T-Mobile.

On 30 May 2006, HT d.d. acquired 100% of shares of Iskon Internet d.d., one of the leading alternative providers in Croatia.

Pursuant to the provisions of the Act on the Privatization of Hrvatske telekomunikacije d.d. (OG 65/99 and 68/01), on 5 October 2007, the Republic of Croatia sold 32.5% of the total number of ordinary shares of T-HT by Initial Public Offering (IPO), of which 25% of shares were to Croatian citizens, and 7.5% to Croatian and foreign institutional investors.

After the sale of shares to present and former employees of Hrvatski Telekom and Hrvatska pošta in June 2008, the Government of the Republic of Croatia reduced its holding from 9.5% to 3.5%, while private and institutional investors hold a 38.5% share.

October 2009 saw the signing of the agreement on the merger of T-Mobile Hrvatska to HT-Hrvatske telekomunikacije d.d. The merger was entered into the court register on 31 December 2009 and on the expiry of the date of registration the effects of the merger came into force, after which T-Mobile ceased to exist. From 1 January 2010, the new organization of the Company entered into force and the Company was organized into a business unit for residential customers and a business unit for business customers.

On 28 March 2010, Hrvatski Telekom signed an Agreement on the Sale and Transfer of Business Share and acquired the entire share capital of Combis, usluge integracija informatičkih tehnologija, d.o.o. (Combis).

In May 2010, the name of the Company was officially changed from HT-Hrvatske telekomunikacije d.d. to Hrvatski Telekom d.d.

On 17 May 2010, HT d.d. completed the acquisition of Combis d.o.o., thereby extending its reach into the provision of IT support and services for a customer base that ranges from small business to governmental institutions.

1.22 According to the list of ten largest shareholders of the Company issued by the Central Depository and Clearing Company, on 31 December 2011 significant holders of shares in the Company were as follows:

- DTAG is the majority shareholder with a proprietary interest of 51% of the total issued shares
- The Fund for Croatian Homeland War Veterans and Members of Their Families is a shareholder with a 7.0% share
- The Raiffeisen Mandatory Pension Fund (obvezni mirovinski fond) holds 5.3% of shares (without possible possession of GDRs)
- The Pensioners' Fund holds 3.5% of shares
- Other domestic and foreign investors hold the remaining 33.2% of shares.

The last status of the ten largest shareholders of the Company may be found on the website of the Central Depository and Clearing Company (enter the HT-R-A code in the browser).

The Company's shares were included in the depository of the Central Depository and Clearing Company on 12 July 2002. The Company's shares were listed on the Zagreb Stock Exchange market on 5 October 2007. Global depository receipts (GDRs), each representing one (1) HT share, were listed on the London Stock Exchange on 5 October 2007.

Further information about our business, including ownership structure, financial statements for the period between 2000 to 2011, publications for financial markets and other information relating to our business is publicly available on the following website: <http://www.t.ht.hr/investitori/>

Memberships, awards and recognitions

- Member, European Telecommunications Network Operators' Association (ETNO)
- Member, United Nations Global Compact
- In 2011, for three years in succession, HT was included in the CEERIUS Sustainability Index for 2012, the sustainability index of the Vienna Stock Exchange for the CEE region which includes the shares of the leading companies in terms of social and ecological quality, as well as economic impact.
- Hrvatska Udruga Poslodavaca (Croatian Employers Association), direct member of the CEA. CEO is a member of the CEA Council, CEA Executive Committee and the CEA Member's Council.
- Hrvatska gospodarska komora (Croatian Chamber of Economy), member of the Assembly, participates in the work of the Annual Assembly
- Nacionalno vijeće za konkurentnost (National Competitiveness Council), member (CEO)
- The International Academy of Television Arts & Sciences, an international council comprising distinguished international leaders from the field of broadcasting companies, art, science, based in New York, member (CEO)
- The HT Infrastructure Telecom Services Sector received the award for the promotion and implementation of quality in Croatian economy for 2011, awarded by the Croatian Society for Quality.
- Poslovni dnevnik's award (runner-up) for best relations with investors
- Oekom Research AG, one of the world's leading research and rating analysis agencies on the basis of which basic starting points in the segment of sustainable development and investment are created included T-HT in the PRIME category of companies based on the conducted research and analysis. This means that investing in the shares of T-HT is seen as socially and environmentally founded and is recommended to clients.
- Trusted Brand Hrvatska 2011, award by Reader's Digest. Annual award Index DOP-a (CSR Index) for 2011 in the category large companies for achievements in socially responsible business
- Employer of first choice in the IT field, according to the 2011 annual research of the portal Moj Posao



GRI3.1 indicators content index

The tabular presentation of GRI G3 indicators, which forms an integral part of this report, refers to parts of text relating to certain indicators of progress according to the guidelines of the GRI reporting framework. We also included notes on the indicators for which data are not available or fully available, those which the requested data could not be collected or the information is confidential. Also, the data for some indicators represent a management approach used in all segments of our business, so that the same information appears in several places within the report.

1.24 TABLE OF INDICATORS - GRI 3.1.

G3.1 Content Index - GRI Application Level B					
Application Level B			Assured by		
STANDARD DISCLOSURES PART I: Profile Disclosures					
Profile	Description	Reported	Cross-reference/ Direct answer	Reason for omission	Explanation
1. Strategy and Analysis					
1.1	Statement from the most senior decision-maker of the organization.	Fully	1.14.		
1.2	Description of key impacts, risks, and opportunities.	Fully	Risk management 2.40.-2.67.; CSR strategy aspects 2.26.-2.29.; Organisation, implementation and approach 2.7.-2.22.; Targets 8.1.-8.3.		
2. Organizational Profile					
2.1	Name of the organization.	Fully	1.18.		
2.2	Primary brands, products, and/or services.	Fully	1.15.-1.17.		
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	2.7.-2.9.		
2.4	Location of organization's headquarters.	Fully	1.18.		
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	In Croatia and Bosnia and Herzegovina, 1.9., 2.9., for broader analysis of the largest shareholder, see http://www.cr-report.telekom.com/site12/national-companies		
2.6	Nature of ownership and legal form.	Fully	1.18.-1.22.		
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	1.15.-1.17., 3.4.		
2.8	Scale of the reporting organization.	Fully	Financial and economic info 1.19., 2.68. Additionally, extensive financial and business information regularly submitted to investors, available online on http://www.t.ht.hr/investitori/2011AR/izvjesce2011.asp# ; Employees 5.32., 5.8.; Additional info on services 3.4.		
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	1.21.-1.22.		
2.10	Awards received in the reporting period.	Fully	1.23.		

G3.1 Content Index - GRI Application Level B					
Application Level B					Assured by
STANDARD DISCLOSURES PART I: Profile Disclosures					
Profile	Description	Reported	Cross-reference/ Direct answer	Reason for omission	Explanation
3. Report Parameters					
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Fully	1.7., 1.8.		
3.2	Date of most recent previous report (if any).	Fully	1.6.		
3.3	Reporting cycle (annual, biennial, etc.)	Fully	1.7.		
3.4	Contact point for questions regarding the report or its contents.	Fully	1.27.		
3.5	Process for defining report content.	Partially	1.13.-1.14.; 2.26.-2.28.; 2.60.	Does not exist	This is the first report of the organisation applying the GRI reporting standards, therefore the guidelines for defining report content are to be synchronised with existing CSR practices and progress will be reported upon in future reports
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	1.9., 2.9.		
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Fully	1.8-1.11.		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Fully	1.9		
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Fully	1.11.		All information structured to achieve comparability in future, particularly according to GRI standard. Additionally, regular financial and business information released to shareholders and stakeholders.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Fully			This is the organization's first sustainability report based on GRI indicators
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully			This is the organization's first sustainability report based on GRI indicators
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	1.12., 1.24.		
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	1.8., 1.26		
4. Governance, Commitments, and Engagement					
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Fully	1.14.; 2.7.-2.25.		
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	2.10.; 2.13., 2.14.		

4. Governance, Commitments, and Engagement - continue				
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Fully	Not applicable	Not applicable due to the fact the HT has a two-tier based structure.
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	2.16.-2.25.; 2.35.-2.38.; 5.51.-5.54.	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Fully	2.16.; 5.45.	Compensation linked to added value and performance, no direct link to social and environmental indicators. For senior executives, the largest shareholder DT, developed a global strategy, for more info, see http://www.cr-report.telekom.com/site12/employees/competitive-workforce/remuneration#atn-1389-2570 . Additional information and benchmark analysis available online on http://www.cr-report.telekom.com/site12/facts-figures
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	2.16. - 2.28	
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Fully	2.14 - 2.16	"CSR strategy is integral to business development strategy, hence embedded in the evolution of highest governance bodies. There is a separate remuneration and selection committee with the supervisory board, charged with transparency in the selection process and business practices. There have never been issues relating to equal opportunities and/or diversity. Additionally, the company follows the strict guidelines of the antidiscriminaton Act and other legal requirements"
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Fully	2.32., 2.39.	All statements and documents implemented
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Fully		CSR data collection and reporting coordinated by PR Department; high governance body for social and environmental performance not yet existing. The management board (This Report: 2.13) follows the KPI indicators which influence the decision making process. In addition, the board, on an ad hoc basis deals with these issues on a regularly.
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully		CSR data collection and reporting coordinated by PR Department; high governance body for social and environmental performance not yet existing. Self evaluation mechanism is connected to the management approach and the evaluation of the largest shareholder. Despite the lack of an official procedure, this is linked to KPI performance.
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Fully	2 40	The organisation has an internal procedure for risk evaluation of various business operations, and releases relevant information on a regular basis as a listed member of various stock exchanges, and international organisations, such as Global Compact.

4. Governance, Commitments, and Engagement - continue				
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Fully	1.23.; 2.39.	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	Fully	1.23., 2.39.	
4.14	List of stakeholder groups engaged by the organization.	Fully	2.60.	
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	2.59., 2.60.	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	2.59.; 2.60.	The company is in regular contact with stakeholders. (This report: 2.40) There is no formal monitoring mechanism for frequency of engagement by type and by group.
4.17	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.	Fully	2.59.; 2.60.	Despite this being the first GRI based report, stakeholders have been extensively and continuously consulted on various issues relevant to the business. The report presents the most important issues identified, but the next edition should report on this section in more detail as more structured information becomes available.

STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)				
G31.DMAs	Description	Reported	Cross-reference/Direct answer	Further comments
DMA EC Disclosure on Management Approach EC				
Aspects	Economic performance	Fully	Management and organisation approach - Chapter 2.	
	Market presence	Fully	Management and organisation approach - Chapter 2.	
	Indirect economic impacts	Fully	Management and organisation approach - Chapter 2.	
DMA EN Disclosure on Management Approach EN				
Aspects	Materials	Fully	Management and organisation approach - Chapter 2; 4.8-4.14.; 7.1-7.16.	
	Energy	Fully	Management and organisation approach - Chapter 2.; 4.8-4.14.; 7.1-7.16.	
	Water	Fully	Management and organisation approach - Chapter 2.; 4.8-4.14.; 7.1-7.16.	
	Biodiversity	Fully	Management and organisation approach - Chapter 2; 4.8-4.14.; 7.1-7.16.	
	Emissions, effluents and waste	Fully	Management and organisation approach - Chapter 2; 4.8-4.14.; 7.1-7.16.; 7.53.	
	Products and services	Fully	Management and organisation approach - Chapter 2; 4.8-4.14.; 7.1-7.16.	
	Compliance	Fully	Management and organisation approach - Chapter 2; 4.8-4.14.; 7.1-7.16.	
	Transport	Fully	Management and organisation approach - Chapter 2; 4.8-4.14.; 7.1-7.16.	
	Overall	Fully	Management and organisation approach - Chapter 2; 4.8-4.14.; 7.1-7.16.	
DMA LA Disclosure on Management Approach LA				
Aspects	Employment	Fully	Chapter 2.; 5.1-5.3.	
	Labor/management relations	Fully	Chapter 2.; 5.1-5.3.; 5.51-5.55.	
	Occupational health and safety	Fully	Chapter 2; 5.1-5.3.; 5.10-5.20.	
	Training and education	Fully	Chapter 2; 5.1-5.3.; 5.21-5.32.	
	Diversity and equal opportunity	Fully	Chapter 2; 5.1-5.3.; 5.33-5.35.; 5.58-5.62.	
	Equal remuneration for women and men	Fully	Chapter 2; 5.1-5.3.; 5.36-5.46.	
DMA HR Disclosure on Management Approach HR				
Aspects	Investment and procurement practices	Fully	Chapter 2; 6.1-6.5.; 6.7-6.17.	
	Non-discrimination	Fully	Chapter 2; 6.1-6.5.; 6.7-6.17.	
	Freedom of association and collective bargaining	Fully	Chapter 2.; 5.1-5.3.; 5.51-5.55.	
	Child labor	Fully	Chapter 2 (2.30.2.49. in particular)	
	Prevention of forced and compulsory labor	Fully	Chapter 2 (2.30.2.49. in particular)	
	Security practices	Fully	Chapter 2	
	Indigenous rights	Not		
	Assessment	Fully	Chapter 2; 5.58-5.61.	
	Remediation	Fully	Chapter 2; 5.58-5.61.	

DMA SO		Disclosure on Management Approach SO	
Aspects	Local communities	Fully	Chapter 2; 3.1.-3.3.
	Corruption	Fully	2.41.-2.49.
	Public policy	Fully	2.41.-2.49.
	Anti-competitive behavior	Fully	2.61.-2.67.
	Compliance	Fully	Chapter 2 (2.61-2.67. in particular)
DMA PR		Disclosure on Management Approach PR	
Aspects	Customer health and safety	Fully	Chapter 2 (2.55-2.58. in particular); 3.11.-3.17.; 4.1.-4.12.
	Product and service labelling	Fully	Chapter 2; 4.1.-4.7.
	Marketing communications	Fully	Chapter 2; 3.11.-3.17.; 4.15.-4.22.
	Customer privacy	Fully	Chapter 2 (2.50.-2.54)
	Compliance	Fully	Chapter 2; Chapter 3. various; 4.16.-4.22.

STANDARD DISCLOSURES PART III: Performance Indicators**Economic**

Performance Indicator	Description	Reported	Cross-reference/Direct answer
Economic performance			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Partially	2.68.-2.71., 3.20.
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Not	Limited information available at this reporting stage
EC3	Coverage of the organization's defined benefit plan obligations.	Partially	5.56., 5.57.; Legally regulated, applicable to all business subjects in Croatia.
EC4	Significant financial assistance received from government.	Fully	2.71.
Market presence			
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Fully	5.36., 5.44.
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Not	Not applicable
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Fully	5.40.-5.42.
Indirect economic impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Fully	3.4., 3.20.-3.25., 4.7.
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Partially	2.40.-2.58.

Environmental

Materials			
EN1	Materials used by weight or volume.	Fully	7.16., 7.17.
EN2	Percentage of materials used that are recycled input materials.	Not	Information not available
Energy			
EN3	Direct energy consumption by primary energy source.	Fully	7.21.-7.26.
EN4	Indirect energy consumption by primary source.	Fully	7.25.-7.28.
EN5	Energy saved due to conservation and efficiency improvements.	Partially	7.18.-7.20.; Limited info due to industry specific energy requirements
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Partially	Industry competition in terms of suppliers of telecommunication equipment means that competitive products are constantly more efficient in terms of energy use. In addition, all major equipment suppliers meet EU standards. Therefore, the company uses continuously competitive products, but has no direct control over the process.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Partially	7.18.-7.20.; 7.27.-7.34.
Water			
EN8	Total water withdrawal by source.	Fully	7.35., 7.36.
EN9	Water sources significantly affected by withdrawal of water.	Not	No impact, as not related to the business process
EN10	Percentage and total volume of water recycled and reused.	Not	Not applicable.

Environmental

Performance Indicator	Description	Reported	Cross-reference/Direct answer
Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Not	Information not available
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Partially	7.63.-7.66.
EN13	Habitats protected or restored.	Not	Information not available
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Fully	7.65.
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not	Information not available
Emissions, effluents and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight.	Fully	7.39.
EN17	Other relevant indirect greenhouse gas emissions by weight.	Fully	7.38., 7.39.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Fully	7.46.-7.54.
EN19	Emissions of ozone-depleting substances by weight.	Partially	Not applicable, but energy efficiency initiatives present.
EN20	NOx, SOx, and other significant air emissions by type and weight.	Fully	7.45.-7.50.
EN21	Total water discharge by quality and destination.	Fully	7.35., 7.36., 7.51., 7.52.
EN22	Total weight of waste by type and disposal method.	Fully	7.54.-7.55.
EN23	Total number and volume of significant spills.	Fully	7.13.
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not	Information presented according to Croatian legislative requirements.
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not	Not applicable to business operations
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Partially	7.56.-7.62.; Infrastructure investments are service improvements, see 4.8.
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Partially	7.56.-7.62.
Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	7.13.; 7.67.
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not	Limited information available at this reporting stage
Overall			
EN30	Total environmental protection expenditures and investments by type.	Not	Limited information available at this reporting stage

Social: Labor Practices and Decent Work

Performance Indicator	Description	Reported	Cross-reference/Direct answer
Employment			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Fully	5.4., 5.8.
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Partially	5.4., 5.9.
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Fully	5.6., 5.28., 5.29., 5.31., 5.45., 5.46., 5.47.-5.50., 5.56.-5.62.
LA15	Return to work and retention rates after parental leave, by gender.	Fully	5.37., 5.38.
Labor/management relations			
LA4	Percentage of employees covered by collective bargaining agreements.	Fully	5.54.
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Fully	5.55.
Occupational health and safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Fully	5.10.-5.18.; Regulated by Croatian legislative provisions, implemented fully.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	Not	Limited information available at this reporting stage
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	5.28.; 5.29.; 5.39.; 5.48.; 5.49., 5.50., 5.58.-5.62.
LA9	Health and safety topics covered in formal agreements with trade unions.	Fully	5.18
Training and education			
LA10	Average hours of training per year per employee by gender, and by employee category.	Fully	5.22., 5.24.
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Fully	5.24, 5.6
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Fully	5.30.-5.33.
Diversity and equal opportunity			
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Fully	5.32.-5.35.
Equal remuneration for women and men			
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Fully	5.36.

Social: Human Rights

Performance Indicator	Description	Reported	Cross-reference/Direct answer
Investment and procurement practices			
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Not	Human rights not an issue in Croatia, but all business operations include provisions of the code of conduct. Supplier cooperation includes screening for HR issues. Further development of HR consideration in business operations planned
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Not	Human rights not an issue in Croatia, but all business operations include provisions of the code of conduct. Supplier cooperation includes screening for HR issues. Further development of HR consideration in business operations planned
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Not	Human rights not an issue in Croatia, but all business operations include provisions of the code of conduct. Supplier cooperation includes screening for HR issues. Further development of HR consideration in business operations planned
Non-discrimination			
HR4	Total number of incidents of discrimination and actions taken.	Fully	5.62.
Freedom of association and collective bargaining			
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Not	Human rights not an issue in Croatia, but further development of HR consideration in business operations planned. However, the supplier screening process ensures all HR aspects are examined and more.
Child labor			
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Not	Human rights not an issue in Croatia, but further development of HR consideration in business operations planned. Considering the strict requirements of the supplier screening procedure, any indication of such practices would be immediately sanctioned.
Forced and compulsory labor			
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Not	Not applicable in Croatia. See above.
Security practices			
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not	Not applicable, see above.
Indigenous rights			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not	Not applicable in Croatia. See above.
Assessment			
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Partially	6.1.-6.14.; Human rights not an issue in Croatia, but all business operations include provisions of the code of conduct. Supplier cooperation includes screening for HR issues. Further development of HR consideration in business operations planned
Remediation			
HR11	"Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms."	Fully	6.14.

Social: Society

Performance Indicator	Description	Reported	Cross-reference/Direct answer
Local communities			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Not	Local community engagement is active. However, development programmes are planned for further development.
SO9	Operations with significant potential or actual negative impacts on local communities.	Not	Not applicable due to industry - telecommunications have significant positive and broad impact on the entire community and society as a whole.
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Not	See above
Corruption			
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Fully	2.41.-2.49.; 5.60., 5.61.; 6.1.-6.17.
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Partially	2.47.-2.49.
SO4	Actions taken in response to incidents of corruption.	Fully	2.46.
Public policy			
SO5	Public policy positions and participation in public policy development and lobbying.	Fully	2.46.
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Fully	Not applicable, due to company policy (2.46.)
Anti-competitive behavior			
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Not	Even though the organization has specialized unit that manages antitrust issues/risks and releases relevant information on a regular basis as required by applicable laws, no measurement methodology is implemented for this indicator.
Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	2.66.

Social: Product Responsibility

Performance Indicator	Description	Reported	Cross-reference/Direct answer
Customer health and safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not	Not applicable
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Not	No information available.
Product and service labelling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Not	Not applicable
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Not	Not applicable
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Fully	4.16., 4.17., 4.22.-4.24.
Marketing communications			
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Partially	4.3.; Internal codes of conduct and marketing and advertising standards developed.
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Fully	4.3., 4.4.; 4.18.-4.21.
Customer privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not	No information available.
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	4.3., 4.4.

Progress report GC

Once again, Hrvatski Telekom continues the practice of reporting on progress according to the principles of the United Nations Global Compact. In this year's report the progress is represented by links between two complementary reporting standards, with the awareness that there is a clear and confirmed link between the principles of Global Compact and GRI indicators. More information on the relationship between the ten Global Compact principles and GRI G3 indicators is presented on the GRI website¹.

Field	The principle of Global Compact	GRI3 indicator	Chapter in this report
HUMAN RIGHTS	1 Businesses should support and respect the protection of internationally proclaimed human rights within their area of operations.	EC5, LA4, LA6 LA8,LA9,LA13-14, HR1-9, SO5, ,	5.36,5.44,5.54, 5.10,5.18, 5.28,5.29,5.39,5.49,5.50, 5.58-5.62,5.18 5.32-5.35,5.36 6.1-6.14 2.46
	2 Businesses should not engage in violations of human rights.	HR4, SO5	6.1-6.14, 2.46
LABOUR RIGHTS	3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	LA4-5, , SO5	5.54, 5.55,2.46
	4 Businesses should support the elimination of all forms of compulsory labour.	SO5	2.46
	5 Businesses should support the effective abolition of child labour.	SO5	2.46
	6 Businesses should support the elimination of discrimination in respect of employment and occupation.	EC7, LA2, LA13-14, HR4, SO5	7.18-7.20,7.27-7.34 5.4,5.9,,5.32-5.35,5.36, 5.62,2.46
ENVIRONMENT	7 Businesses should support a precautionary approach to environmental challenges.	EN18, EN26, EN30, SO5	7.46-7.54, 7.56-7.82,2.46
	8 Businesses should undertake initiatives to promote greater environmental responsibility.	EN1, EN3-8, EN12,EN14,EN16-23,EN26-28,, SO5,	7.1-7.87,2.46
	9 Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN5-7, EN18, EN26-27, SO5	7.18-7.20,7.27-7.34,7.46-7.54,7.56-7.82,2.46
FIGHT AGAINST CORRUPTION	10 Businesses should work against corruption in all its forms, including extortion and bribery.	SO2-6	2.41.-2.49,,5.60.,5.61.; 6.1.-6.17. 2.47-2.49,2.46

¹⁾ <http://www.globalreporting.org/griportal/GRI/G3Online/frmManagementNorms.aspx>

External assessment

INDEPENDENT LIMITED ASSURANCE REPORT

To the Management Board of Hrvatski Telekom d.d.

Introduction

We have performed assurance procedures to provide independent limited assurance on the Sustainability Report of Hrvatski Telekom d.d. ("HT") (collectively "HT") for the year ended December 31, 2011 (the "2011 Sustainability Report").

Scope and subject matter

Our limited assurance engagement focused on HT's self-declaration that it has achieved a B+ application level as established by the Global Reporting Initiative ("GRI Application Level") as stated in section 1.24 and based on the disclosures and performance indicators included in the GRI summary table on pages 11 to 22 of the 2011 Sustainability Report.

Reporting criteria

We assessed the level of disclosures against the Sustainability Reporting Guidelines Vol. 3.1 issued by the Global Reporting Initiative ("GRI Guidelines").

Management's responsibility

The accuracy and completeness of the information presented in the 2011 Sustainability Report are subject to inherent limitations given the nature and methods for determining, calculating and estimating data for such reporting. Management of HT is responsible for the selection and application of the reporting criteria to determine the self-declared GRI application level. HT's management is responsible for the preparation and presentation of the 2011 Sustainability Report in accordance with the reporting criteria, using assumptions and estimations that are appropriate under the given circumstances. HT's management is also responsible for designing, implementing and maintaining internal controls relevant to the preparation of a Sustainability Report that is free of material misstatement, selecting and applying appropriate reporting principles, using measurement methods and estimates that are reasonable in the circumstances and maintaining adequate records.

Our responsibility

Our responsibility is to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that HT's self-declared application level in the 2011 Sustainability Report is not stated, in all material respects, in accordance with the reporting criteria. We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000, Assurance Engagements other than Audits or Reviews of Historical Information. This Standard requires that we comply with

ethical requirements and plan and perform the assurance engagement to obtain limited assurance on HT's self-declaration of the B+ GRI Application Level in the 2011 Sustainability Report.

Summary of the work performed

Our procedures included examination, on a test basis, of evidence relevant to HT's self-declaration level in the 2011 Sustainability Report. It also included an assessment of the significant estimates and judgements made by management in the preparation of the 2011 Sustainability Report. The evidence gathering procedures were more limited than they would be on a reasonable assurance engagement and, so, less assurance was obtained than would be on a reasonable assurance engagement.

Our work consisted of:

- Conducting interviews with management to evaluate the application of GRI guidelines and to understand the control environment related to sustainability reporting,
- Conducting inquiries of employees responsible for reporting sustainability information,
- Obtaining an understanding of the processes for generating, aggregating and reporting sustainability information,
- Evaluating the data generation and reporting process against the reporting criteria,
- Performing testing, on a sample basis, of the accuracy of disclosures, including examining internal and external documents,
- Reviewing the GRI summary table to consider management's assertion regarding the application of the GRI guidelines.

The nature and extent of our procedures were determined based on our risk assessment and our professional judgment in order to obtain limited assurance. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Inherent limitations

Non-financial data is subject to more inherent limitations than financial data, given both the nature and the methods used for determining, calculating, sampling or estimating such data. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgments.

We have not carried out any work on data reported for prior reporting periods nor in respect of future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict our conclusion to the subject matter defined above.

Limited assurance conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that HT's self-declaration of the B+ GRI Application Level in the 2011 Sustainability Report is not stated, in all material respects, in accordance with the reporting criteria.

Restriction of use and distribution

This report, including the conclusion, has been prepared solely for the Management Board of HT, to assist them in reporting on HT's sustainability performance and activities. We consent to the inclusion of this report in the 2011 Sustainability Report to enable the Management Board to show they have met their governance responsibilities by commissioning an independent assurance report in connection with the selected subject matter. We do not accept or assume responsibility to anyone other than the Management Board and HT for our work or this report, unless expressly agreed with our prior consent in writing.

PricewaterhouseCoopers d.o.o.
Zagreb, 6 November 2012



Statement GRI Application Level Check

GRI hereby states that **Hrvatski Telekom d.d.** has presented its report "Sustainability Report 2011" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 16 October 2012

A handwritten signature in black ink, appearing to be "Nelmara Arbex", is written over a faint, large watermark of the GRI globe logo.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because Hrvatski Telekom d.d. has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 2 October 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

Contacts and help in using this report

1.27 The Sustainability Report presents the results of activities of Hrvatski Telekom during the reporting period. In this sense we wish to encourage the stakeholders to give their comments and opinions on the Company's progress in the field of responsible business. For any information, comments and opinions, please contact

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Artist: Viktor Popović

Art piece: No name

T-HTnagrada@msu.hr competition, 2011

Strategy and management

Values and management

2.1 MISSION OF THE T-HT GROUP

Communication, Information & Entertainment - Always and Everywhere

Communication is a basic human need and information and communication technologies offer countless possibilities for communicating informing, socializing, and keeping in touch.

Our lives are becoming increasingly networked, with more and more people communicating in highly direct ways through virtual forums and international platforms. Enormous volumes of data are uploaded to the Internet and viewed daily, while virtual communities attract millions of new members every month through social networks. Communications is fully tailored to people's needs, and networking is possible at any given moment via various devices.

Checking e-mail and using the Internet is a part of our everyday life. The Internet has revolutionised the way we spend our free time and the way we do business. We take for granted the fact that we can access the Internet at home, in the office and on our mobile phones and we are constantly demanding faster access and an even better quality of service.

2.2 VISION OF THE T-HT GROUP

T-HT - a leader in connecting people on a personal and professional level

Today the possibilities are endless. Technology is here to make our lives easier, helps us solve problems faster, leave us more free time and make our lives a lot more fun. We can do business on our way to the airport, watch our favourite TV show on the screen of a mobile phone and stay in touch with our families, friends and colleagues using mobile and Internet-based services to share our experiences, ideas, and thoughts.

2.3 CORPORATE VALUES

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

By promoting the common standards of behaviour towards our customers and our co-workers, we create an atmosphere that is a pleasure to work in and contribute to the overall business success of the Company.

We are all responsible for the promotion of the values that are alive to the extent that we, Company employees, are living them. We accept the Principles not as

a set of rules that we must obey, but as values that motivate, inspire and absorb us with positive energy. They drive each of us to achieve exceptional results as individuals, in our teams and united together - as a company.

2.4 Our Guiding Principles are:

- Customer delight drives our action
- Respect and integrity guide our behaviour
- Team together - Team apart
- Best place to perform and grow
- I am T - count on me

IMPLEMENTATION

2.5 The mission and vision of HT are fully followed, not only in communication but also in everything we work on - from the products and services the Company offers (such as MAXtv, MAXtv to go, MAXadsl, tportal, Mobile Internet, iPhone and smartphone tariffs), to communication channels (including Twitter and Facebook), all this in order to underline the key message of being connected at any time.

2.6 In the field of internal communication, mission, vision, strategy, and corporate values are each year communicated through an established procedure, the so-called Management Forum in which the HT's Management Board communicates directly with the management, which then forwards the received message to its employees. The communication itself and its performance are then evaluated through an intranet survey sent to all employees. The survey primarily serves to verify whether the strategy was actually presented to the employees and whether it is clear. This communication is complemented by additional communication channels - Intranet, presentations to new employees, internal publications etc..

INTEGRATION OF BUSINESS SEGMENTS

2.7 The organisation of the Company comprises of the management of the Company, business units/functions of support and management/technical functions, sectors, departments, and finally, the work unit. There are two business units: the Customer Facing Unit Residential and the Customer Facing Unit Business. We have also established a Finance Support and Steering Function, a Human Resources Support and Steering Function and a Support and Steering Function of the President of the Management Board.

T-HT		
Business Units	Technical Functions	Support and Steering Functions
COO Residential	CTO / CTIO	President of the Management Board (CEO)
COO Business		CFO
		CHRO

2.8 These functions include operations that permeate the entire Company, ensure compliance of all its business segments and allow the Company to operate as a single unit.

Technical functions are managed by the Chief Technical and Chief Information Officer. These functions include services of information and communication technologies (ICT services) and building on the level of the Company, for the purpose of providing a technical platform for services and the creation of synergy effects - on internal and external levels. The role of the business unit is management and the responsibility for profit and loss for individual business areas.

2.9 Apart from Hrvatski Telekom d.d., the members of the T-HT Group are Iskon Internet d.d., Combis d.d. and KDS d.o.o. HP d.o.o Mostar is an associate and HT d.d. Mostar is a joint venture.

MANAGEMENT

2.10 The Company applies a dualistic structure of Company bodies, whose main characteristic is a strict division of responsibilities between the two bodies of the Company, the Supervisory Board and the Management Board. The Supervisory Board has a supervisory function, and the Management Board is in charge of managing the business affairs of the Company. The General Assembly consists of the Company's shareholders. At the General Assembly, the shareholders exercise their managerial and property rights.

CORPORATE GOVERNANCE CODE

2.11 Given the fact that the Company's shares have been listed on a regulated market, the Company applies the Corporate Governance Code published on the website of the Zagreb Stock Exchange and on the website of the Croatian Financial Services Supervisory Agency, in effect as of 1 January 2011.

2.12 The Company adheres to the provisions of the Code with the exception of those provisions whose application may not be practical at a particular moment. The aforementioned exceptions are specifically listed in the Corporate Governance Code Compliance Statement for the business year 2011.

MANAGEMENT BOARD

2.13 The Members of the Board and its President are appointed and removed by the Supervisory Board. Their mandate lasts for up to five years, after which they may be reappointed. In accordance with the Articles of Association, the Management Board consists of five to seven Members. On 31 December 2011,

the Management Board consisted of six Members: Mr. Ivica Mudrinić, President of the Management Board and CEO; Mr. Dino Ivan Dogan, PhD, Member of the Board and Chief Financial Officer; Mr. Johan H.M. Busé, Member of the Management Board and Chief Operating Officer Residential; Ms. Irena Jolić Šimović, Member of the Board and Chief Operating Officer Business; Mr. Božidar Poldrugač, Member of the Management Board and Chief Technical and Chief Information Officer and Ms. Branka Skaramuča, Member of the Management Board and Chief Human Resources Officer. Detailed information regarding background, education and career of the Members of the Management Board are available in the Annual Report of the Management Board on the state and operations of the Company and the T-HT Group for the business year 2011.

SUPERVISORY BOARD

2.14 The Supervisory Board is responsible for appointing and removing members of the Management Board and for the supervision of managing of the business affairs of the Company in accordance with the Companies Act, the Company's Articles of Association and the By-Laws on the work of the Supervisory Board. In accordance with the provisions of the Articles of Association, the Supervisory Board consists of nine Members. Eight Members are elected by the General Assembly and one is appointed by the Company's employees. On 31 December 2011, the Supervisory Board had five Members representing DTAG (Mr. Andreas Moelich, Mr. Oliver Morbach, Mr. Lutz Schade, Mr. Ralph Rentschler, PhD, and Mr. Andreas Hesse), one Member nominated by the Republic of Croatia (Slavko Leban, PhD), two independent Members (Mr. Ivica Mišetić, PhD, and Ms. Kathryn Walt Hall) and one Member appointed by the Workers' Council of HT d.d. (Mr. Juko Cikojević).

The Articles of Association of HT provide that a Member of the Supervisory Board shall be a person whose knowledge, experience, and business and moral qualities guarantee that he or she will perform the function of the Member of the Supervisory Board prudently and conscientiously and the By-Laws of the Work of the SB stipulate that a Member of the Supervisory Board shall abstain from voting in the case when a resolution relating to his individual right or legal interest is the subject matter of voting.

2.15 The main issues on the agenda of the meetings of the Supervisory Board are set forth in the Report of the Supervisory Board on the supervision performed during the business year 2011, which was published in the Annual Report for the business year 2011.

2.16 The Supervisory Board has established the Compensation and Nomination Committee and the Audit Committee, as a part of the process of transparent access to fees and appointments to the governing bodies of the Company, and transparency of operations. The main issues on the agenda of the meetings of the Committee are set forth in the Report of the Supervisory Board on the supervision performed during the business year 2011, which was published in the Annual Report for the business year 2011.

The Audit Committee concluded that there was no indication that the system of internal control did not function effectively during business year 2011 in terms of financial reporting, risk management, compliance management system, internal and external audit engagement.

General Assembly

2.17 As already stated, the membership rights of shareholders are divided into managerial and proprietary rights. The basic managerial rights of shareholders are the following: the right to participate in the General Assembly of the Company including the right to debate, the right to information, the right to vote and the right to challenge the decision of the General Assembly.

2.18 The right to participate in the General Assembly of the Company including the right to debate belongs to all shareholders and cannot be taken away. This right is a prerequisite for the realization of other managerial rights exercised exclusively at the General Assembly (i.e. the right to vote) or mostly at the General Assembly (i.e. the right to information). In accordance with the Companies Act, as the condition to participate in the General Assembly the Articles of Association of the Company provide that the shareholders must apply to participate in the General Assembly, and that the application for participation must be delivered to the Company no later than six days before the General Assembly (this period does not include the day the application is delivered to the Company). The right to participate in the General Assembly can be exercised through a proxy.

2.19 Invitation to the General Assembly containing the proposal of the agenda and proposed decisions on items of the agenda, instructions to the shareholders for the participation in the General Assembly and an explanation of certain proposals of Decisions of the General Assembly are delivered to the shareholders by the Company in electronic form.

2.20 Shareholders exercise the right to information through annual financial statements and reports on the status of the Company, the Report of the Supervisory Board and the Auditor's Report, which are submitted to shareholders at the Company's General Assembly. Also, during the General Assembly the Management Board gives to each shareholder, upon their request, information about the operations of the Company, if that is necessary for understanding the items of the agenda.

2.21 The right to vote is a fundamental managerial right of shareholders exercised at the General Assembly by voting on the proposal of the decision put to a vote. The right to vote is exercised by a shareholder at the General Assembly either in person or by proxy, according to nominal amounts of shares held, with each share representing one vote.

2.22 In 2011, there were no lawsuits of shareholders for challenging decisions of the General Assembly.

2.23 Among managerial rights of shareholders are some of the powers that a qualified minority of shareholders possess. Thus, for example, shareholders who together hold shares in the amount of 1/20 of the Company's share capital have the right to request the convening of the General Assembly and propose to publish additional issue to be decided, and each shareholder has the right to make counterproposals to the proposals of the Management Board and/or Supervisory Board.

2.24 Proprietary right of shareholders is, for example, the right to receive payment of the dividend. The Company's dividend policy is defined in the Prospectus for the initial public offering from October 2007. Future dividend policy should be that all dividends declared and paid in respect of any year following the year after the IPO will range from 50% to 100% of distributable profits of the Company acquired in the previous year. Any annual dividend will depend on the overall financial position of the Company and its needs for working capital in the relevant period.

On 4 May 2011, the General Assembly approved the payment of the dividend to shareholders for the financial year 2010 in the amount of HRK 1,863,783,056.60 (HRK 22.76 per share), representing a dividend payout ratio compared to realized profits of 100%. The dividend was paid in the second half of May 2011.

2.25 Information on the General Assembly in 2011 and the decisions adopted by the General Assembly can be found on the website of the Company.

Strategy of corporate social responsibility

2.26 Corporate social responsibility is the basis of our approach to business strategy and development. In its day-to-day activities the Company follows the principles of the Group within which it operates and which has established a clear goal - to become the leading place in the industrial sector regarding social and environmental responsibility.

2.27 Principles of corporate social responsibility are a long-term commitment to the adjustment of business activities with the principles of sustainability. The approach to corporate social responsibility reflects the areas of activity which form the basis of our approach to sustainability.

2.28 Success and innovation directly affect the life of the society in which we operate. By offering new, high quality and affordable solutions intended to improve communications, the Company affects the quality of life and the competitiveness of the economy. The focus on constant improvement and innovation, with an emphasis on environmental protection, is the cornerstone of our approach to corporate social responsibility.

2.29 AREAS OF RESPONSIBILITY STRATEGY OF HT:

Connected Life and Work

Enabling the best possible communication in personal and business life is the basis of our business operations. The goal is to develop innovative solutions in telecommunications which will improve everyday life by first-class communication and connection.

Connect the Unconnected

It is our goal to provide as many individuals as possible with access to telecommunication services and integration into a knowledge society. Our ambition is to ensure that advanced technologies are available to everyone, at any time.

Low Carbon Society

One of our key targets in the area of corporate responsibility is environmental protection, responsible exploitation of resources and the reduction of greenhouse gas emission.

IMPLEMENTING THE STRATEGY OF CORPORATE SOCIAL RESPONSIBILITY CODE OF CONDUCT

2.30 HT's Code of Conduct sets clear standards of business conduct and is based on the highest ethical principles. Following the changes that have taken place in the Company and its environment, in March 2011, the Management Board of Hrvatski Telekom adopted a new Code of Conduct. The new document, which builds upon the Code from 2006, is based on the Guiding Principles and desirable behaviours - especially on the second of five principles: "Respect and integrity guide our behaviour". The major part of the document deals with the relationship with customers, partners and suppliers, and special attention is paid to managing information and conflicts of interest.

2.31 The new Code provides clear instructions to employees on how to behave in case of doubt or perceived breaches of principles and values. In fact, the aim of the Code is to provide all employees and other persons concerned with a clear answer to the following question: "How do we want to operate?".

OPERATIONAL COMPLIANCE

2.32 Compliance with the laws and other regulations, abiding by the internal rules and the Code of Conduct are the basis of responsible corporate management, i.e. the necessary prerequisite for business success and an obligatory aspect of every business process. HT actively promotes the principles of ethical business through a framework of compliance in order to prevent possible negative consequences and ensure compliance of business processes with the relevant regulations.

2.33 Any employee, business partner, customer or shareholder may report a violation of the Code of Conduct as well as other irregularities, such as fraud or unlawfulness in business operations. HT guarantees full confidentiality of the process. It is also possible to submit a report anonymously.

2.34 All complaints or information about violations of the Code of Conduct or other regulations can be submitted to the Ethic line by:

- mail: T-Hrvatski Telekom, Etička linija, Savska cesta 32, 10000 Zagreb
- telephone: 0800 9823 (workdays from 9am to 3pm)
- fax: 0800 9824
- e-mail: Eticka.Linija@t.ht.hr

All reports are strictly confidential. It is also possible to submit an anonymous report by using SAD! (Croatian: Sustav Anonimnih Dojava), the anonymous reports system or BKMS, the anonymous reports system of Deutsche Telekom. These systems can be accessed via the following link: http://www.t.ht.hr/grupa/kodeks_nepravilnosti.asp

2.35 By following the trends of corporate management, in 2008 HT formed the function of Compliance Officer, Compliance Department and Compliance Committee.

2.36 In 2010, within the Compliance Management System certification process regarding the entire Deutsche Telekom Group, HT was tested by experts from the Ernst & Young consulting firm. The test results show that the function of compliance of Hrvatski Telekom fully met the set requirements.

2.37 The Compliance Department allows employees to ask questions regarding the interpretation of regulations, internal policies and obtain advice on specific business situations through the Intranet and "Ask me!" Portal, as well as to anonymously report irregularities through the "Tell me" portal.

2.38 The Department regularly conducts compliance trainings for all employees and executives. In March 2011, a presentation was held during the program "Knowledge on Thursdays", when employees and management were informed on the Anti-Corruption Policy with particular emphasis on conflict of interest and details of the responsibilities and duties of the Compliance Department. The entire presentation is permanently available to all employees on the Intranet in form of a video. Also, the site of the Compliance Department provides important information on the Intranet.

2.39 REGULATIONS, PROCEDURES AND MEMBERSHIP OBLIGATIONS

- Obligations of members in the European Telecommunications Network Operators' Association (ETNO) and the adopted Charter on Corporate Responsibility of the European Telecommunications Network Operators' Association
- Obligations of members in the global UN initiative (within the Global Compact) "Women's Empowerment Principles."
- Environmental Management Policy and Manual on Environmental Management
- Charter on Sustainable Development of the European Telecommunications Network Operators' Association (ETNO)
- Energy Policy of the HT Group
- The procedure of making donations
- Social Charter
- "Principles and Guidelines for Prevention of Conflicts of Interest and Corruption in Business Operation of Hrvatski Telekom d.d." - Anti-Corruption Policy".
- Code of Conduct

Risk management

2.40 Hrvatski Telekom systematically monitors and reports significant risks to the Company, which include regulatory and legal risks, financial risks, liquidity risks, credit risks, market risks and operational risks of the business. A systematic approach to monitoring and reporting of risk is conducted quarterly and, if necessary, on an ad hoc basis by the Management and supervisory control bodies: the Audit Committee, internal and external audit. The risk management process is also an integral part of the process of business planning and financial reporting of the Company to shareholders.

Hrvatski Telekom also conducts risk analyses of its business in terms of environmental protection and on a wider scale, in terms of risk of doing business in the communities in which we operate. By implementing regulations, such as the Code of Conduct and related documents for protection of the environment, we try to manage risks possible in the business. In addition to regular measures of protection and maintenance of property, the HT Group maintains a program of insurance for third parties in

accordance with the policies adopted by Deutsche Telekom, which are common to the industry in which the Company operates. This includes property and downtime insurance, public liability insurance and insurance against liability from the use of the product, including employer responsibility, and insurance against criminal acts and embezzlement. In addition to locally contracted insurance, the Company participates in the insurance coverage program for directors and management and terrorism insurance within the insurance program of its parent company, Deutsche Telekom.

The strategic dedication to sustainability and corporate social responsibility is one of the key elements of risk management. We hereby highlight the three major risks as well as our approach to managing these operating risks. Internal assessment and consultation with our stakeholders have identified three key risk areas - corruption, protection of personal data and the protection of health of our customers.

"PRINCIPLES AND GUIDELINES FOR PREVENTION OF CONFLICTS OF INTEREST AND CORRUPTION IN BUSINESS OPERATION OF HRVATSKI TELEKOM D.D." - ANTI-CORRUPTION POLICY"

2.41 At the end of 2010 the Management Board of HT adopted an Anti-Corruption Policy which efficiently deals with the issues of conflict of interest and corruption in business. This Policy clearly defines the position of Hrvatski Telekom regarding all negative occurrences which might take place in the business and provides a clear frame for the conduct of all its employees and management.

2.42 The Anti-Corruption Policy also provides all business partners with certain guarantees because it clearly defines HT as a reliable partner who bases its business on strong ethical principles. HT has already had policies regulating the issues of accepting and distributing of gifts within business relations, which are in compliance with the relevant legal frame and are connected to the Anti-Corruption Policy, providing practical provisions on allowed and disallowed business conduct.

2.43 By implementation of the Anti-Corruption Policy, HT takes a clear stand regarding negative phenomena in conducting business, thus providing its workers, managers, investors and business partners additional guarantees in terms of ethical and harmonised operations. The Anti-Corruption Policy introduces clear criteria and responsibilities for the assessment of regularity in the business and defines a clear procedure in all cases of conflict of interest through the role of the Compliance Department as the operating unit responsible for interpreting all provisions of the Anti-Corruption Policy and the Compliance Committee as

the body that provides assessments of individual cases and proposes corrective measures.

2.44 Hrvatski Telekom makes a risk assessment on a yearly basis, in which risks associated with active and passive corruption are assessed. Risk assessment includes responsible persons from all business areas, support and management function, technical support and business function, and the percentage of business units analysed in the assessment of the risk of corruption in 2011 was 100%.

2.45 Based on the results of the assessment, the Compliance Department develops an annual program and takes appropriate action presented to the Compliance Committee, Management, and Audit of the Supervisory Board. The Compliance Officer is responsible for implementing the compliance program.

2.46 Hrvatski Telekom makes no political contributions, including donations to politicians, political parties or political organizations. Also, the Company does not support political parties, and does not in any way interfere in political activity and political attitudes and commitment of its employees and executives. HT requires its employees to separate their political activities, attitudes and orientations from HT and professional duties they perform in HT. This is covered by HT's Anti-Corruption Policy and the Group's Donation Policy. In 2011 there were no confirmed cases of corruption. Despite this, the Compliance Department continually works on measures of prevention, education and the promotion of corporate social responsibility.

2.47 Hrvatski Telekom complies with legal requirements, and provides its employees and executives with transparent rules of procedure in the "Anti-Corruption Policy of HT d.d." as an additional measure of prevention of corruption.

2.48 Special emphasis in educating employees and executives during 2011 was placed on the Code of Conduct featuring a chapter on corruption. The plan for educating more employees and executives in terms of anti-corruption policy is provided in the Education Plan 2012 due to the updated version of the Policy.

2.49 In early 2011, all employees and executives were informed about the Anti-Corruption Policy through HT's official gazette, e-mail and the presentation as a part of the program "Knowledge on Thursdays." Also, the Compliance Department provided a presentation that all superiors distributed to their employees. All of this contributed to a more efficient business environment in the procurement process during 2011. We also implemented a new Code of Conduct and held presentations for employees of HT and Iskon on conflict of interest, corruption, and the Code of Conduct. The Anti-Corruption Policy is available on the Intranet to all employees and supervisors, as well as the "Ask Me" Portal, which can be turned to in case of doubt and the "Tell me." Portal in the case of report.

PROTECTION OF PERSONAL DATA

2.50 HT gives special care to the protection of personal data and the privacy of its users. In addition to positive regulations of the Republic of Croatia, HT also applies specific documents establishing additional, strict standards of protection of personal data on the level of the entire DT Group. The fundamental document in this regard is the so-called Code of Conduct for the protection of individual privacy in processing personal data within the Deutsche Telekom Group, which applies to all employees of HT.

2.51 In order to implement an effective system for the protection of personal data HT has established a separate organizational unit directly responsible to the President of the Management Board of HT and headed by the Data Privacy Officer. The Officer supervises whether the rights of individuals are respected in terms of protection of their personal data, but also the associated rights of legal persons.

2.52 In order to achieve maximum transparency to users of services in connection with the processing of their personal data and to protect their right to privacy, HT has defined the protection of personal data and privacy in its General Terms and Conditions. In these Terms and Conditions, service users are also instructed to contact HT for issues concerning the protection of personal data.

2.53 In its everyday activities, the Data Privacy Officer ensures that every relevant inquiry, request and/or complaint of respondents and supervisory authorities in connection with the practice of HT is dealt with in a timely manner. Other than submitting them directly to the Officer, customers may submit requests concerning the protection of personal data primarily via the HT Customer Service, in accordance with the General Terms and Conditions. Typical customer requirements are submitted in accordance with the General Terms and Conditions, relating to consent over the use of personal data for the purpose of delivery of marketing information.

2.54 The Officer is authorized to represent HT before the Agency for the Protection of Personal Data as well as to co-operate with this supervisory authority, for example, during an inspection. In all cases where a customer's request cannot be considered without prior security, IT or technical examination of the merits of allegations of violation of law, the competent service for corporate security and competent service for IT/NT security are included in the process.

CARE FOR THE ENVIRONMENT AND CUSTOMERS' HEALTH

2.55 With the development of mobile communications and the growing number of customers, the need for base stations and mobile antennas without which communication is not possible also increases. The number of mobile customers and base stations obliges Hrvatski Telekom to focus on optimizing the use of mobile communications and reduce potential risks to a minimum. One of the ways we implement this practice is the use of an Environmental Management System according to ISO 14001:2004. The application of this international standard enables HT to shape the Environmental Management Policy and objectives, taking into account legal requirements and information about significant environmental impacts.

2.56 When it comes to electromagnetic emissions, HT fully complies with the current Croatian legislation. In Croatia the Ordinance on Protection Against Electromagnetic Fields (OG 98/2011) issued by the Ministry of Health applies, and all telecommunications equipment is subject to the provisions of the Ordinance on the Limitation of the Strength of Electromagnetic Fields for Radio Equipment and Telecommunications Terminal Equipment (OG 183/2004, 89/2011). The international standard for limiting exposure to time-varying electric, magnetic and electromagnetic fields (up to 300 GHz) has been issued by the International Commission on Non-Ionizing Radiation Protection (ICNIRP). These safety limits have been adopted by the World Health Organization and the UN on a global level, and HT also adopts them. However, compared to these standards, the Croatian regulations are up to 6.25 times stricter. The border levels for the power flux density in the areas of occupational exposure in the Republic of Croatia are 5 times stricter, and in areas of increased sensitivity 6.25 times stricter than those in the European Union.

2.57 In creating innovative solutions for products and services HT always keeps in mind the need to save energy and natural resources, while not reducing the awareness of the needs of users and the community. For example, new technology of services "in the cloud" reduces the need for devices and saves energy, while the e-bill eliminates the use of paper.

2.58 For many years, even before it became a legal requirement in Croatia, HT has encouraged mobile services users to return used mobile phones, their batteries and equipment to HT stores. Such actions have been organized since 2005 with an excellent response from the users which is proven by over 111 000 disposed used mobile phones. All disposed devices, equipment and batteries are submitted to authorized concessionaires for further treatment and recycling, thus contributing significantly to human health and environmental safety.

Stakeholders

2.59 Dialogue with stakeholders is one of the key aspects of the Company's strategy aimed at corporate social responsibility. Stakeholders are the various interest groups with whom the Company has established contacts or who are directly or indirectly affected by the Company. Different groups are sometimes more or less active in the interaction with the Company, but that does not mean that the approach is selective - indeed, the Company approaches everyone in a transparent manner and wishes to achieve the best possible communication. With certain groups of stakeholders, such as suppliers and customers, we continuously exchange information. For example, every two years, independent research of the Company's reputation is conducted. With other stakeholders, such as local communities, NGOs or the government, information is exchanged as needed by both sides, which in practice means very often, due to the specific nature of the business. Sharing knowledge and experience is an advantage for the Company.

Firstly, this approach makes it possible to recognize risks from the outset and coordinate actions and measures accordingly. Secondly, the exchange with stakeholders is used to identify emerging trends in society, so that these discoveries could be used in the further development of the Company's approach to corporate social responsibility.

2.60 At the same time, the exchange of experiences helps to present the activities of the Company to stakeholders and to further build or establish good, two-way relationships. Communicating and learning from stakeholders is an ongoing process. Therefore, we will briefly present how we establish communication with key stakeholders, with respect to the key issues and the way in which we try to answer the questions of our stakeholders.

WHO	WHAT	HOW
CUSTOMERS	<ul style="list-style-type: none"> ■ Customer desire and satisfaction - the goal is to offer a superior tailor-made service, be their first choice, and reduce customer dissatisfaction to a minimum 	Research; websites; social networks; direct contact; grievance procedures, information on products; sales strategy
EMPLOYEES	<ul style="list-style-type: none"> ■ Competitive and desirable employer ■ Rewarding work, talent and initiative ■ Investment in education and training of employees, creating experts 	Employee satisfaction surveys; system for solving dilemmas in the workplace, training programs, reward programs, internal newsletter, Intranet.
SUPPLIERS	<ul style="list-style-type: none"> ■ Supply chain management (including compliance with the standards of health, safety, environment protection and quality) ■ Promoting best practices and commitment to sustainability 	Research; clear criteria of business; feedback system, supplier rating
SHAREHOLDERS	<ul style="list-style-type: none"> ■ Professional exchange of information and views ■ Quick solution for common problems 	Regular annual meeting of shareholders; special session if needed; meetings and written information
BUSINESS-INTEREST ORGANIZATIONS	<ul style="list-style-type: none"> ■ Cooperation on the exchange of information ■ Developing good practices in business ■ Mutual and public exchange of opinions 	Membership in professional and interest, national and international associations, lobbying
COMMUNITY	<ul style="list-style-type: none"> ■ Specific and general problems of society in which we operate ■ Problems specific to a particular area that affect health protection safety and environmental aspects of local communities ■ Exchange of information and dialogue ■ Confidence and a positive image of the Company ■ Partnerships for sustainable development 	Direct cooperation; interactive websites; sponsorships, grants and partnership programs; specific research and evaluation of health, safety and environmental risks.
STATE ADMINISTRATION AND REGULATORY STRUCTURES	<ul style="list-style-type: none"> ■ Exchange of views and cooperation with politically elected representatives, public administration, agencies and bodies responsible for monitoring the market in which we operate ■ Advising on laws and procedures ■ Removal of unsustainable practices and increase of competitiveness ■ Ensuring legal compliance and avoiding incompatibility 	Direct cooperation, exchange of opinions and gathering information about good practices
NON-GOVERNMENTAL ORGANIZATIONS	<ul style="list-style-type: none"> ■ Exchange of information and opinion ■ Shared commitment to creating a positive environment ■ Monitoring and reporting on sustainability 	Two-way communication; donations and sponsorships, partnerships



Relationship with the government and regulatory requirements

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

2.62 In this regard, HT has been named an operator with significant market power in the relevant markets such as the market of origination of calls from public communications networks provided at a fixed location, the market of termination of calls in its own public communications network provided at a fixed location and the market for wholesale (physical) access to network infrastructure (including shared or fully unbundled access) at a fixed location on the basis of procedures for the determination of the relevant market and assessment of the existence of operators with significant market power by the national regulatory body, Croatian Post and Electronic Communications Agency (HAKOM) and in accordance with the Electronic Communications Act (ECA).

2.63 Also, HAKOM has designated HT as the operator of universal services in the Croatian territory with certain obligations. Among other things, HT therefore offers special pricing systems tailored to the needs of disadvantaged groups of end-users such as discounts for special categories of subscribers.

2.64 Consequently, the obligations of HT are regulated by the ECA, bylaws and decisions of HAKOM that significantly affect the provision of electronic communications services of HT and HT's future investments in new modern electronic communications infrastructure that supports high-speed transmission data and high speed internet access and the provision of new advanced services to end customers. Given that the existence of the electronic communications infrastructure is a prerequisite for the development of Croatian society of knowledge

and competitiveness of the Croatian economy, its realization is the subject of intense dialogue of the political sector, regulatory bodies and operators. As examples of such dialogue, we can point out the existence of a special fee of 6% on services in mobile electronic communication networks, during the year 2011, which undoubtedly impacted the gross revenue and consequently the investment potential of the operator, the payer of the fee and consequently to its subcontractors and the regulatory decisions of HAKOM that did not encourage investment, especially in terms of the construction of the fibre optic network infrastructure of HT.

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

2.66 In 2011, there were no final judgements with a significant² fine for non-compliance with laws and regulations.

2.67 More on regulation of HT under results for the year ending on 31 December 2011 of T-Hrvatski Telekom at http://www.t.ht.hr/investitori/pdf/q4_2011rezultati.pdf (pp. 6-9)

²⁾ Significant fine represents amounts over HRK 500.000.

Added value

2.68 Revised income and loss statement for HT d.d.

	2011 HRK million	2010 HRK million
Revenue from providing services	7.391	7.922
Revenue from sales of merchandise	85	86
Revenue from basic activity	7.476	8.008
Other revenue	283	233
Costs of goods sold, material and energy	(710)	(873)
Costs of services	(1.075)	(1.236)
Costs of personnel	(1.184)	(1.113)
Capitalized costs of self-produced work	76	103
Depreciation and impairment of fixed assets	(1.355)	(1.366)
Other costs	(1.303)	(1.488)
Total operating costs	(5.551)	(5.973)
Profit from operations	2.208	2.268
Income from interest	80	79
Financial expenses	(37)	(48)
Net financial income	43	31
Income from investment in joint venture	-	6
Profit before income tax	2.251	2.305
Income tax	(438)	(441)
Profit for the year	1.813	1.864
Other comprehensive profit for the year		
Change in value of financial assets available for sale	(2)	2
Actuarial gains and other income (expense)	17	(3)
Other comprehensive profit for the year, net of tax	15	(1)
Total other comprehensive profit for the year, net of tax	1.828	1.863

2.69 During 2011, the General Assembly approved the payment of the dividend to shareholders for the financial year 2010 in the amount of HRK 1,863,783,056.60 (HRK 22.76 per share), representing a dividend payout ratio compared to realized profits of 100%. The dividend was paid in the second half of May 2011.

Information on the General Assembly in 2011 and the decisions adopted by the General Assembly can be found at the following address:
<http://www.t.ht.hr/investitori/skupstina11.asp>

EFFECT OF TAX ON THE SERVICES OF MOBILE OPERATORS

2.70 Extraordinary tax on mobile services was introduced on 1 August 2009 to all mobile operators in Croatia.

Tax determined a rate of 6% on the revenues of mobile operators, including SMS, MMS and voice services. The effect of tax was HRK 163 million in 2010 and HRK 149 million in 2011.

2.71 Payments to state institutions: taxes, surtaxes and other charges

In 2011, the state collected HRK 1.7 billion, of which most on VAT (58%). During

this period, no financial assistance in any form was received from the state.

However, the law has enabled reduction in corporate income tax for employers based on expenses of employee training; for general education (the cost of university and post-graduate education, language courses) tax relief amounts to 55% of the costs, and for special education (professional seminars and other training programs directly related to the job that the employee performs) the tax relief is 30% of the costs. In 2011, the total benefit amounted to HRK 4 million, and in 2010 to HRK 4.1 million.

	2011	2010
VAT	1,019,031,667.88	1,079,371,152.33
Income tax	388,532,162.36	442,683,058.52
Salary-related tax and surtax	139,845,848.19	129,404,113.68
Other taxes	9,072,167.66	6,930,535.69
Total tax payments	1,556,481,846.09	1,658,388,860.22
Other charges (monument annuity, forests, CCE, TB)	32,147,038.52	18,831,806.74
Mobile fee 6%	148,840,986.26	163,346,189.71
Total	1,737,469,870.87	1,840,566,856.67



Artist: Helena Janečić

Art piece: City ladies: At Miss Hermanns`
T-HTnagrada@msu.hr competition, 2011

Impact in the community

Impact in the community

3.1 The community in which we operate is an important factor of our success. Since the Company's daily activities have an impact on a large number of people, we pay special attention to our relations with the community.

One of the objectives of the activity we undertake is to provide access to information to as many people as possible, by which we, directly or indirectly, affect the creation of a knowledge society within the scope of our business.

RESPONSIBILITY TOWARDS THE SOCIETY

3.2 The HT Group regularly cooperates with educational, cultural, training and scientific institutions, non-governmental organizations, especially those taking care of people with special needs, persons who are in an unfavourable position and organizations promoting civil society values.

3.3 Most projects are long-term, which ensures their effectiveness, and equally the Company's employees are personally involved in various projects. In this way the Company and its employees are directly involved in the projects that influence the development of the society.

Expansion of network and infrastructure

3.4 Exchange of digital information is one of major trends of the modern information society. Business and personal needs increasingly include access to information. HT is fully dedicated to this purpose, which resulted in 43% of households with access to broadband Internet at the end of 2010.

Internet television services are extremely well accepted in Croatia, so this service is extended via satellite, thus allowing access to modern technologies and services in areas that had not previously had access to Internet services.

In addition, 99.4% of the population has access to the EDGE technology, while the share of HSDPA access is 59.3% with a minimum data transfer rate of 1.8 Mbit/s.

Active role of the employees

3.5 We actively support social and environmental activities of the Company, especially with the help of our employees. The support is seen through volunteer programs in the community and investing in organizations and institutions that share our principles of sustainability.

3.6 Employee involvement can be divided into three general categories:

- Involvement of employees
- Participation and integration
- Corporate volunteering

MOST DESIRABLE EMPLOYER

3.7 For many years, including 2011, the HT Group was named one of the most desirable employers in Croatia. This is once again confirmed by the results of the traditional survey conducted by the Moj Posao Portal. The HT Group is a convincing leader among employers in the highly competitive telecommunications and IT sector. One of the most attractive features of our Company is sector leadership. Also, commitment to corporate social responsibility of HT has been recognized by the respondents of the survey who assessed its social responsibility as even better than last year.

Mobile communications and health

3.8 In terms of electromagnetic emission, HT fully complies with the current Croatian legislation. In Croatia, the Ordinance on Protection Against Electromagnetic Fields (OG 98/2011) issued by the Ministry of Health applies, and all telecommunications equipment is subject to the provisions of the Ordinance on the Limitation of the Strength of Electromagnetic Fields for Radio Equipment and Telecommunications Terminal Equipment (OG. 183/2004, 89/2011). The international standard for limiting exposure to time-varying electric, magnetic and electromagnetic fields (up to 300 GHz) has been issued by the International Commission on Non-Ionizing Radiation Protection (ICNIRP). These safety limits have been adopted by the World Health Organization and the UN on a global level, and HT also applies them.

MORE ON CROATIAN REGULATIONS ON ELECTROMAGNETIC EMISSION

3.9 However, compared to these standards, the Croatian regulations are up to 6.25 times stricter. The border levels for the power flux density in the areas of occupational exposure in the Republic of Croatia are 5 times stricter, and in areas of increased sensitivity 6.25 times stricter than those in the European Union.

3.10 Being a responsible telecommunications company, Hrvatski Telekom supports and encourages extensive and detailed scientific research and follows the research activities on the impact of electromagnetic radiation conducted by many organizations, independent groups, expert teams and scientists. All the research that has been conducted so far and the latest scientific findings show that the electromagnetic fields in the mobile communication systems have no harmful effect on human health, with the confirmation of the World Health Organization. In 2011, independent measurements were conducted on some 100 basic stations of HT's mobile networks and the results were delivered to the Ministry of Health. All sources of the EM fields in HT's networks have a resolution for their use which is issued by the Ministry of Health.

TEN GUIDELINES ON ELECTROMAGNETIC FIELDS

3.11 Hrvatski Telekom acknowledges the public's true concern over the impacts of mobile communications technology, both of mobile handsets and of base stations. Taking into account the large number of base stations and millions of customers, HT is determined to take the public's concern seriously and deal with the needs of the public and environmental needs in an open, constructive and sincere manner.

3.12 HT plays an active role in the public dialogue on electromagnetic fields, supports independent scientific studies in health research, participates in counselling, communication and providing information to the public and other important subjects on all social levels.

3.13 Although regulatory and social principles differ throughout Europe, all members of the DT Group are committed to transparency, counselling and active participation. HT has accepted and complies with the guidelines provided in the DT Group's Guidelines on EM fields.

3.14 Transparency

- Hrvatski Telekom has set up internal responsibilities and procedures with regard to complaints and inquiries on impacts of technology, health and other related issues.
- Hrvatski Telekom is aware of the general public's interest in mobile communications. For full transparency, Hrvatski Telekom supports the idea of the creation of national databases on base stations which would contain all other EMR sources as well.
- All base stations of Hrvatski Telekom comply with the national guidelines on exposure to non-ionizing emission, as well as with the Guidelines of the ICNIRP (International Commission on Non-Ionizing Radiation Protection). In order to improve transparency, Hrvatski Telekom owns a Compliance Certificate for each base station.

3.15 Providing information

- In addressing the public, Hrvatski Telekom follows a proactive communications strategy and strives to cooperate with all interested parties. Moreover, HT encourages authorities on all levels to cooperate with the mobile industry and to set up their own programs of providing information to the public.
- On its web pages and all sales locations, HT provides its users with manufacturers' information on the SAR values of the handsets offered.

3.16 Cooperation

- Hrvatski Telekom cooperates with local authorities in dealing with citizens' inquiries regarding the development of the network and selecting a location for base stations. In order to help local authorities, Hrvatski Telekom provides all relevant information on our networks.
- It also seeks to establish cooperation with local authorities. Our goal is to reach a mutual opinion on the location of base station with the local authorities whenever possible.
- Hrvatski Telekom aims at minimizing the visual impact of base stations and the impact of the entire network on the landscape.

3.17 Promoting scientific discoveries

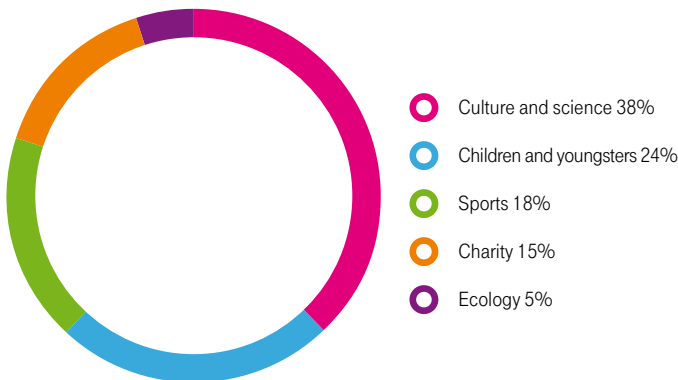
- Hrvatski Telekom fully supports the advancement of scientific knowledge on the effects of electromagnetic fields on health and contributes to independent development programs.
- Hrvatski Telekom believes that the exposure limit values of EM fields should be determined on the basis of scientifically based recognized research and that they should be under constant supervision. Furthermore, Hrvatski Telekom evaluates and monitors the latest scientific discoveries.

Investment in the community

3.18 T-HT Group has set high standards of corporate responsibility in all segments of business; it pays equal attention to its relationship with its stakeholders - employees, customers, suppliers and investors - as well as the wider community in which it operates. In this sense, the constant and optimally positive interaction with the community at all levels, including local, occupies a significant part of the framework of the corporate social responsibility strategy of Hrvatski Telekom.

3.19 Hrvatski Telekom demonstrates the responsibility of a strong and successful company to the society in which it operates by engaging in many activities. The common denominator of HT's donation activities is orientation towards the projects which comprise modern technology, focus on education and charitable activities. Specifically, as an example of its activities as a leader, HT participates in digitization projects in the society or provides Company resources for socially useful purposes. Moreover, other than donation activities, the presence of HT in the community is witnessed by a number of projects that have elements of sponsorship. Both models represent an investment in the community.

3.20 The share of investment in the community by thematic areas:

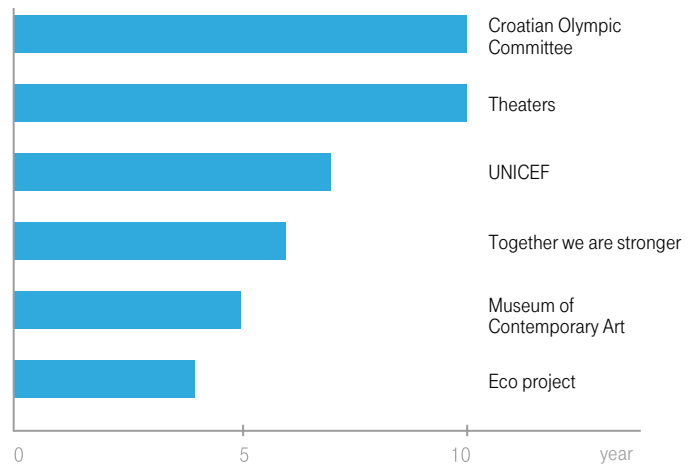


It should be noted that the majority of HT's investment projects in the community last for several years, which contributes to their effectiveness, which in turn leads to a deeper connection and relationship between the Company and the beneficiaries. It should also be noted that many of the projects have both an external and a significant internal character, which means that employees of HT are directly involved in helping the community.

The six largest investments in the community:

HOO (Croatian Olympic Committee)	1,212,000.00
Zajedno smo jači (Together we are stronger)	775,000.00
Unicef	748,957.78
Museum of Contemporary Art	500,000.00
Theatres	500,000.00
Eco-project: reforestation of fire affected areas	395,478.89
Total investment in the community in 2011	HRK 6,880,239.31

Duration of donation projects and investments in partner projects



3.21 CULTURE AND SCIENCE

Museum of Contemporary Art

Hrvatski Telekom has been the primary partner of the Museum of Contemporary Art (Muzej suvremene umjetnosti - MSU) since 2007. The partnership that also continued in 2011, achieved the goal of promoting modern technology in culture and, as in previous years, the annual award for the best Croatian contemporary art work was also presented. Other than providing financial support and awards, HT supports the Museum of Contemporary Art by providing telecommunication services.

In 2011 the "T-HTnagrada@msu.hr" competition was held for the fourth time. During this period the award of the same name has become synonymous with the most prestigious annual awards in the field of contemporary art within Croatia. The number of works submitted in 2011 surpassed that of the previous year and an international jury traditionally decided on the best works. The works rewarded in 2011 were purchased and included in the HT collection within the Museum of Contemporary Art.

Theatre events

In 2011, Hrvatski Telekom continued its long-lasting tradition of sponsoring Croatian national theatres in Osijek, Split, Rijeka and Varaždin and the Gavella City Drama Theatre in Zagreb. The events of Špancirfest and Varaždin Baroque Evenings were also supported through sponsorship of the City of Varaždin.

Supporting expert conferences

The commitment of Hrvatski Telekom to the development of a knowledge society is reflected, among other things, in the support it provides to numerous scientific and professional gatherings: WINDAYS 2011, MIPRO Conference, Combis Conference, Cisco Conference, Imagine Cup 2011 Project, Telekom Arena and ICT Arena, ICT Conference and other events related to the telecommunications sector and its communities. Moreover, also in the field of science, HT provided financial support for the Mediterranean Institute for Life Sciences for the sixth year in succession.

Besides the financial support, the Company has helped a number of local and international forums and conferences by providing them with its infrastructure, technical support and equipment.

Cooperation with the academic community

The long-standing cooperation of Hrvatski Telekom with the Faculty of Electrical Engineering and Computing (FER) started in November 2006 by signing the Frame Contract on Cooperation in Scientific-Research and Development Activity with a view to promoting transfer of knowledge and ideas between science and economy. The Company has also established cooperation with the Faculty of Law in Zagreb.

Scholarships

By extending what was once a T-Mobile project, in 2011 Hrvatski Telekom organized a second-ever competition for the HT scholarship. Among excellent candidates from the Faculty of Electrical Engineering and Computing, six senior students who, in addition to achieving excellent university results, hold a wide range of interests and are actively involved in different activities, were awarded scholarships.

Within the Korak u život (Step into Life) action of the Rotary Club Zagreb Kaptol, HT provides scholarships to five students without parental care, who had to leave children's homes and foster families due to their age and are full-time students at various faculties.

e-Etiquette on social networks

HT was the first company in Croatia to develop and publish a handbook for behaviour on social networks, the so-called e-Etiquette. The handbook defines formal and non-formal rules of conduct for Facebook, Twitter and other social networks. Motivated by the awareness of the rapid development of social networking in Croatia, and in the light of non-existence of formal rules that would be summarized in one place, HT decided to develop an e-Etiquette in order to contribute to better communication and understanding by users of social networks.

The catch is that the authors of the manual are everyday users of social networks, such as Facebook or Twitter, themselves, bloggers and members of forums. Thus demonstrating the liberality and two-way communication inherent to social networks, HT invited their users, applying the method of crowdsourcing, to submit proposals to be included in the manual, which were then reviewed by an expert committee, which selected the best submissions.

The publication of the e-Etiquette coincided with three key anniversaries for Hrvatski Telekom of experience in communications - 130 years of providing fixed telephony services, 20 years of mobile telephony services and 5 years of internet television.

"Znanjem rastemo"

In September 2011, in Zagreb, Hrvatski Telekom organized the fourth consecutive "Znanjem rastemo" (Growing through Knowledge) Conference. By presenting the world's leading speakers, the Company wanted to give knowledge to the academic and business community, its employees, customers and the media and society. Guest speakers in 2011 were Nassim Nicholas Taleb, PhD - who studies the problems of luck, risk, chance, human error, probability, and the philosophy of knowledge, and Amber Case - a cyber anthropologist focused on studying how people and technology interact and evolve.

The roman@tportal.hr prize

tportal.hr announced the competition for the literary prize roman@tportal.hr in the amount of HRK 100,000 for the fourth year in succession. There were 50 entries and the first prize went to Olga Savičević Ivančević for her novel "Adio kauboju". This award, like the award for contemporary art, has already gained an important place in public consciousness.

Film festivals

In 2011, HT sponsored a number of projects: the Pula Film Festival, Vukovar Film Festival, Zagrebdox, Zagreb Film Festival, Filmomanija and Forum film Zadar. The support of film festivals carries a link to HT as the first Internet television provider in this region. Films that were shown at festivals immediately became available within the MAXtv video store.

T-Mobile INmusic Festival

For the third consecutive year, T-Mobile has supported the INmusic Festival, the largest Croatian open-air festival that showcased over forty foreign and local performers on as many as six stages. Some of the performers have included Jamiroquai, Arcade Fire, Cypress Hill, Grindermen and many others. The English daily newspaper The Times, ranked the T-Mobile INmusic festival among the 20 best European festivals.

Electronic Beats Festival

In 2011, we also sponsored the first Electronic Beats Zagreb Festival, which attracted 1500 visitors who enjoyed performances by some of the best electronic performers in the world: Roisin Murphy, Digitalism, Totally Enormous Extinct Dinosaurs and When Saints Go Machine.

3.22 CHILDREN AND YOUNG PEOPLE

UNICEF

For seven consecutive years, Hrvatski Telekom has been the main partner of UNICEF in Croatia. In 2001, HT's donation helped the development of a new national model of early intervention in childhood, which brings experts into the family, thus helping children with neurodevelopmental risks and disabilities to change the outcomes of their diagnosis, and their chances in later life. In addition to financial aid, by sending money orders for donations to its customers, HT enabled them to make a contribution to this valuable UNICEF project themselves. In 2001, the partnership included the Children's Rights Festival, which for the first time ever made the rich festival program including Croatian and international films accessible to children and adults with sight or hearing impairments.

3.23 SPORTS

HOO - Croatian Olympic Committee

In 2011, Hrvatski Telekom continued its long-standing collaboration with the Croatian Olympic Committee as its main sponsor, thus linking HT's values with the best tradition of the Olympic Games: fair competition and constant hard work leading towards excellence.

Sportske igre mladih (Youth Sport Games)

As a traditional sponsor of the Youth Sport Games, Hrvatski Telekom supports the largest amateur sports event in the country, which in 2011 featured a total of ten sports and more than 80,000 participants aged between 7 and 18. This event promotes messages against drugs, alcohol and violence and encourages a healthy lifestyle.

3.24 CHARITY WORK

Zajedno smo jači (Together we are stronger)

The donation project "Zajedno smo jači" (Together we are stronger) in which every year the employees of Hrvatski Telekom have a key role in suggesting, selecting and making the final choice of the charity events to which the Company will award funds was conducted in 2011 for the sixth year in a row. 24 projects had been chosen among 294 applications received from all over Croatia and were awarded funds amounting to HRK 775,000. The financial resources were given to a number of associations and institutions including medical institutions and institutions working with disabled persons, the elderly and children.

060 numbers - charity action support

Since 2001, Hrvatski Telekom has been supporting a number of initiatives by allocating 060 numbers as numbers for charity campaigns that the general public can call and help finance a charity project. In addition, in 2011 HT used a 060 number to help the Ana Rukavina Foundation, the Naša djeca (Our Children) Society of Vinkovci, the Nada Vrbovec Association, the Autonomous Women's House Zagreb and the Dva skalina Association achieve their goals. After providing a 060 number HT always renounces its entire profit, allowing charity activities carried out via 060 numbers in 2011 to collect a total of HRK 3.6 million.

3.25 ECOLOGY

Reforestation of fire affected areas

For the fourth year in succession in 2011, HT used the Reforestation of Fire Affected Areas Project to directly invest funds into a unique and comprehensive environmental project, thus confirming its ongoing responsibility towards the community. This investment is a continuation of the 2010 project of the same name, within which saplings of the Aleppo pine, stone pine and cypress were planted in 27 hectares of forest. Reforestation is carried out at five locations that were ravaged by summer forest fires over the last five years: Biograd, Imotski, Metković, Split and Korčula.

As a part of this donation project, in December HT's employees participated in the reforestation of Turopoljski lug by planting saplings of the English Oak.





Artist: Božica Dea Matasić
Art piece: Panacea
T-HTnagrada@msu.hr competition, 2011

Care for customers

Care for customers

RESPONSIBLE RELATIONSHIP WITH CUSTOMERS

4.1 All equipment, systems and services that we use are fully compliant with the rules and regulations of the Croatian and European legislation, because we put the health and safety of our customers as a priority. All products and services include detailed instructions and information, and are further clarified to customers by the information on the Company's website, as well as through direct contact with the centre for direct communication with customers. All services are available to customers 24 hours a day, every day of the year.

4.2 HT adopts a responsible approach to adapting its services to various needs of its customers, as evidenced by special discounts, access to stores for persons with disabilities, packages for users with low incomes, customized services for the young, discounts for veterans and invalids of the Homeland war, parental control on MAXtv, protection for users of the Internet and a variety of billing options such as web-bill, voice bill and e-bill.

4.3 HT strictly abides by the Code of Advertising Standards which prescribes advertising rules and principles. In 2011 there were no final judgements with a significant³ fine.

4.4 In 2011, there was a total of five proceedings before the State Inspectorate, all related to the same campaign (Christmas campaign from 2010/2011) for which Hrvatski Telekom d.d. received a warning to highlight important information relating to offers of 50% discount on the monthly fee, and mobile devices and accessories when broadcasting the commercials. Hrvatski Telekom d.d. modified its actions within the period according to the above warning. In reference to the above Christmas campaign, the State Inspectorate initiated misdemeanour proceedings against HT and the responsible person which are still in progress. The penalties provided for a legal person amount to HRK 10,000 to HRK 100,000, and for the responsible person from HRK 10,000 to HRK 15,000.

BRAND PERSONALITY

4.5 Brand personality comprises several brand attributes that stipulate our conduct. Our marketing activities and all the other activities at points of contact with our customers are based on these attributes: we are social, authentic, accessible, inspiring and reliable.

4.6 Through its communications activities, the Company supports the brand's profile based on brand vision, promise, and values. Our brand promise states advantages we provide our customers with, when they use our services, making their lives richer in experience and emotions. The focus is on unforgettable moments that can be shared with others - Life is for sharing. Furthermore, the three qualities we always need to fulfil are our brand values. Everything we do we measure against this standard and together they are the basis of our brand promise. Values of our brand are: simplicity, competence, and innovation.

³) Significant fine means amounts over HRK 500 000.

Basics of product design and development

ADVANCED TECHNOLOGIES MADE AVAILABLE TO EVERYONE

4.7 As a leader and innovator in the Croatian telecommunications market, HT is continually investing in the development of innovative technologies, broadband, IPTV and LTE. HT is also the first operator in Croatia whose customers had the opportunity last year to test the most advanced LTE network with up to ten times higher data rates.

tCloud

We have also presented innovative services in the cloud. The tCloud Computer service allows business customers to use virtual IT infrastructure without the cost of purchasing IT equipment, thereby contributing to energy savings and environmental protection. Thanks to the Spremalica and Data Synchronization services residential customers have the possibility of simple and secure storage and sharing of various contents requiring nothing more than a device with Internet access.

Planet9

For all the book lovers in Croatia, HT has introduced an online bookstore, Planet9 and the corresponding e-reader, allowing them to access and read their favourite books at any time and any place.

MaxTV To Go

The Internet television package has been expanded by a new service, MAXtv To Go, which allows users to watch MAXtv via mobile devices and computers, on additional screens at home, and allows them to have a new viewing experience on the go.

HotHot

The first local geo-location application in the Croatian language, HotHot, provides owners of smartphones with a new possibility of a simple and practical overview of attractive offers in the vicinity.

Products and services - minimum impact on the environment

4.8 HT constantly tries to find new solutions for our products and services which save energy and natural resources. In 2011, we continued with the implementation of activities by which HT seeks to contribute to reducing the use of materials by its customers, with a focus on customer needs and advancement of e-business. Following the new trend of development of technology in the field of service development, in 2011 HT introduced a number of services "in the cloud" based on the principle of the so-called cloud computing. Through this service, HT reduces the customers' need for devices and equipment, thus contributing to the protection of the environment. Furthermore, e-bill helps protect the environment thanks to reduced use of paper. The number of HT customers who activated this in the last year has doubled.

4.9 In 2011, HT continued to offer numerous existing services, solutions and products allowing customers to reduce their environmental impact, such as audio and video conferencing (saving energy, reducing greenhouse gas emissions), network answering machine (saving energy and resources), video on demand services - home video and recording device (saving energy and resources), office fax service for sending and receiving fax messages via e-mail (saving resources and energy), use of electronic vouchers, online and telephone sales, etc.

4.10 The fact that the number of mobile phone users is growing daily, corroborates the fact that many people can no longer imagine life without mobile phones. It is safe to say that mobile phones improve everyday life in its various aspects - they allow us to be in contact with our loved ones at any given moment, they increase efficiency of operations; they can be the only connection with the world to the elderly and the sick, and for many they represent a means of rescue from

a dangerous situation. Therefore, mobile communications benefit the entire community, regardless of whether they are used for business, social or emergency purposes. The fact that in Croatia an overwhelming 200,000 calls are placed to emergency services via mobile networks a month is not negligible!

4.11 GSM base stations have been developed, tested and put into operation in accordance with international standards and requirements. Hrvatski Telekom receives the certificates proving that the base stations comply with the security requirements of ICNIRP and with a series of standards for product safety, electromagnetic compatibility and general technical regulations from the equipment manufacturer. Also, all base stations are certified as conforming to a range of European and international standards (EN 60950, EN 60215, EN 50358, EN 301 489-1 V1.4.1, EN 301 489-08 V1.1.1 i V1.2.1, EN 301 502) issued by the Croatian Post and Electronic Communications Agency. Also, all sources of the EM fields in the T-Mobile network have a resolution for their use which is issued by the Ministry of Health.

4.12 All mobile devices marketed by HT meet the safety requirements on the SAR values. SAR (Specific Absorption Rate) is a measure of specific absorption rate, or the unit that describes the speed of absorption of electromagnetic energy per unit mass of tissue, and is expressed in W/kg. Pursuant to Directive 1999/519/EC of the European Union on limiting exposure to electromagnetic fields (0 Hz to 300 MHz), the permissible limits of SAR amount to 2 W/kg for every 10 g of tissue for the head and torso. The limitation has been taken over by the Croatian Ordinance on the Protection From Electromagnetic Fields (OG 204/2003). The SAR value of mobile phones marketed by HT is less than 2 W/kg.

Communication without limitations

4.13 The speed of communications, high availability of its two-way directionality and the inclusion of a maximum number of participants in the widest dialogue or exchange of opinions is surely the global denominator of the time which we live in, and such is the direction of development of communications enabled precisely by the development of new technologies. Therefore HT's activity of monitoring and rapid implementation of

latest achievements in the field of new technology gives our Company a role considerably broader than the responsibility of a quality new services provider. At the same time, and perhaps more importantly, the position of the leader in the world of telecommunications almost makes the Company a significant participant in the creation of a new world.

Recycling (recovery)

4.14 For many years, even before it became a legal requirement in Croatia, HT has encouraged mobile service users to return used mobile phones, their batteries and equipment to HT stores. Such actions have been organized since 2005 with an excellent response from the users, which is justified by more than 111,000 collected and disposed used mobile phones. All the collected devices, equipment and batteries are submitted to authorized concessionaires for further treatment and recycling.

Customer protection

4.15 Customers are the key of our business. Since we strive to provide the best services, we have put great efforts into ensuring that our customers receive support at the same level of quality and competitiveness. Specially organized support teams are available to our customers throughout the entire day, every day of the year; we also invest maximum effort in order to enable our customers the support and assistance in using the services they expect. Customers can contact our contact services through Internet sites, other electronic media, directly by telephone or in our offices. All complaints, comments and compliments are registered and we aim to resolve them in a reasonable amount of time to the satisfaction of our customers. Communication with customer service is also possible through social networks: Facebook and Twitter.

CONTACT CENTER

4.16 In addition to stores, T-Centres, and field teams, the Contact Centre is the customer's first point of contact with the Company, and its agents are always available for all types of inquires or assistance. This is underlined by the fact that in 2011 the agents of HT's Contact Centre answered a total of 7 million customer calls made to the toll-free number: 4.8 million calls regarding issues related to fixed telephony services and 2.2 million calls related to mobile telephony. The principal determinant of the work of the centre is, of course, the focus on customers, who can contact the agents 24/7.

4.17 By fostering and encouraging two-way communication with customers we create the basis for their satisfaction. Meanwhile, the centre resolves the complaints directed by the customers to that address and provides information, but also sells products and services, while approaching each customer individually and offering services tailored specifically to their needs.

4.18 The total number of complaints made by residential customers and resolved in 2011 was HRK 77,471 of which 43,704 complaints referred to T-Com bills and services, and 33,767 to the T-Mobile bills and services. Also, in 2011 there were 2079 complaints made by business customers regarding T-Com bills and services and technical capabilities and 3624 complaints based on bills, services and technical capabilities of users of T-mobile service for business customers. Several misdemeanour procedures related to the protection of consumers are currently underway, but in 2011 no final judgement against Hrvatski Telekom d.d. was rendered.

4.19 In terms of customer protection, one of the most important lawsuits in the area are the proceedings stated by several customers (as well as the Consumer Protection Association Potrošač), who have stated in their complaint that the monthly access fees from customer contracts are unfair and represent a violation of the Consumers Act, and they challenge the 60-second billing unit. The lawsuit has been filed against the Company and the Republic of Croatia.

4.20 On 12 April 2007, the Municipal Court in Zagreb issued a ruling in favour of the seven plaintiffs establishing partial revocation of the Contract Amending the Contract on the Concession for the Provision of Services in the Fixed Network as Appendix 1 to the Contract and ordering the payment of certain amounts paid to HT in the period between 1 September 2001 and 1 October 2003, given that the relevant changes to the prices of HT, as claimed in the ruling, were not in accordance with the applicable laws. After the ruling, all parties to the dispute (the plaintiff, the Consumer Protection Association, municipal prosecutor representing the Republic of Croatia and the Company) appealed against the decision of the Municipal Court to the County Court in Zagreb. The County Court has not yet ruled.

4.21 As a competitive company, we heavily invest in publicity and information. In planning and developing our promotional activities we are guided by high standards of professional conduct. We are prepared for the possibility of oversights, but we insist on timely correction of errors. For example, in one case from 2011, the Croatian State Inspectorate warned Hrvatski Telekom d.d. to underline the important information relating to the offers related to the 50% discount on the monthly fee and mobile devices and accessories (the so-called Christmas offer) when broadcasting advertisements. Hrvatski Telekom d.d. modified its actions within the period provided for the above warning.

Customer satisfaction

4.22 The Company uses three methods of measuring customer satisfaction. The TRI * M survey of satisfaction and loyalty for residential customers is conducted on a quarterly basis, while for business customers this survey is conducted on a semi-annual basis. This survey measures the satisfaction and loyalty of our customers to us as a telecommunications company and to all of our services and processes that customers tried in the previous year. The survey forms the basis for a representative sample. The total result is represented by the TRI * M index which is 57 for T-Com and 58 for T-Mobile.

4.23 Another survey deals with customer satisfaction with certain sales channels and is conducted quarterly for business and residential customers. The focus of this survey is on the customers who have visited one of our stores or had contact with some of our sales partners over the past few weeks. This survey shows that customers are generally strongly or completely satisfied with the sales staff, allowing the possibility to improve the proposal of services that best meet customer needs.

4.24 The third survey deals with customer satisfaction with certain technicians and is conducted quarterly for business and residential customers. The focus of this survey is on those customers who have had a personal experience with our technicians in the past few weeks. This survey shows that the majority of customers (64%) are satisfied with the service of our technicians, which was evaluated as efficient, fast and well done.



Artist: Vladimir Frelih

Art piece: Conflict 2

T-HTnagrada@msu.hr competition, 2011

Workplace

Workplace

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

5.2 The area of occupational safety has a defined process according to the ISO 9001:2008 Standard.

The main objectives of the process are:

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

5.3 On HT's IntraNet website, employees can learn all about occupational safety, from the organization itself and its Coordinators, to providing first aid and work instructions in a safe manner, and various other important information in the field of occupational safety and health

5.4 The total number of employees at end of 2011 by type of contract (full-time and part-time, indefinite and definite contract):

	On 31 December 2011	Of which female employees
Total number of employees	5,724	2,068
indefinite	5,539	1,973
definite	185	95
full-time employment contract	5,723	2,067
part-time employment contract	1	1

5.5 In the previous period there was a reduction in the labour force in HT due to competitive market conditions and improved technological capabilities in operations, which significantly increases productivity. As a competitive telecommunications company, HT is aware that long-term sustainability of the business may entail making difficult decisions. Business-conditioned necessary need for reduction of the number of employees is approached in a responsible manner in order to ensure that employees maximize their potential and to ensure the long-term viability of the business. Sustainability of business is the key to keeping HT one of the largest companies in Croatia.

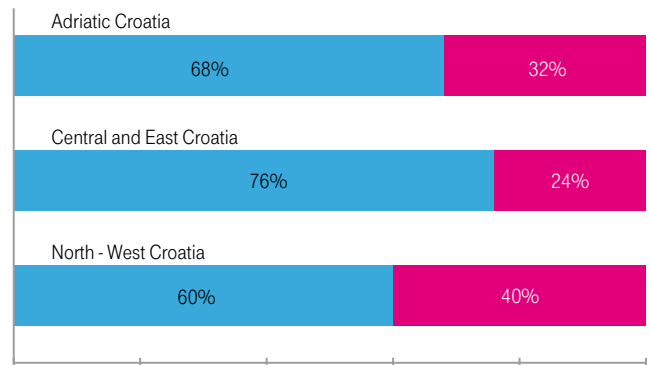
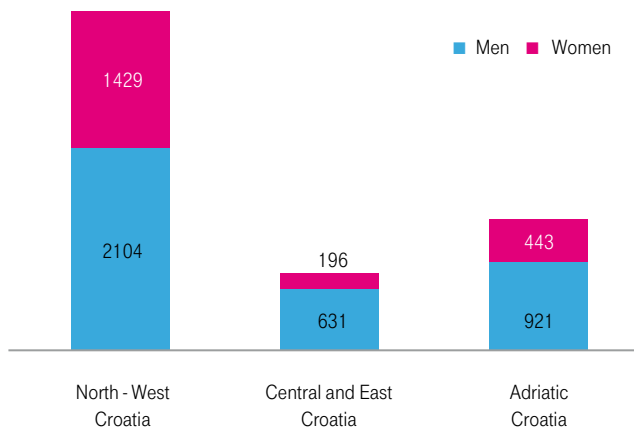
5.6 In order to establish an additional system of care for workers covered by the Surplus Management Program, the Company launched a program called "Support Plus" and related special websites for all users of this Program. The goal of this Program is to provide better, faster, and enhanced support to employees leaving the Company due to necessary business changes when entering the open labour market, as well as support in dealing with employment status. In this way, all the employees made redundant have the opportunity, in addition to severance payments that are among the highest in Croatia, to obtain expert help in finding work outside of HT.

5.7 Changes in the structure of employees by type and age groups

Type of termination	Gender	Younger than 30	30-50	Over 50	Total
Death of employees	M		1	2	3
	F		1		1
Death of employees - total			2	2	4
Termination of employment by mutual agreement	M	11	12		23
	F	9	10		19
Termination by mutual agreement - total		20	22		42
Total		20	24	2	46

5.8 Employees by regions:

Structure of employees according to gender and regions (NUTS2)



5.9 HT is a company that operates in a highly competitive environment of the telecommunications industry that is constantly changing and requires new expert skills we are looking for on the market. Therefore, in 2011 we hired 142 new employees, of which 61 male and 81 female.

TRAINING EMPLOYEES FOR SAFE WORK

5.10 Pursuant to the Occupational Safety Act and Work Safety Regulations of Hrvatski Telekom d.d., the employer conducts training for employees aimed at educating them how to work in a safe manner:

- before the employee commences employment
- during changes in the work process
- when changing jobs or workplace

COMMITTEES FOR OCCUPATIONAL SAFETY

5.11 In accordance with legal requirements and the structure of the Company, or dislocation of some functional segments within the organizational structure of the Company, the Management Board has decided to establish the following Committees for Occupational Safety as advisory bodies to the employer:

- Central Committee for Occupational Safety - based in Zagreb
- Committee for Occupational Safety for Central and Northern Croatia, Committee for Occupational Safety for Southern Croatia, Committee for Occupational Safety for Western Croatia and Committee for Occupational Safety for Eastern Croatia.

5.12 The Committee for Occupational Safety meets at least once every three months. The Committee is comprised of the President, who is the Employer's authorized representative, and the Members, two Occupational Safety Coordinators, a MD of Occupational Medicine and a competent Occupational Safety Expert.

TRAINING IN THE FIELD OF OCCUPATIONAL SAFETY

5.13 The Occupational Safety Act (OG 59/96, 94./96, 114/03, 86/08, 75/09) sets forth three educational categories concerning training in the field of occupational safety, that is, training for safe work, and these are:

1. Employer and authorized persons of the employer for Occupational Safety
2. Employees
3. Occupational Safety Coordinators.

TRAINING IN THE FIELD OF OCCUPATIONAL SAFETY FOR AUTHORIZED REPRESENTATIVES OF THE EMPLOYER

5.14 A special form of training of the Employer and its Authorized Representatives in the field of Occupational Safety is training aimed at preventing injuries and occupational diseases, and the organization of the work process in a way that injuries of employees and occupational diseases are reduced to a minimum in the technologies in which, on the basis of objective indicators (risk estimates), there is a risk of injuries and diseases that could endanger the safety and health of workers.

5.15 Training in safe work practices of employees (as executor of jobs and tasks) must be distinguished from training in the field of Occupational Safety and health (of authorized representatives).

5.16 The direct executors of work need to know how to work in a safe manner, and the organizers of the work process (such as authorized representatives of the employee) must know how to provide safe working conditions.

In connection with the above, the Management Board of Hrvatski Telekom designated the authorized persons of the employer in the field of occupational safety, as follows:

1. Authorized Representative
 - Operating Director
 - Director
 - Head of Work Unit
2. Immediate Authorized Representative
 - Coordinator
 - Manager
 - Any person supervising one or more employees

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

TRAINING IN THE FIELD OF OCCUPATIONAL SAFETY FOR COORDINATORS

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

The training of Occupational Safety Coordinators was conducted by a contracted service provider, authorized company for work safety. Pursuant to the Collective Agreement, the Occupational Safety Coordinator must report to the Workers' Council on his/her work at least every three months. 19 Occupational Safety Coordinators were appointed in 2011.

Personal safety equipment

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

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

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

5.22 Average annual number of training hours per employee by employee category

	Duration of training in days	Average number in hours
Managerial structures	1.4	11.2
Executive structures	1.7	13.6

5.23 In a year of economic crisis, the largest challenge was to continue to invest in the development of employees in order to increase corporate as well as personal competitiveness and thus significantly contribute to the achievement of our objectives and the quality of services provided to our customers. Market demands and further technological development do not allow us stagnation in learning and increasing our own competencies. The balance between limited resources and the need to invest in further development of employees affected the way we work - we put our own resources and exchange of knowledge in the foreground, and with the optimal management of all resources, our objective was to preserve the quality of services provided by Human Resources.

5.24 Although investments in development activities are somewhat lower than before the economic crisis, we still invest significantly in the development of employees by raising their personal competitiveness through the development of knowledge and competence with respect to the demonstrated potential. In 2011, 1366 employees participated in a variety of educational programs, of which 932 male and 434 female employees.

5.25 In addition to standard programs (market knowledge, customer orientation, collaboration, innovation, and increasing personal effectiveness) and professional trainings, development activities involve other forms of training that are based on the exchange of knowledge: mentoring, visits to the business area and international development programs.

E-learning

Employees have the opportunity to use simple interactive e-learning - from specific knowledge aimed at particular groups of employees to the overview of Company's

services and a telecom dictionary. Employees can access e-learning from home.

Knowledge on Thursdays

Twelve different, but up-to-date presentations, excellent speakers, interesting presentations and always a hall full of interested listeners - this is how our Knowledge Thursdays meetings looked during 2011. Our experts from different areas generously shared knowledge, gave answers and taught their colleagues. This year we learned more about our network, new technologies, products and services, energy efficiency, customer satisfaction, legal issues, safety and secu-

rity of data, compliance of our operations.

Closer to the customer :)

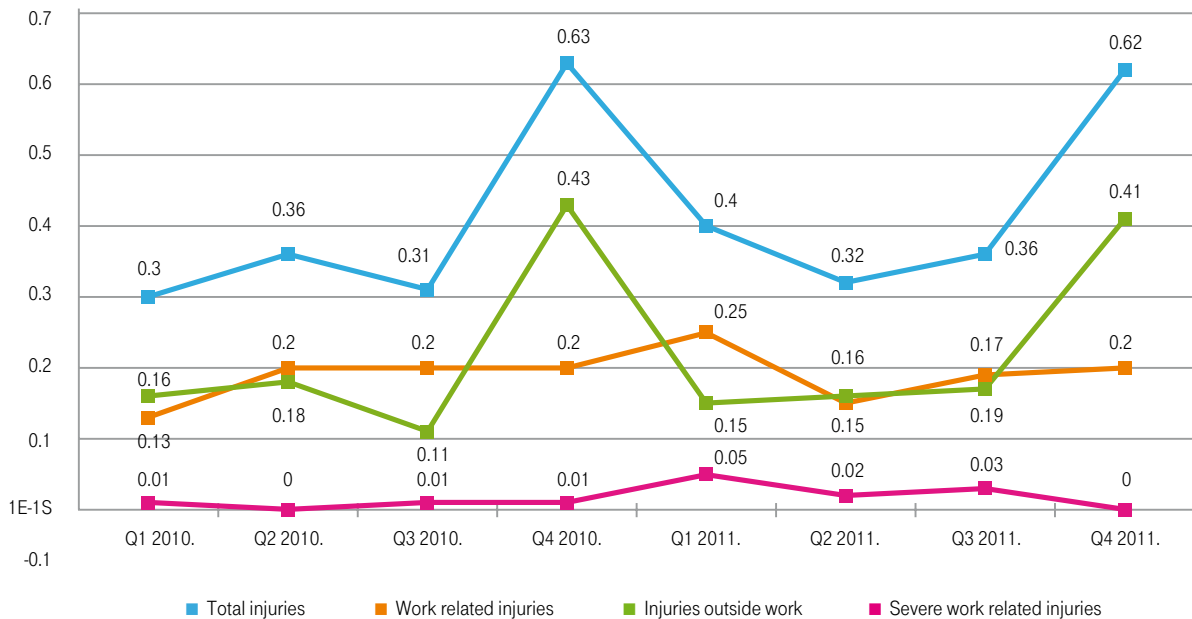
Internal resources realized a program which aims at promoting a culture of service in the Company. Through a theoretical and a practical part, the participants have the opportunity to learn about the products and services of our Company, gain an understanding of customers, their needs and expectations, and in direct contact with the customer have experiences they then integrate into their own environment in order to achieve excellence of service.

WORKPLACE SAFETY

5.26 An overview of work-related injuries by quarters for 2010 and 2011

		2010				2011				
Period		01.01.- 31.03	01.04.- 30.06	01.07.- 30.09	01.10.- 31.12	01.01.- 31.03	01.04.- 30.06	01.07.- 30.09	01.10.- 31.12	
Average number of employees		5942	5949	5947	5964	5986	5918	5757	5750	
Total number of work-related injuries		18	23	19	38	24	19	21	36	
Share in the total number of employees		0.30	0.38	0.31	0.63	0.40	0.32	0.36	0.62	
Occupational injury	Injuries in the work process	Minor	7	12	11	11	12	8	9	12
		Major	1	-	1	1	3	1	2	-
		Total	8	12	12	12	15	9	11	12
		%	0.13	0.20	0.20	0.20	0.25	0.15	0.19	0.20
	Injuries outside the work process	Total	10	11	7	26	9	10	10	24
		%	0.16	0.18	0.11	0.43	0.15	0.16	0.17	0.41

An overview of work - related injuries by quarters in the total number of employees



5.27 Other than the legally stipulated framework of cooperation with employees, the Company implements a number of training, education, counselling and prevention programs aimed at prevention and helping our employees. In 2011, 1046 employees were trained in rendering first aid.

ADDITIONAL CARE ABOUT THE HEALTH OF EMPLOYEES

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

5.29 In addition to the service of medical check-ups for employees, which is guaranteed by the Collective Agreement, HT has arranged a discount on the price of each additional examination that any employee needs or wants after the check-up, as recommended by a doctor or upon personal request. The possibility of check-ups for immediate family members of employees (spouses, children, parents) under favourable conditions have also been arranged, as well as a discount on the price of each additional exam.

Zdravko - "Healthy" Intranet sites

An important part of a large study on employee satisfaction, conducted once every two years, are some of the issues pertaining to the health of employees, especially their exposure to stress and balance between work and private life, since they are important factors that affect the general well-being of employees.

The continuous care about employee health has been complemented by Intranet pages dedicated to the preservation of health and prevention of illnesses with the Zdravko Program. Since most of our employees spend their working hours at the computer, a film providing exercises which employees can do at the workplace has been produced by using our own resources. The "healthy" pages provide the employees with the opportunity to read interviews with physicians, specialists of a certain area and a series of useful advice regarding health care. Also, some specialized clinics offer discounts to employees of HT.

Sports and recreation

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

Competitive workplace

EDUCATION AND TRAINING OF PERSONNEL - PERFORMANCE MANAGEMENT

5.30 The Performance Management System of Hrvatski Telekom is based on monitoring the achievement of long-term strategic, but also short-term targets of the Company by linking Company objectives with individual objectives of each employee.

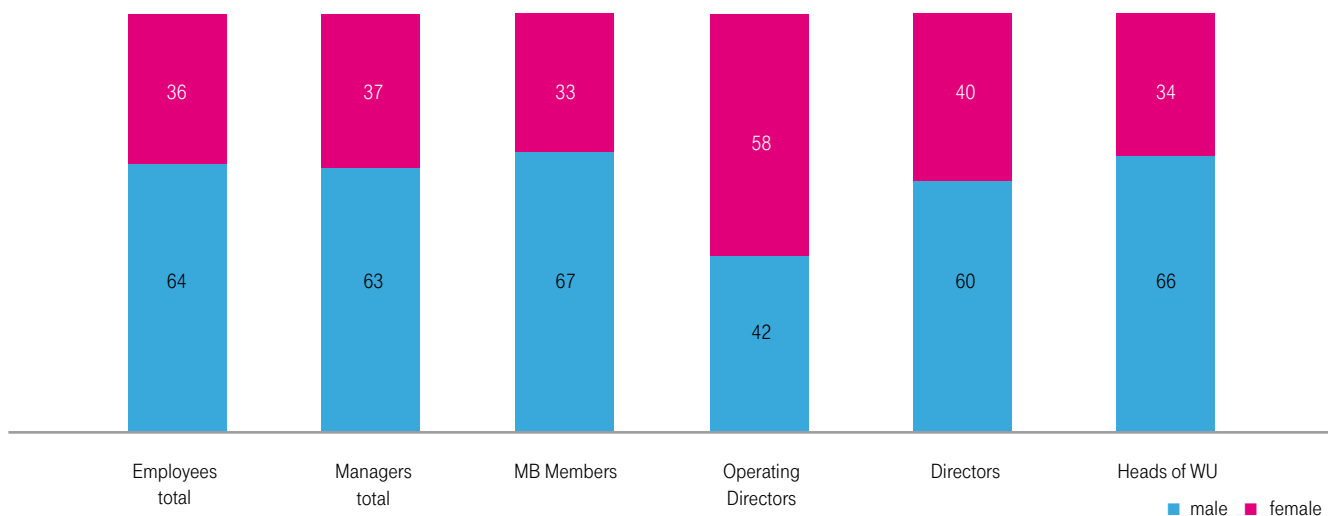
5.31 The goal of the Performance Management System is to enable every employee to clearly link his personal performance to the success of the Company. HT has several models of performance management, depending on the type of work that employees perform. Employees at the Company receive information on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

	Number of employees	Number of female employees	Number of employees with an evaluation	Number of female employees with an evaluation	% rated
Annual evaluation	4003	1123	3884	1031	97%
Mid-year evaluation	665	413	628	377	94%
Sales bonus	730	399	702	372	96%
Managerial bonus	290	108	288	106	99%
Total	5688		5502		97%

Only the employees who had not worked in the Company long enough to participate in the performance assessment were without an evaluation.

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

Gender structure in HT 2011



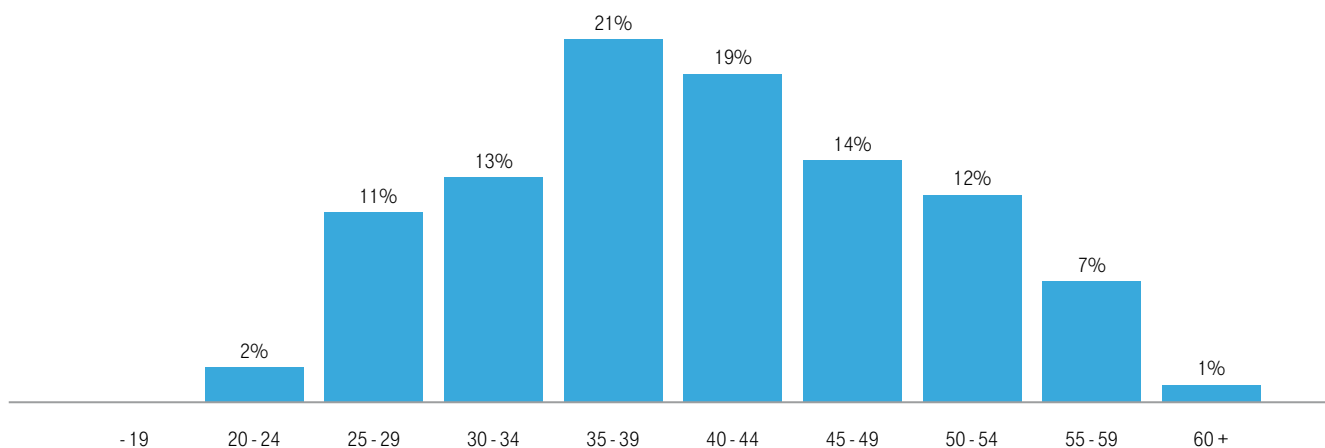
Structure by gender in HT on 31 December 2011

Category of employees	M	F	TOTAL
Managers	178	108	286
Employees	3478	1960	5438
TOTAL	3656	2068	5724

5.33 The fact that everyone has equal opportunities in the Company regardless of gender is best evidenced by the following data: taking into account all levels of management, the share of women in management is 37%, which is higher than the share of women in the total percentage of employees. The share of women in top management is even higher, 43%, while the number of female operating officers on the level of management immediately under a MB Member is 58%.

5.34 The Management Board of Hrvatski Telekom is comprised of two female and four male Members.

5.35 Structure by age in 2011



THE SYSTEM OF REWARDING AND ENCOURAGING EXCELLENCE

5.36 The ratio of basic salary of male and female managers indicates that female managers on average have 6% higher salaries than their male counterparts. The reason lies in the structure and distribution of jobs within the Company. For the same reason the average calculated and paid salary of male employees is 3% higher than the average male employee's salary. Differences in relation to the average contracted salary by gender and age group (paid salary can vary according to the contracted due to, for example, overtime hours, use of sick leave, etc.)

Age groups	M	F
Younger than 30	0.3%	-0.3%
30 - 50	1.0%	-1.7%
Over 50	-0.2%	0.5%
Average in HRK	0.9%	-1.6%
Executive structures	1,7	13,6

The contracted salaries for managerial positions are on average 2.8 higher than those for executive positions. That ratio is 2.9 for female and 2.7 for male employees.

5.37 Pursuant to the Act and our internal regulations, a parent who has used maternity/parental leave not only returns after maternity/parental leave to the job he/she previously held or a parallel job, but we have also had cases when the Company waited for an employee to return from maternity leave to immediately promote her to a higher managerial position upon returning to work. Our Company supports the legal possibility for parents to choose who, when and for how long they will stay with the child on maternity/parental leave and is no longer surprising to see fathers increasingly taking parental leave.

5.38 The number of employees who used the maternity/parental leave and leave for caring for a child with disabilities in 2011 is 14 male and 231 female employees.

	Total over the year 2010	Returned to work in 2010	Total over the year 2011	Returned to work in 2011
The number of employees who used maternity/paternal leave and leave for caring for a child with disabilities	2010		2011	
Male	14	13	14	13
Female	231	225	237	226
TOTAL	245	238	251	239

The number of employees whose employment terminated in 2011 and who used maternity leave/parental leave or leave for caring for a child with disabilities in 2010	
Termination of employment due to personal reasons	3
Termination of employment by mutual agreement	1
Surplus Management Program	1
Expiry of employment contract concluded for a fixed period*	5

* Employees went on maternity/parental leave while under a fixed-term contract, which expired at the date to which it has been concluded

5.39 In order to help future parents working in HT deal with the myriad of obligations and rules that expect them before and after the birth of a child we have produced a brochure entitled “Maternity and parental leave - everything you need to know”.

5.40 The recruitment process begins by defining the need of the business for new employees and the approval of the request in accordance with the plan. Candidates are selected from several sources - primarily through internal competitions, and external candidates are selected from the candidate database, at jobs fairs, through contact and collaboration with the academic community, using specialized agencies and external competitions. The selection process involves a classic psychological test, an interview aimed at checking competency and an interview with a representative of the business area and Human Resources. Following the decision on hiring and salary adopted by the salary committee, the future employee signs a letter of intent and the employment contract is prepared.

Number of newly employed persons in 2011 by gender	
Gender	Total
M	61
F	81
Total	142

5.41 Business processes in HT are governed by managerial staff (management) through 4 levels of management within the appropriate organizational units:

- 1) Management Board (CEO and Board Members)
- 2) Operating Directors
- 3) Directors,
- 4) Managers of Work Units.

5.42 The recruitment of managerial structures is no different from the recruitment procedure on all levels of the Company because the aim is to attract the most capable future managers - both within the Company and from the labour

market. At the highest level of decision making, the selection process is controlled by a separate Committee within the Supervisory Board, the objective of which is to ensure transparency in the process of attracting the best professionals to the Company⁴. The share of Croatian citizens in management was 98.5% (in 2011 we had four foreigners as Directors and a Board Member).

	On 31 December 2011
Total number of employees	5724
- of which female	2068
Total number of foreign employees	4
- of which female	1

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

5.44 The employee's salary is determined by employment contract in a gross amount increased by the amount of salary supplements for working in special conditions (overtime, night work, shift work, work on Saturdays, Sundays, holidays, awards, etc.), rewards and remuneration. According to the Central Bureau of Statistics (OG 66/10), the amount of the minimum wage for the period from 1 June 2010 to 31 May 2011 in Croatia was HRK 2,814. The gross basic salary for a job in the lowest, first salary band amounts to HRK 5,000.00, which is 78% more than the minimum wage. Other increases to the salary are added to that amount. The difference between the average wage of men and women in the Company are due to the different jobs they perform and which are under the

⁴⁾ see chapter 2

Collective Agreement and the Salary Regulations, divided into different salary bands⁵. The average monthly gross salary paid in HT during 2011 amounted to HRK 10,859.00, which is by 1.9% more than the average gross salary paid in 2010 amounting to HRK 10,661.00. The compensation to the Members of the Management Board consist of a fixed part and a variable part which is determined based on the implementation of the goals for the current year.

5.45 At Company level, there are Medium-Term Incentive Plans (MTIP) and Long-Term Incentive Plans (LTIP - Variable II) as tools for rewarding high and senior management. The plans promote the medium and long-term increase in value of the Company by aligning the interests of management and shareholders. These incentive plans define goals that are based on the price of the shares, or certain financial and non-financial KPIs, and are in accordance with the principles of incentives of DT Group⁶. The compensation is not directly linked to individual social and ecological business indicators.

A plan of allocation of own (treasury) shares of HT was introduced in late 2011 (and will take effect in 2012), as part of the International Business Leaders (BLT) Plan of the DT Group.

Detailed descriptions of these plans and the amount of all compensations paid to Members of the Management Board in 2011 is given in the Annual Report for the business year 2011. <http://www.t.ht.hr/investitori/rezultati.asp#>,

5.46 Compensation received by the Members of the Supervisory Board are determined by the General Assembly and not determined by their contribution to the success of the Company, but rather the average net salary of employees of the Company. The Company has determined that the President of the Supervisory Board receives a fee equal to 1.5 of the average net salary of the employees of the Company paid in the previous month. The compensation of the Deputy President is 1.25 average net salary of the employees of the Company paid in the previous month, while other Members of the Supervisory Board receive compensation in the amount of one average net salary of the employees of the Company paid in the previous month. A Member of the Supervisory Board who is also Chairman of the Audit Committee of the Supervisory Board receives a fee of 1.5 of the average monthly net salary of the employees of the Company paid in the previous month. A Member of the Supervisory Board who is also a Member of the Audit Committee of the Supervisory Board receives a fee of 1.25 of the average monthly net salary of the employees of the Company paid in the previous month. A Member of the Supervisory Board who is also a Member of the Compensation and Nomination Committee of the Supervisory Board receives a fee of 1.25 of the average monthly net salary of the employees of the Company paid in the previous month. In accordance with the policy of DTAG, DTAG representatives do not receive any compensation for membership in the Supervisory Board. The amount of all fees paid to Members of the Supervisory Board in 2011 are given in the Annual Report for the business year 2011. <http://www.t.ht.hr/investitori/rezultati.asp#>

ADVANTAGES AT THE WORKPLACE

5.47 All employees have equal benefits. These are the following financial benefits: bonuses, Christmas bonuses, gifts for children, vouchers for Easter, jubilee rewards, various kinds of financial assistance set forth in the Collective Agreement, etc.. Employees have the right to compensation for the costs of transportation to and from work, and when retiring, they are entitled to a severance payment.

5.48 All employees are covered by accident insurance policy with an authorized insurance company for 24 hours, in case of death due to accident, permanent disability, accident and hospitalization coverage.

5.49 In cases of serious illness of employees or members of their family and for the elimination of the consequences of a natural disaster, an employee may receive financial assistance in cash. Requests are reviewed by the Committee for consideration of requests and development of proposals for granting financial assistance. In 2011, assistance was granted to several dozen employees. An almost equal number of employees was financially supported by the PrijaTelj Foundation. By systematic care for employees, HT has established the PrijaTelj Foundation that helps employees when they need it the most.

5.50 On HT's Intranet site you can also find a special offer of companies offering products and services at lower prices only for employees of our Company.

Investment in education is an investment in the future of the Company and the employees, therefore we support lifelong learning.

⁵) See 5.36.

⁶) For more information go to <http://www.cr-report.telekom.com/site12/employees/competitive-workforce/remuneration#atr-1389-2570>

The scope of the employee support program

	Training and education	Counselling	Prevention / risk control	Care
Employee	x	x	x	x
Families of the employees			x	x
Members of the community				

COLLECTIVE BARGAINING AND LABOR RIGHTS

5.51 The Workers' Council protects and promotes the interests of workers by offering counselling, co-deciding or negotiations with the employer or the authorized person about the issues important for the workers. One of its most important roles is to appoint a Member of the Supervisory Board as the representative of the employees. The Workers Council of Hrvatski Telekom d.d. is comprised of 19 members in accordance with the provisions of the Labour Act and the Regulations on the selection of Workers' Councils.

5.52 The Workers Council receives proposals of changes that may affect the status of workers, on which it then gives its consent or provides cooperation; the deadline for submitting materials for the sessions of the Council is eight working days prior to a session. Also, in accordance with the Labour Act, a quarterly report on the operations and development plans and their impact on the economic and social position of employees as well as other information relevant to the economic and social position of workers shall be submitted to the Workers' Council.

5.53 As required by the Agreement on Working Conditions of the Workers' Council of HT, the employer shall every three months inform the Council on the following: condition, results of operations and organization of work, development plans and their impact on the economic and social position of workers, trends and changes in wages, the extent and reasons for the introduction of overtime work, the number and type of people employed by the employer, the structure of employment and the development and recruitment policy, implementing decisions on the allocation of working time and the redistribution of working hours, health safety and measures to improve working conditions, the number of and reasons for the operation of workers recruited through temporary employment agencies, the number and reasons for engaging students and other issues of particular importance for the economic and social position of the worker at the special request of the Workers' Council.

5.54 A partner dialogue is continually conducted with social partners, trade unions and employee representatives in labour institutions. The Collective Agreement in force reflects a high degree of employees' rights in HT. The Collective Agreement covers all employees in workplaces classified from grades 1 to 8 of the salary band, and the employer may enter into specific agreements on their rights and obligations with senior officers.

The Collective Agreement, in accordance with legal provisions, stipulates the cases in which the employer must consult with the Workers' Council. For example, the employer is obliged to consult with the Workers' Council in making Decisions on working hours as well as the changes thereof, and when drafting a plan of allocating annual vacation. For certain decisions the employer must obtain the

consent of the WC. For example, if it wants to introduce a six-day working week due to requirements of business operation.

The relationship between the employer and the Workers' Council is also laid down in the Agreement on the Working Conditions of the Workers' Council of HT, comprising also a detailed explanation of when the employer must consult with the Workers' Council and for which decisions it must obtain the approval of the Workers' Council.

5.55 The Collective Agreement also regulates the area of Occupational Safety and the employer's obligations regarding the application of regulations, workers' rights, improvement of work safety and the tasks of the Work Safety Coordinator, as well as support programs for employees.

We wish to emphasize that the notice period is regulated by the Labour Act and is as such entered into the Collective Agreement. The notice period is variable, depending on the duration of employment (two weeks for employees working less than one year to three months in case of employees working for 20 years) and the reasons for terminating the employment. The notice period may, depending on the circumstances, be longer or shorter than the periods specified for cases where additional events did not occur.

During the notice period workers are entitled to their salary. An employee in the notice period is entitled to four hours a week of justifiable absence from work for the purposes of seeking a new job. HT does not implement this because, as a rule, employees who have been made redundant are exempt from work during the notice period as there is no longer a need for their work.

PENSION INSURANCE

5.56 The pension system in Croatia is regulated by law and applies to all business and private entities. The system consists of three pillars: 1st pillar: mandatory pension insurance based on generational solidarity, 2nd pillar: mandatory old-age pension insurance based on individual capitalized savings, 3rd pillar: voluntary pension insurance based on individual capitalized savings.

5.57 In accordance with the applicable legislation, HT, as well as all other companies in Croatia, is obligated to regularly pay contributions for all employees in the generational solidarity system at a rate of 20%, applicable in the 1st pillar. For policyholders who are insured in both mandatory pillars, the contribution rate for the first pillar is 15%, whereas in the second pillar pays a contribution of 5% is paid to personal accounts in mandatory pension funds. Contributions to the pension insurance is mandatory for all employees of the Company.

The third pillar is, just as the second one, based on individual capitalized savings, but the member of the fund determines the amount and dynamics of contributions through voluntary payments.

Hrvatski Telekom is the founder and sponsor of the T-HT Closed-End Voluntary Pension Fund with favourable terms and benefits for HT employees who join it. The Collective Agreement allows each employee the option of deciding whether he or she wants the employer to pay the HRK 6000 gross in the form of payment in the T-HT Closed-End Voluntary Pension fund (HRK 500 per month) or as an annual vacation bonus.

PREVENTING DISCRIMINATION IN THE WORKPLACE

5.58 The Code of Conduct and the Social Charter of HT ban discrimination. However, if it should occur in spite of standardized processes, it can be reported through the "Tell me" Portal, which serves as a tool for anonymous reporting of the violation of ethical principles and the Code of Conduct.

Hrvatski Telekom complies with legal requirements and provides its employees and executives with transparent rules of procedure in the "Anti-Corruption Policy of HT d.d." as an additional measure of prevention of corruption.

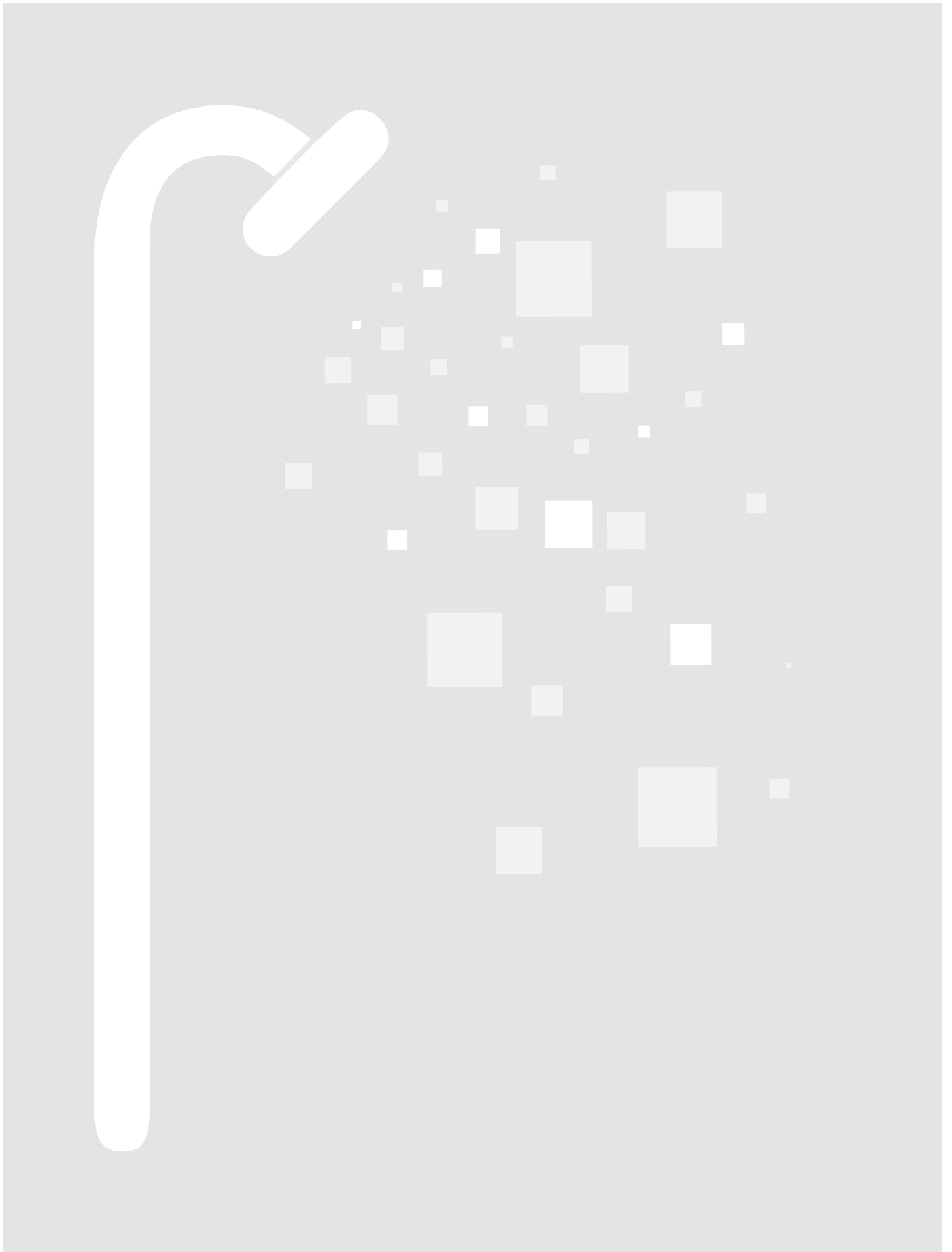
5.59 Special emphasis in educating employees and executives during 2011 was placed on the Code of Conduct. The plan for educating more employees and executives in terms of Anti-Corruption Policy is provided in the Education Plan 2012.

5.60 In early 2011, all employees and executives were informed about the Anti-Corruption Policy through HT's official gazette, e-mail and the presentation as a part of "Knowledge on Thursdays." The Anti-Corruption Policy is available on the Intranet to all employees and supervisors, as well as the "Ask Me" Portal, which they can turn to in case of doubt and the "Tell me" Portal in the case of report. In 2011 there were no confirmed cases of discrimination.

5.61 Furthermore, the Ethics line has been established as an alternative system providing the employees and customers with a confidential and, if desired, anonymous means of reporting misconduct or violations against the Code of Conduct. Any complaint or information may be reported in several ways through the Ethics line:

- mail: T-Hrvatski Telekom, Etička linija, Savska cesta 32, 10000 Zagreb
- telephone: 0800 9823 (workdays from 9a.m. to 3p.m.)
- fax: 0800 9824
- e-mail: Eticka.Linija@t.ht.hr

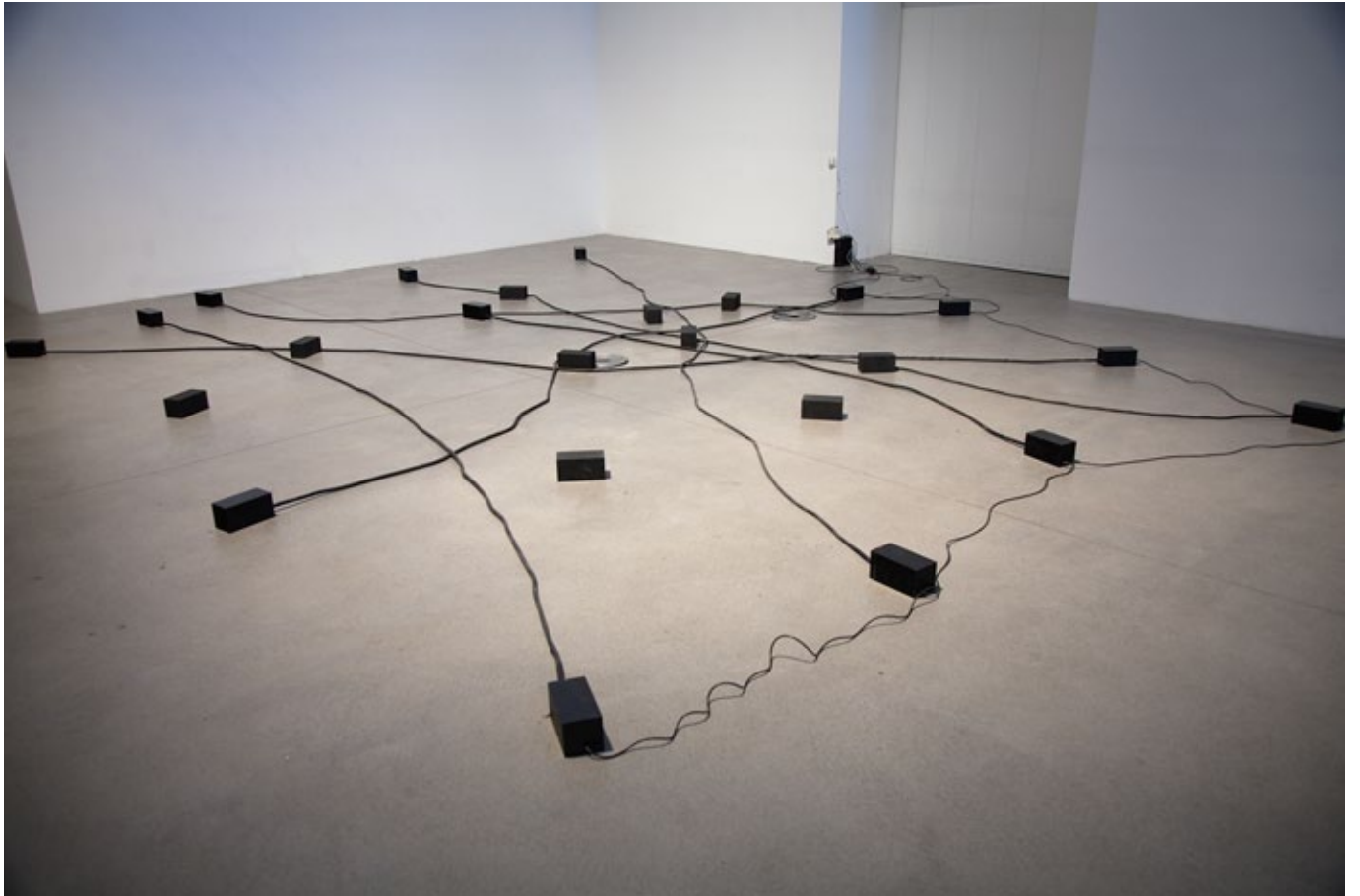
5.62 According to the Collective Agreement, HT is obligated to protect the dignity of the worker, and the worker has the right to make a complaint to the authorized person in connection with all forms of discrimination and protection of dignity. In 2011, HT did not record any case of discrimination. There were three cases of reporting suspected potential discrimination that were immediately resolved therefore, there was no need for an official report, legal actions or documentation.



Culture of helping

VOLUNTEERING - REFORESTATION

5.63 As a part of this donor project conducted by our Company in cooperation with Croatian Forests, on 2 December HT's employees from the Network System and Services Development Sector participated in the reforestation of Turopoljski lug by planting saplings of the English Oak. After the experts of Croatian Forests acquainted them with the management of the lowland forests and demonstrated the works in planting and reforestation, 26 employees contributed to the greening of the area by planting hundreds of saplings.



Artist: Alem Korkut

Art piece: Nerves

T-HTnagrada@msu.hr competition, 2011

Cooperation with suppliers

Cooperation with suppliers

6.1 HT's cooperation with suppliers is not limited to the individual procurement procedures; we are developing strategic partnerships with suppliers over repeated, long-term cooperation in several aspects:

- Pre-selection of potential suppliers in the market
- Evaluation of the capabilities of potential suppliers during the acquisition process
- Post-evaluation of the selected and contracted suppliers during the execution of the signed contract.

6.2 The procurement organizational unit of Hrvatski Telekom develops and cultivates a partner business relationship with its suppliers of goods, services and works. The procurement business process is transparent to all participants and the rules of the procurement process and the procurement policy of Hrvatski Telekom in general are clearly defined by an internal act, the Procurement Regulations and other internal regulations.

6.3 Given the nature of the business of Hrvatski Telekom and the industry it operates in, it is more an exception than the rule that a business relationship with selected suppliers is not continued for a longer time because they are also a part of our supply chain, which takes place in cyclic repetitions, by following development trends and rapid technological development.

Sustainability strategy for suppliers

6.4 Before, during and after the procurement process, Hrvatski Telekom expects from its suppliers to adhere to the Code of Conduct of the Company, the Social Charter, the Principles and Guidelines for Prevention of Conflicts of Interest and Corruption - Anti-Corruption Policy, which we adhere to. Although these are internal acts, suppliers become the subjects of the supply chain by participating in the supply process, and we proactively inform them on how best to comply with all the instructions and good business practice.

6.5 To further enhance this relationship and encourage the development of all forms of business cooperation, not only those closely related to contracting certain goods, services or works, but support as early as possible the involvement of strategic partners in the planning and development of new products and services of Hrvatski Telekom, we are currently developing the procurement strategy at the local and international level, and in light of that, creating a separate team to support the strategic suppliers. Special focus will be placed on the determinants of sustainable development and operations, and the idea is to implement a Sustainable Operations Questionnaire among the largest suppliers of goods, services and works as soon as possible.

Use of raw materials

6.6 Although the primary activity of Hrvatski Telekom is not production, the Company is deeply aware of the environmental impact of large systems. Rational use of raw materials does not only generate savings, but equally represents an understanding of the impact on natural resources, and raises awareness of our employees about the need to care about the consumption of raw materials. Rational use of resources is an important element of sustainable operations and is part of our strategy of socially responsible business operation.

Selecting suppliers

6.7 As one of the largest companies in the Republic of Croatia, HT is continuously exposed to business and market risks. This also applies to our relations with suppliers. For this reason we tend to establish long-term and transparent relationships in order to minimize the risk of unprofessional conduct and establish relationships based on trust, exchange of information and the insistence on the highest level of professionalism and expertise.

6.8 The procurement organizational unit of Hrvatski Telekom operates in an ethical and honest manner in all business relationships with its suppliers and other legal entities with whom we do business, and participants of the procurement process from Hrvatski Telekom must be impartial and act in accordance with all applicable Croatian legislation and in accordance with the all applicable internal regulations and instructions of Hrvatski Telekom, in particular the Code of Conduct, Social Policy, Principles and Guidelines for Prevention of Conflicts of Interest and Corruption - Anti-Corruption Policy, the Policy on the Acceptance of Gifts, Rewards and other Benefits and HT Group's Donation Policy.

6.9 The procurement process must be conducted in a fully transparent manner, and shall not discriminate or treat preferentially any of the bidders - (cf. Procurement Regulations of Hrvatski Telekom - provisions of Paragraphs 2 and 3 of Article 2 Business Conduct).

6.10 All potential or already contracted suppliers of Hrvatski Telekom are continuously checked on whether they meet the selection criteria in the form of pre-qualification for the procurement process. The selection criteria of bidders are determined right before the beginning of the procurement process, and the results of the pre-qualification are transparent and verifiable.

6.11 The most common criteria are:

- positive financial operating results, if there are publicly available data.
- that the bidder is not registered on a list of prohibited suppliers, the so-called embargo list.
- that there is no evidence of a failure to perform contractual obligations that the supplier has performed in the past
- that there is no proven conflict of interest
- that there is no knowledge of socially irresponsible behaviour of the supplier, human rights violations and the like.

6.12 During the acquisition process, bidders are required to submit legally acceptable evidence of solvency of their business and other documents that show the regularity of their operations, as well as references from past or current business partners, in accordance with good business practice and in accordance with the principle of good faith in business and business behaviour. All of the above is incorporated in the provisions of the Procurement Regulations of Hrvatski Telekom.

6.13 The possibility of legal and business risks that may result in a dispute, serious damage and risk to property, reputation, or position of the Company is inherent to every procurement process. There are various ways of protection against risks addressed by separate, different segments of financial operations. With regard to the part of operations relating to procurement, the business practice is to sign a special declaration confirming acceptance of business conduct and morality applied by the client, which must be adhered to by all participants of the procurement process (the client and the bidders). In the long-term, an additional way of diminishing the risk of disclosure of trade secrets, which also raises the level of trust and partnership to a higher, strategic level, is to sign a non-disclosure agreement.

6.14 Based on the implementation of these principles of cooperation with suppliers, it is particularly important to point out that during the reporting period there were no confirmed cases of violation of any aspect of human rights by the Company or its suppliers, either in terms of child labour, all forms of forced labour or the rights of minorities.

Managing the supply chain

6.15 The primary role of procurement as part of the supply management chain is the procurement of goods, works and services in a timely and cost effective manner, to provide a flexible response to market changes and to ensure the most favourable conditions in the supply chain as well as the most convenient way of outflow of resources for Hrvatski Telekom.

6.16 Therefore, for HT it is equally important to achieve communication channels with suppliers during the realization of the contracts awarded, as well as during the pre-selection of bidders. For this purpose various business tools aiming at an easier, faster and simpler communication are used and developed. These are tools that allow for the submission of tenders electronically, exchange of contractual documents via a tool that captures all changes made during negotiations, a tool for two-way delivery of purchase orders under the contract, and of course the accompanying training and workshops on how to download (they are free for bidders and suppliers), use and update these tools regularly.

6.17 The managerial staff actively participates in round table discussions on the topic of supply chain management and gives lectures on the need for collaboration of all participants in the supply chain in order to achieve lower procurement costs for everyone in the chain.



Ime autora: Sebastijan Dračić

Art piece: Beginning and End of the World
T-HTnagrada@msu.hr competition, 2011

Impact on the environment

Managing the impact on the environment

7.1 Development of new technologies and international telecommunications standards also affects the area of environmental protection. Ecological orientation and developed awareness of HT is evident in its commitment to the establishment of an Environmental Management System according to ISO 14001:2004. The application of this international standard enables HT to shape the Environmental Management Policy and objectives, taking into account legal requirements and information about significant environmental impacts.

7.2 The Management Board of HT has adopted the Environmental Management Policy, which describes the general purposes and objectives of HT in terms of environmental protection, and is publicly available on the official website of HT (link:<http://www.t.ht.hr/odgovornost/zastitaokolisa-certifikat.asp>).

7.3 In June 2010, Hrvatski Telekom passed certification under the ISO 14001 Standard for environmental management, while in 2002 T-Mobile, then a mobile communications subsidiary of HT, was certified according to this Standard.

7.4 HT also gained the right to the prestigious Environmental Certificate of the strongest international association of certifiers - IQNet (International Quality Network).

7.5 The certificates are available to the public on HT's official website (link: <http://www.t.ht.hr/odgovornost/zastitaokolisa-certifikat.asp>).

7.6 In order to increase transparency, to harmonize criteria for a unified approach to all stakeholders, a project of implementation of an umbrella ISO 14001 Environmental Management Certificate was launched on Deutsche Telekom Group level. The environmental management system of Hrvatski Telekom was integrated into the umbrella certificate in 2010.

7.7 The Management Board of HT adopted a decision on appointing one of its Members as Representative of the Management Board for the Environment. The Representative of the Management Board for the Environment is responsible and has the authority to introduce, implement and maintain the Environmental Management System in HT in accordance with ISO 14001:2004. He reports to the Management Board on the implementation of general and individual objectives and programs as well as activities of the System. Also, the Board has appointed an Environmental Manager as the person responsible for environmental management in the Company

7.8 In accordance with our commitment to maintain compliance with legal and other requirements, within the framework of the implementation of internal audits, HT regularly performs evaluation of conformity of its actions in the protection of the environment with the applicable legal and other requirements which the Company has undertaken to observe.

7.9 In accordance with the requirements of the ISO 14001:2004 Standard, the Management of HT once a year reviews the introduced Environmental Management System to ensure its continued relevance, applicability and effectiveness. On that occasion we evaluate compliance with legal and other requirements and opportunities for improving the system and the need for change.

7.10 HT has established, implements and maintains procedures for regular monitoring and measurement of the main features of its processes and activities that have a significant impact on the environment. Monitoring and measurement of parameters is in accordance with legal and other regulations, objectives and targets. Criteria for assessing compliance have been established as well. Moreover, HT has established and implements and maintains procedures to address potential or actual non-compliance and initiate corrective and preventive actions.

7.11 In order to raise awareness of all HT employees on the importance and the need to protect the environment and the established Environmental Management System, as well as certain procedures regarding the protection of the environment in the Company, we carry out systematic education. All employees at all levels of responsibility are included in the training. Training programs are adapted to employees, teams and the management and are aimed at the acquisition of knowledge and skills related to environmental management and at detecting and monitoring significant effects on the environment, determining the duties and responsibilities in achieving the objectives outlined in environmental policy, raising the level of awareness of the possible consequences in case of deviations from the planned procedures, work instructions and ways to prevent adverse impacts on the environment, people and property. An e-learning course which employees access on-line through the Company's Intranet has also been developed and for the groups of employees whose work may have a significant impact on the environment special training and seminars are held. Since 12 April 2010, when it became available, until the end of 2011, the on-line course was successfully completed by more than 2000 employees, and in 2011 seminars were attended by some 300 employees.

7.12 On the other hand, audits are one of the ways in which Hrvatski Telekom verifies the performance of its partners and suppliers in environmental management, their compliance with legal requirements in the field of environmental protection and possession of required certificates, authorizations and permits. Special attention is paid to suppliers and external contractors whose goods or services may have significant impact on the environment and the reports from these audits are one form of the input data for the evaluation of partners and suppliers. Since 2004, a total of 30 supervisions of business partners that dispose waste, maintain various devices, systems, facilities and vehicles and measure the level of electromagnetic fields in mobile networks for HT have been performed. A total of 5 second party audits were performed in 2011 and 6 in 2010. We have checked the companies which perform the maintenance of network, cooling devices, vehicles and space.

7.13 Since HT is primarily a telecommunications company, there is no risk of any form of spills of hazardous substances. On the premises of HT there have been no spills of chemicals, oils, fuels or any other hazardous substances that may cause harm to the environment and human health. In 2011, there were no procedures or penalties due to non-compliance with laws and regulations on environmental protection.

ENERGY POLICY

7.14 In July 2007, the Management Board of HT adopted the HT Group Energy Policy. By this Policy, the HT Group demonstrates its commitment to caring for climate protection and slowing down global warming. The Energy Policy defines the approach to energy management and establishes the basis for setting individual targets for the control of energy consumption and greenhouse gas emissions. The purpose of activities the HT Group performs in accordance with this Policy is to achieve favourable ecological impacts by reducing greenhouse gas emissions and economic effects by reducing the Company's operating costs through optimizing the total consumption of all forms of energy used in daily operations, increasing energy efficiency and an increased use of renewable energy.

7.15 The adopted Energy Policy of the HT Group is the following: In carrying out activities aimed at optimizing the use of energy and reducing the effects of global warming, HT Group undertakes to adhere to the following principles:

- Effectively monitor and measure the consumption of all types of energy (electricity, motor fuels, gas, heating oil) in order to identify areas of consumption where improvement is possible and to set specific targets for these improvements.
- Identify, monitor and measure all major sources of greenhouse gas emissions caused by activities that are directly or indirectly related to the regular business of the T-HT Group and affect their reduction wherever possible by introducing appropriate policies and procedures
- Improve energy efficiency in all major business processes (in networks, office buildings, transport of people and cargo, administration) and harmonize energy expenditure with the growth of the business.
- Plan and design all new equipment and services, including terminals, elements of fixed and mobile networks, commercial buildings for devices and offices, purchase of new vehicles, spare generators, etc. in accordance with the criteria for energy efficiency.
- Wherever possible, use renewable energy, and purchase energy from suppliers that deliver energy that produces less greenhouse gas emissions per unit of energy and at the best price; gain the status of privileged buyer for the purchase of electricity and use it when purchasing electricity on the home market.
- Incorporate energy efficiency criteria in the procurement process, selection of suppliers and contractors and cooperate with suppliers to reduce the power consumption of devices and equipment that are purchased from them.
- Support and participate in initiatives and programs of the EU, the Republic of Croatia, ETNO and DT aimed at increasing energy efficiency, reducing greenhouse gases and preventing/slowing down global warming and climate protection.
- Comply with all local laws, regulations and standards relating to this issue.
- Use internal and external communication to promote its ICT services that have the potential for a positive impact on climate protection and the reduction of greenhouse gas emissions, and to inform about its activities in order to raise awareness among customers and employees on these topics.

Indicators of the impact on the environment

BUSINESS EFFICIENCY AS A FACTOR OF REDUCING ENVIRONMENTAL IMPACT

7.16 Hrvatski Telekom is a service company, therefore does not use large amounts of material in its business operations. The most important material resource in HT is paper, mostly for purposes of offices, administration and production of telephone directories. We are committed to improving our performance in recycling paper as material, so that all office paper waste is collected separately and disposed with authorized recycling companies. Equally, we try to reduce the use of paper in business processes by modernizing office work by using modern technology.

7.17 Used material by weight or volume, in tons.

	2008	2009	2010	2011
Total consumption of paper (t)	374	301	175	138

7.18 In the last four years, paper consumption has been reduced by more than 60%, which is the result of the numerous possibilities of e-business and the reduced need for printed telephone directories.

7.19 In 2011, HT continued with the implementation of activities by which it seeks to contribute to reducing the use of materials by its customers, with a focus on customer needs and advancement of e-business. For example, the e-invoice service contributes to the protection of the environment thanks to reduced consumption of paper: millions of bills are printed in Croatia every month, while one tree which is 15-20 years old is used for the production of cellulose for only about 2000 paper bills! The number of users of HT's e-bill service has doubled over the last year.

7.20 Following the new trend of development of technology in the field of service development, in 2011 HT introduced a number of services "in the cloud" that work on the principle of the so-called cloud computing. Services "in the cloud" are primarily aimed at business customers and have been centrally designed

and enabled on HT's own network. Through them, HT reduces the customer need for devices and equipment, thus contributing to the protection of the environment. For example, a new unique service on the Croatian market is the tCloud Computer that allows customers to use virtual information infrastructure (virtual computers) and the procurement, delivery and maintenance of the accompanying hardware. HT is one of the first operators in Europe to offer this kind of service.

EFFICIENT USE OF ENERGY IN BUSINESS

7.21 Indicators of energy consumption include direct and indirect energy. The use of direct energy refers to the energy consumed by the organization and its products and services. Indirect energy, however, is energy consumed by others who provide services to the organization. Direct energy consumption in HT means consumption of gas and fuel oil for heating, diesel fuel for electrical generators and fuel for motor vehicles in the Company fleet. Indirect energy consumption includes the consumption of electricity and thermal energy for remote central heating.

7.22 Direct energy consumption by primary source of energy, in GJ

	2008	2009	2010	2011
Total direct energy consumption (from non-renewable sources)	170,011	170,113	170,492	173,894
Natural gas	55,954	52,508	56,454	61,167
Fuel for the fleet petrol, diesel, LNG)	83,905	87,564	82,119	81,462
Other fuels (fuel oil, diesel for generators)	30,152	30,041	31,919	31,265

7.23 Hrvatski Telekom does not produce or sell primary source energy. In terms of non-renewable sources, Hrvatski Telekom directly uses mostly natural gas and fuel for the fleet. The fleet of HT comprises of 218 LPG-powered cars, which contribute to reducing CO2 emissions. In 2011, the fleet was renewed with new vehicles with better CO2 emission/km factor. With an average age of vehicles less than 4 years, HT continually strives to increase the safety of its employees in traffic and better indicators related to environmental protection.

7.25 Indirect energy consumption by primary source of energy, in GJ

	2008	2009	2010	2011
Total indirect energy consumption (from non-renewable energy sources)	458,118	501,887	526,144	559,251
- purchased electricity	421,045	467,104	486,191	522,720
- thermal energy from heating plants	37,073	34,783	39,953	36,531

7.26 As an indirect energy source, Hrvatski Telekom uses electricity and thermal energy from municipal central heating systems. In 2011, we spent a total of 559,251 GJ of energy from non-renewable sources.

7.27 Development of new services, the application of new technologies, increasing network capacity and other global trends in the ICT sector followed by HT inevitably lead to a steady increase in the consumption of energy, especially electricity. The data on electricity consumption indicate that it rises from year to year. However, a number of initiatives undertaken in HT and aimed at a more efficient and rational consumption of electricity still slows down the growth of its consumption.

7.28 According to the latest available official data, the share of renewable energy in total electricity procured for 2010 is 45.6% (source: "Energy in Croatia - Annual Energy Review", Ministry of Economy, Labour and Entrepreneurship, 2010)

7.29 In terms of renewable energy sources in base mobile stations of the HT network, 11 wind-solar systems for electricity production have been installed, and there are plans to build new ones, especially in locations where no power supply is available from the public distribution system and in environmentally sensitive areas. HT does not measure the amount of energy produced in this manner, and uses it exclusively for its own purposes.

7.30 A large number of technologies and technological solutions from the area of mobile, fixed and Internet network represents an enormous challenge when it comes to electric power consumption and energy efficiency. In 2011, HT launched an energy efficiency project at corporate level, intended to achieve a synergistic effect of individual initiatives for energy efficiency that are already present in the Company in certain business areas and a strategic approach to this field that has a significant impact on the expenditure of the Company. In addition to the synergistic effect on the activities that are already underway, the project includes an analysis of the planned and unrealized initiatives and the possibility of improving or expanding initiatives due to consideration on a larger scale. The project includes initiatives at the strategic level and the ones in the areas of telecommunications technology, property management and maintenance, heating and cooling technology and Company fleet, and focuses on achieving economic effects by reducing the Company's costs thanks to increased efficiency and optimization of energy consumption. The first measurable effects of initiatives are expected in the current year.

7.24 In order to rationalize energy consumption, the boilers using extra light fuel oil are replaced with ones fuelled by gas, which is more cost and energy-efficient and an environmentally friendly energy source. This energy source is introduced wherever possible, and is introduced in the new generation of boilers during construction and reconstruction.

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

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

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

7.34 Given that the building design and construction area, as one of the largest consumers of energy, has significant potential for cost savings with a considerable positive effect on the environment, HT joined the initiative to improve the energy efficiency of the sector and continuously conducts activities to optimize the space used for its own purposes. Furthermore, buildings and technological facilities of HT are renewed by applying technologies and solutions in the field of green building and energy efficiency. Additionally, HT boasts intelligent buildings in which the degree of automation of power management has been elevated to the highest level, which allows for significant energy savings.

CARE FOR WATERS

7.35 Hrvatski Telekom uses water from the public water supply network as a utility service, for drinking, sanitary purposes, air conditioning systems and fire fighting systems. Water is not used for technological purposes.

7.36 Total water withdrawal by source, in thousands of litres

	2008	2009	2010	2011
Total water consumption	119,782	101,482	88,008	79,250

7.37 Hrvatski Telekom responsibly and continuously takes care of reducing water consumption which has been reduced by more than 33% over the last four years. This is the result of good environmental awareness of employees, optimization of business space, fast fault recovery, preventive maintenance and the performed reconstruction of heating/cooling and plumbing system.

RATIONALIZATION OF EMISSIONS, WASTE WATER AND WASTE

7.38 Total direct and indirect emissions of greenhouse gases by weight have been calculated according to the GHG Protocol.

7.39 Total direct and indirect emissions of greenhouse gases by weight, in tons of CO₂

	2008	2009	2010	2011
Total greenhouse gas emissions (direct and indirect emissions)	52,033	55,444	58,476	60,322
- total direct emission of CO ₂ (from non-renewable sources)	11,167	11,055	11,356	10,860
- natural gas	2,711	2,544	2,770	2,964
- fuel for the fleet (petrol, diesel, LNG)	6,051	6,115	6,041	5,632
- fuel oil	2,404	2,395	2,545	2,264
- total indirect emission of CO ₂	40,866	44,389	47,120	49,462

7.40 The above presented data on electricity consumption indicate that it rises from year to year, as well as the related greenhouse gas emissions. The increase in total greenhouse gas emissions in 2011 of only 3.2% compared to the previous year despite the growing number of services and network capacity is definitely the result of the energy initiatives started within the HT.

7.41 Also, direct emissions show a rise in the percentage of environmentally friendly fuels (natural gas) and a decrease in the amount of emissions from the use of fuel oil. Emissions from the use of fuel in the Company fleet are constantly decreasing as a result of fleet renewal (new vehicles with a better CO₂/km emission factor, the average age of vehicles is less than 4 years). Using the Telargo IT fleet management system enables the optimization of the use of means of transport by reducing fuel consumption.

7.42 Additionally, by introducing state-of-the-art ICT technologies, HT reduces its own carbon footprint, and has developed and offers to its customers many products and services that allow them to do the same. Most of these products and services allow the replacement of traditional physical products with electronic ones, reduce the need to travel, etc. and thus save non-renewable resources and energy and help reduce the emission of greenhouse gases, especially carbon dioxide (CO₂) into the air.

7.43 HT does not keep records on the amount of emissions into the air from Scope 3 of the GHG Protocol, but in HT, these types of emissions are represented

by those resulting from business travel in the country and abroad. Exact data on the distance travelled by public transportation is not available and is not followed; however, the total number of official trips abroad, with the most used means of transport being planes/trains/cars (taxi in the destination city) was reduced by 17% in 2011. Travel by official vehicles from the Company's fleet are included in the direct emissions of greenhouse gases and shown in the table above.

7.44 A strongly increased use of tele- and video-conferencing reduced the need for official travel in the Company both locally and on greater distances. In 2011, HT also organized a campaign to encourage greater use of bicycles as a means of transport for our employees.

7.45 Hrvatski Telekom is not a production company and does not emit substances that deplete the ozone layer from its production processes.

7.46 However, in its operations, for the purposes of maintaining the necessary climatic conditions in its technological and other business premises, HT uses cooling and air-conditioning systems that operate on substances that affect the ozone layer. Maintenance of these devices and systems is entrusted to authorized contractors whose duty, among other things, is to dispose of replaced refrigerant in an environmentally friendly way. In 2011, there was no discharge of refrigerant from the devices owned by HT into the air. Continuing the activities related to the withdrawal of equipment containing chlorine hydro fluorocarbons from use, in 2011 HT disposed of more than 4 tons of such devices in an environmentally

friendly way. 2011 saw the implementation of a part of activities intended to replace systems that use refrigerant chlorodifluoromethane (commonly known as freon R22). HT plans to stop using any equipment that contains this refrigerant by the legally prescribed deadline (2015).

7.47 For heating its business premises, HT uses boilers that run on natural gas and fuel oil, and is therefore subject to measurement and reporting of its emissions into air, as well as to paying fees for these emissions. The enforcement of this legal obligation causes a cost to the Company relating to the cost for the services of measuring emissions in two-year cycles and the annual cost for fees for emissions.

7.50 NOx, SOx and other significant emissions into air by type and weight* (tons)

	2008	2009	2010	2011
Total emission NO2	2.36	2.26	2.36	6.12
Total emission SO2	6.22	6.87	7.58	7.13

* for boilers with power over 100 kW

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

7.52 Hot water can be discharged only in sewage outfalls. It is important to note that none of the business processes of HT represent a danger of pollution of watercourses. Where there is a risk of oil spills into the sewer (underground garages in two business properties), we apply appropriate technical means (oil separators and grease filters).

7.55 Total weight of waste by type and disposal method, in tons.

	2008	2009	2010	2011
Total weight of waste	726	1,304	1,295	1,185
Hazardous waste	186	393	494	418
Non-hazardous waste	540	911	801	767
Waste recycled %	57	60	61	75

7.56 The share of recycled waste depends on the category and type of waste and is calculated based on the available data from the certified accompanying documentation on the method of recycling (R) or disposing (D) applied by an individual authorized recovery operator/disposer. For example, in 2011, all submitted telecommunications equipment, fluorescent tubes, air conditioning equipment, lead acid batteries, all kinds of metals, alkaline batteries, cable guides, toner cartridges for printers, paper and cardboard packaging were 100% recycled. Other categories of submitted waste (concrete, plastic, plastic packaging, timber, bulk waste - mainly furniture) were recycled in smaller percentages, depending on the recovery operator/disposer.

In 2011, the cost for emission measurement amounted to HRK 17,061.00 and the cost of fees for emissions into the air was HRK 48,515.78.

7.48 The amount of emissions into the air is determined directly from measurements or indirectly from the calculation based on fuel consumption.

7.49 Boiler rooms are equipped with an automatic control which adjusts the parameters of consumption and contributes to the efficient use of resources and lower environmental emissions. Regular maintenance of boiler rooms is the basis for reducing emissions into the environment.

7.53 Hrvatski Telekom responsibly disposes of its waste from all of its business processes, according to law, by-laws and its own procedures. Waste prevention, reducing it to a minimum, separate collection and proper disposal are everyday activities in the field of waste management in the Company.

7.54 All the waste is sorted, collected in separate containers and delivered for further care to authorized collectors - companies and state concessionaires.

7.57 Hrvatski Telekom keeps record of waste submitted for disposal by properly keeping the documentation prescribed by law (Records of the generation and flow of waste, accompanying documents for hazardous/non-hazardous/inert waste). For this purpose we created a special computer program, which records the generation and flow of waste that we started using during 2011. Data on the weight of the waste submitted for disposal is obtained by weighing the waste when submitting it to authorized collectors and is used for reporting to relevant state authorities.

7.58 The largest waste in HT is industrial waste generated in the processes of improvement, restoration and reconstruction of parts of the telecommunications network and IT systems, their maintenance during the termination of some network platforms and technological units, when dismantling produces certain amounts of redundant IT and telecommunications equipment and other material resources. A part of this equipment can be reused within HT (for its original purpose or for spare parts), sold or donated to charity, and some obsolete, unnecessary or damaged telecommunications and IT equipment and other material assets is declared waste (mainly electrical and electronic waste).

7.59 IMS (IP Multimedia SubSystem) and PSTN (Public Switched Telephone Network) migration of fixed network represent a radical change of the telecommunications network of Hrvatski Telekom. The basic platform is completely changed for the purposes of developing new multimedia and customer-oriented services based on IP technology. Accordingly, after 20 - 30 years of use, digital telephone switchboards are replaced by new, IP-based technologies, both on the control and access level of the network. We began with the replacement of technologies, which will be done gradually and over a long period of time and which already causes the formation of significant amounts of electrical and electronic waste. This trend will continue in the future until the final replacement of these systems.

7.60 Dismantled telecommunications equipment from the technology migration process represents electronic waste that is mostly categorized as hazardous as well as a major part of the annual amount of hazardous waste submitted for disposal to the state concessionaire for managing waste from electrical and electronic equipment. This fact is one of the main reasons why HT has a high proportion of hazardous waste from the total amount of waste produced.

7.61 Under Croatian law, Hrvatski Telekom allows customers to return used mobile phones and their batteries to all its stores. Through various campaigns encouraging ecological disposal of used mobile devices, which HT has been organizing since 2005 with an excellent customer response, so far we have collected and disposed of more than 111,000 used mobile devices.

7.62 Business activities of HT do not cause any significant spills that could damage the soil, water, air, biodiversity and human health. Hot water can be discharged only in sewage outfalls. Where there is a risk of oil spills into the sewer (underground garages in two business properties), we apply appropriate technical means (oil separators and grease filters).



Biodiversity

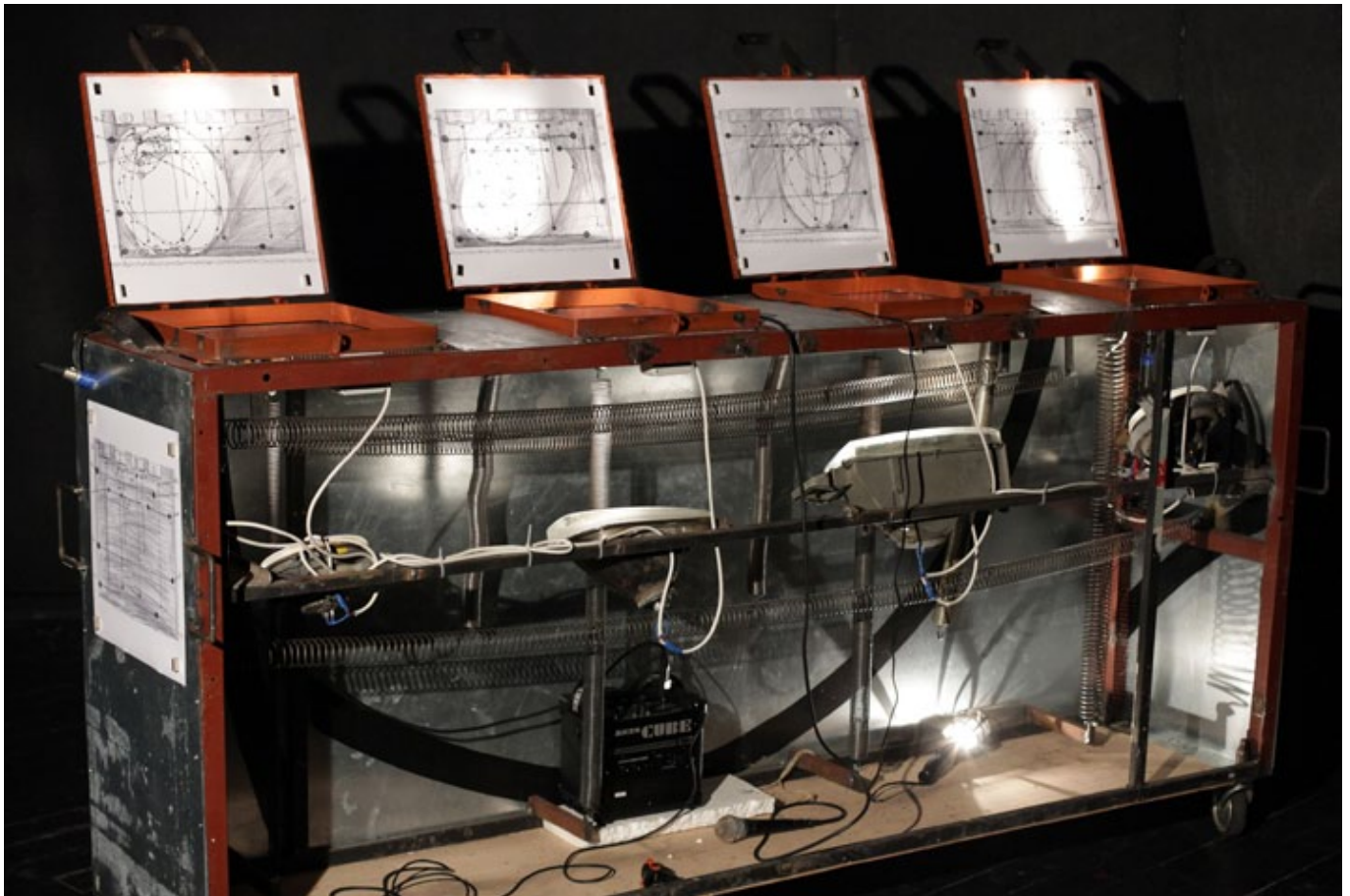
7.63 The facilities of Hrvatski Telekom in locations owned, leased, or managed within protected areas or in their immediate vicinity and on areas of high value in terms of biodiversity outside protected areas have little or negligible impact on biodiversity.

7.64 When setting up base stations of mobile networks in protected parts of the nature, HT works closely with the Ministry of Environment and Nature (formerly the Ministry of Culture, which was the relevant authority for protection of nature), the Ministry of Physical Planning and Construction, the local community, managements of protected areas, mobile operators and other relevant stakeholders, where necessary.

7.65 Additionally, HT and other mobile operators, members of the Mobile Communication Association of Croatia (UPKH) have started the initiative of minimizing the number of actions taken within the landscape while building basic mobile network stations. The Ministry of Environmental Protection, Physical Planning and Construction has also supported this initiative and thus today mobile operators are building joint locations. Such activities minimize the mobile networks' impact on the landscape, especially in the protected parts of nature.

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

7.67 Protecting the environment is a priority in our business, so we remain committed to further improving the practices and processes that we use in our operations. Also, during the reporting period there were no significant misdemeanour or criminal cases.



Artist: Damir Bartol Indoš
Art piece: Manhole phone
T-HTnagrada@msu.hr competition, 2012

Key indicators and objectives

Key indicators and objectives

8.1 Together with Deutsche Telekom, HT works on the implementation of key performance indicators (KPI), which apply to all companies operating within the DT Group. Performance indicators are used for transparent and effective monitoring of the progress achieved in the following areas: employee satisfaction, socially responsible investment and sustainable procurement.

Also, on a national level it monitors progress in terms of reducing CO₂ emissions and energy consumption.

8.2 For more information on performance indicators, go to

<http://www.cr-report.telekom.com/site11/en/strategie-und-management/cr-strategie/key-performance-indikatoren/index.php#ff,43327>

OBJECTIVES FOR THE NEXT REPORTING PERIOD

8.3 In addition to continuing to work on improving the performance indicators, we have identified four groups of activities that will be given special attention in the next period. We will report on the progress made in these areas in the next sustainability report. All activities are aligned with the areas of CSR Strategy, as well as with existing monitoring indicators of sustainable business of DT Group.

1. E-society- encouraging networking

Directed activities, focused towards expanding access to different forms and channels of electronic communication. Investment in the networking and exchange of ideas and opinions, along with encouraging dialogue, is one of the ways of increasing the capacity of society as a whole.

Operational activity and indicators: Internet access on a national level, accessibility of services on a national level.

2. Protection of the environment - reduced emission of CO₂

Reducing the impact on the environment is one of the cornerstones of the Company's sustainability strategy. Priority area: combating climate change and global warming by the reduction of greenhouse gas emissions. This especially applies to CO₂ as a gas with the most damaging long-term impact on the environment. Additional efforts to reduce CO₂ emissions, in terms of the consequences of business activity, and reduce the "carbon footprint".

Operational activity and indicator: percentage reduction in CO₂ emissions at the level of HT compared to the previous reporting period.

3. Sustainable investment in the community

Investing in resources to support initiatives and partnerships with local communities. Directing action toward building a transparent system of interaction with local communities, with the option of performance evaluation. Encouraging an active exchange of opinions with the aim of supporting and developing partnerships with local communities, with the synergistic use of innovation and best practice. Investments do not necessarily need to be direct, but should be in accordance with the basic settings of the Company's sustainability strategy, long-term and implemented with the full consideration of the opinions of stakeholders.

Operational activity and indicator: Directing donor funds for projects planned in accordance with a predetermined donation strategy and areas of activity. Support projects that have lasting, sustainable values and include a greater number of participants. Regular surveys on the reputation of the Company in the area of social responsibility with stakeholders.

4. Improving sustainable partnerships with suppliers

Application of defined principles for the establishment of sustainable partnerships of the defined "expectations" from suppliers in specific areas. Although the existence of some aspects, such as respect for human rights, is expected, it is not a sufficiently prominent part of business communication with suppliers. Establishing clear principles of exchange of information with suppliers in order to encourage excellence and unambiguously show to stakeholders that in the field of cooperation with suppliers the Company integrates elements of social responsibility in its business.

Operational activity and indicators: development of attitudes or principles of the Company in key segments of corporate social responsibility, such as "human rights charter", "fighting discrimination", which can form a part of the contracting procedure.

