



UN Global Compact
Communication on Progress

Report 2010





About Vip mobile

Vip mobile is a private mobile phone operator and a member of the Telekom Austria Group, which offers fixed-net and mobile communication services in Central and Eastern Europe, currently connecting more than 22 million users in Austria, Bulgaria, Croatia, Slovenia, Liechtenstein, Macedonia, Belarus and Serbia. Telekom Austria Group is recognized as a leader in innovations, for it continually develops new technologies and services and is the first one to introduce them to the market.

Vip offers a full portfolio of mobile services for prepaid, postpaid and business users and was the first to introduce BlackBerry® from Vodafone to the market. Company is the biggest Greenfield investment in Serbia to-date, having invested EUR 660 million of capital expenditures in licence, network roll-out, purchase and implementation of the latest IT equipment, opening of own shops, education of employees and marketing activities.

Vip is the exclusive strategic partner of Vodafone in Serbia. Thanks to the partnership, Vip customers now enjoy even more innovative services, exclusive handsets and the international roaming footprint of Vodafone. Both partners continued to operate as independent companies, but Vip has exclusive rights to offer Vodafone products and services to its customers.

At the end of March 2011, Vip served more than 1.4 million active subscribers and employed over 800 experts and managers.



Letter of Mr. Thanasis Katsiroumpas, CEO Vip mobile

Vip mobile is a company oriented not only towards its business results and financial figures, but also towards corporate social responsibility, which is one of our strategic objectives.

Vip has a clear vision of how to improve its activities in the social responsibility area and always acts as a socially responsible company. We accept our social responsibility by giving a strong support to our customers, employees, environment and the society.

The general principles of Vip mobile's CSR effort are based on internationally adopted conventions on human rights, employee rights, environmental protection and anti-corruption and we actively work to promote compliance with these conventions.

We are also engaged in CSR activities directed to youth, education, culture and sports targeting young population (up to 35) which add true value. So far we have invested EUR 675.000 in various CSR projects.

We will continue with implementation of corporate social responsibility based on UN Global Compact principles and lead other companies as a good example of permanent and stable CSR practice in the Serbian business sector.



10 PRINCIPLES OF UN GLOBAL COMPACT

HUMAN RIGHTS

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;
- Principle 2: make sure that they are not complicit in human rights abuses.

LABOUR

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

ANTICORRUPTION

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



HUMAN RIGHTS AND LABOUR

Our business practice

Vip mobile, as member of Telekom Austria Group complies with the highest corporate management standards, which are a foundation for establishing an excellent and long-term relationship with our customers, partners and relevant state institutions. Telekom Austria is listed on Vienna Stock Exchanges and operates in accordance with Austria security trade acts as well as with stock exchange regulations.

Vip mobile operates in accordance with all laws and regulations in force in the Republic of Serbia and with all business ethics principles. Vip is also fully committed to transparency in business reporting.

We look up to the great examples of the best business practices within Telekom Austria Group and regularly participate in activities organized by American Chamber of Commerce and Foreign Investor Council in Serbia aimed to improve business environment in the country.

Care for employees

Vip's relationship with its employees is based upon the equal opportunities and respecting our differences principles. Investing in education and professional development of our employees is one of our strategic objectives. From this perspective, we regularly conceive and implement different educational programs and trainings and draft personal development plan for each employee in order to encourage further personal and professional development within the company.

Vip cherishes and encourages an open exchange of information and communication at all levels for the purpose of creating a work environment in which ideas and suggestions are welcome and employees informed in due time about all the topics related to the company and their tasks. By doing so, Vip also strengthens the sense of belonging and teamwork values, as two of Vip's fundamental values.

Vip is keen of creating a working environment that fosters expertise, performance and motivation as a crucial aspect of human resource development that focuses on the needs of the market.

Today, Vip has more than 800 employees. Our team is very young – an average age is below 30. Energy, commitment, great potential for professional growth and immense enthusiasm are common traits of every Vip employee. Vip's most important assets are its employees, they are the basis for every beginning and carriers of all processes. Therefore, our employees are the capital in which we invest maximally and which grows every day.

In 2010, Vip mobile was awarded the third best employer in Serbia in the category of large enterprises. Vip won this important award thanks to votes of its 500 employees, who

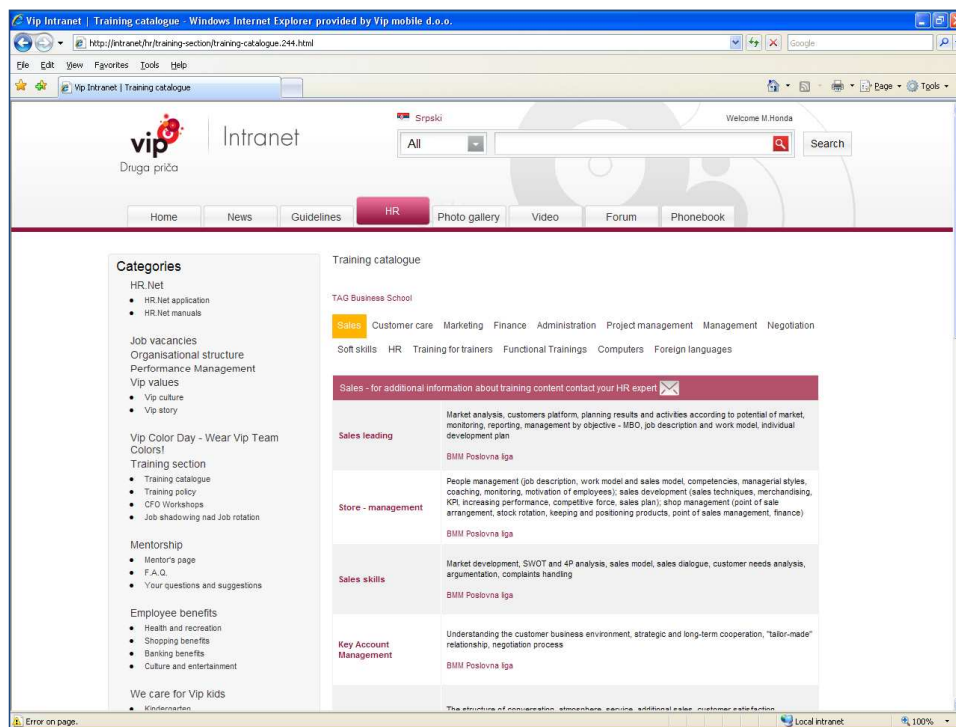


took part in the Infostud research on employee satisfaction in Serbia. During estimation of employee satisfaction, various aspects of the working process were taken into the account, such as working conditions, organization of work, corporate communications, interpersonal relations, individual development opportunities and loyalty of employees.

Training and development

Vip has established permanent, well structured and organized development process which enables continuous education and improvement of each employee. Training plans in our company are created and realized considering different relevant aspects of employee's professional development together with his superior. All trainings are aligned with company's business strategy, created to contribute to our mutual growth and success.

HR Department has prepared a Training Catalogue with a list of educational programs and their short contents in order to enable employee's active participation in his own professional development planning. Special addition in the training catalogue offers a TAG Business School, which was organized within the Telekom Austria Group with the aim of expanding group culture and values through the promotion of group and key managerial competencies. Employees within the group, through various programs of TAG Business School, have the opportunity to exchange knowledge, experience and ideas from different functional areas.



Vip kindergarten

The kindergarten in Vip premises was officially opened on 26 April 2010 in the presence of Vip parents and their children, representatives of the Company's Management Board, representatives of the "Fairytale" kindergarten, as well as many business partners.



Kindergarten facility is equipped with all the educational and didactic materials required to follow up the proper psycho-physical development of children. All the facility security measures have been undertaken, including the card access and video surveillance of all the rooms, so as for the little ones to be able to safely enjoy the educational and creative work with their educators.

Preschool development of children is directed and monitored by the educators as well as the nurses who primarily provide the health care support for the little ones. All the kindergarten employees possess the formal educational qualifications required for working with children, as well as a valuable experience acquired in other pre-school institutions. Love for children and desire to provide a quality support to the little ones in their development and growing-up is their mutual trait. Regular training of kindergarten staff will enhance the possibilities to pursue the new pedagogic methods in working with children.



Care for our customers

Vip's goal is to be the most customer-oriented company in the telecommunications sector in Serbia. For us every customer is VIP, because our business is based on his or her satisfaction and trust. That is why we constantly invest in our network, promote attractive offers and provide innovative services.

Vip bases its products on surveys of the needs and satisfaction of customers and sets new standards in both portfolio and quality. Due to innovative approach, creative communications solutions and high quality of service, we are using our best endeavors every day to go beyond the expectations of our customers and to provide them with the best quality vs. price ratio on the Serbian market. Vip team is always ready to provide the best solution for customers' mobile communication.





ENVIRONMENT

Being a telecommunications service provider, Vip mobile is not categorized as major polluter. However, we use our best endeavors to reduce the impact of our operations to environment.

All our business processes include responsible attitude toward the environment. Vip systematically focuses on energy consumption reduction, materials and waste management and ICT equipment safety issues. We undertake concrete measures like obtaining devices which consume less energy, balanced usage of air conditions and supporting usage of alternative sources of energy within the company. We also possess vehicles driven by gas and electricity. Vip employees are very active in various Eco activities.

Our long term strategy:

- To become environmentally friendly company focused on the reduction of environmental impacts through eco-friendly, innovative policies, products & services, programs and initiatives
- To be recognized as environmentally friendly company and to lead other companies and individuals by good examples





Internal Eco initiatives in 2010

- Eco awareness within the company and engagement of employees in Eco projects
 - Vip Employees participated in the Big cleaning of Serbia in 2010
 - Vip employees celebrated World Car free day (putting bicycle racks on the entrance), World Ozone Day (intranet promotion), Earth Hour (intranet promotion, SMS campaign)



- Waste management:
 - Collection points for paper and wasted batteries set in Vip headquarters; collection point for paper set in shops
 - Two-side printing adjusted on all printers within headquarters as default options
- Energy efficiency:
 - Campaign to motivate employees on energy saving (electricity saving competition for Vip centers) conducted
 - Eco-green e-mail signature for all employees created and established
 - Vip Eco Tour - unique 3D eco animation placed on Vip intranet page

External Eco Activities in 2010

- Increased energy efficiency in the area of technical infrastructure (usage of devices that consume less energy, balanced usage of air-conditioning systems etc.)
- Environmentally responsible customer care (information campaign on the topic of "Mobile Communication – Health and Safety", Online bill, eco biodegradable bags for Vip products)

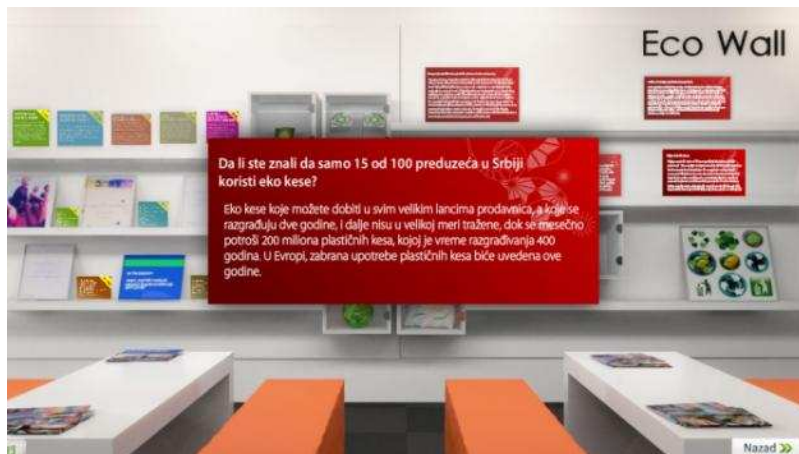


Vip Eco tour

Vip has launched interactive 3D flash animation named "Vip Eco Tour" which is placed on our Intranet. This educational and entertaining tour virtually illustrates work premises in Vip and contains "active" elements in every premise which represent potential energy consumers. By using intuitive navigation, visitor goes through premises and is not permitted to leave the premises without fulfilling certain "ecological" task, e.g. to turn off the light before leaving the office, to turn the water off or close the fridge before leaving the kitchen, to set printing on both sides etc. This way, "Vip Eco Tour" develops "ecological" awareness among employees and maximizes energy efficiency in the company.

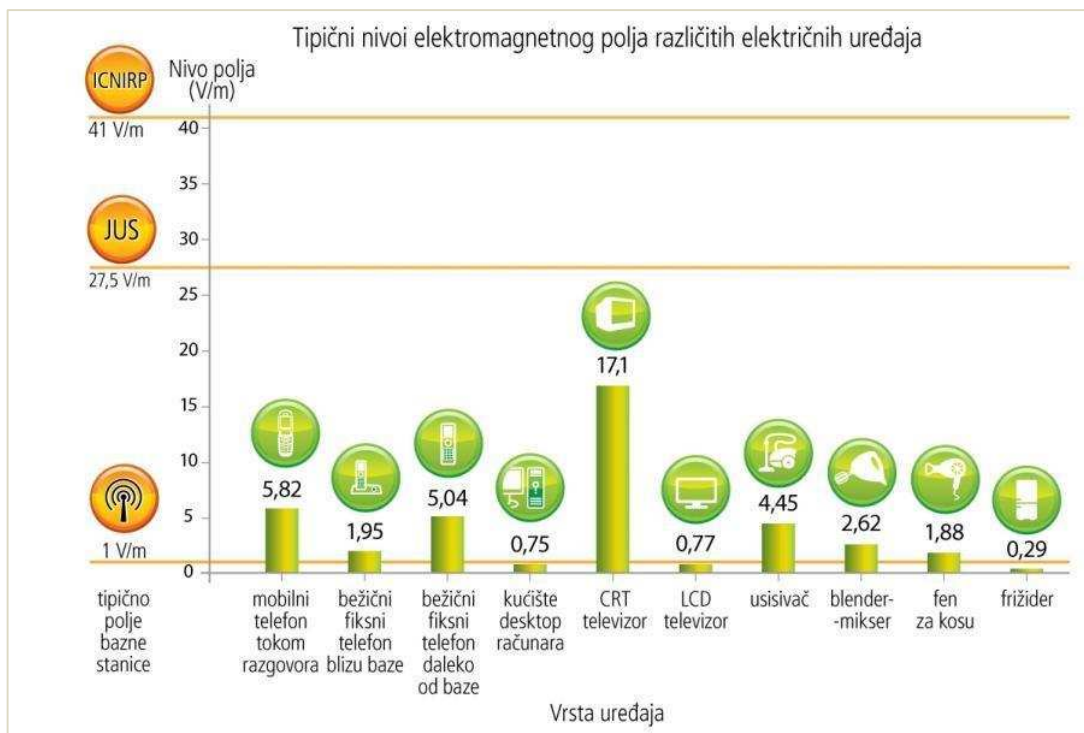
"Vip Eco Tour" is positively evaluated by employees who have personally supported the initiative. Only one month after the launch of campaign, electricity bills in our sales centers decreased.

Public Relations Society of Serbia awarded Vip mobile for the best Internal Communications in 2010 for the project "Vip Eco Tour".



Base stations and health issues

We are fully aware that citizens are often concerned regarding BTS and mobile phones impacts on their health and environment. For that reason we constantly inform and educate population that our GSM equipment and devices have all required domestic and international quality certificates. The electromagnetic emission of base stations is compliant with the domestic legal and international standards limits and our experts are continuously monitoring all the readings, researches and expert opinions of independent Serbian and international institutions of repute. In addition, so far all the international and local scientific researches have shown that electromagnetic fields produced by base stations do not present a risk for human health and the environment if under prescribed limitations. This is also confirmed by quotes from expert papers of foreign and domestic scientific institutions, which have been researching the impact of base stations and mobile phones on human health and the environment.





ANTICORRUPTION

Code of Business Conduct sets out the principles that guide business activities of Vip mobile and form core elements of its corporate culture. It defines behavior rules and standards and applies to all employees, officers and managing heads group-wide and to all areas of business. As a subsidiary of a listed company Vip is subject to strict regulations and high standards of financial behavior, risk management and internal control which Vip strictly complies with. Vip emphasizes the importance of transparency towards its shareholders but is also committed to confidentiality where it is required.

All employees are required to comply with applicable law, to reject all forms of bribery and corruption, avoid conflict of interests, protect company assets and keep business secrets confidential. Undertaking of facilitation payments or any other illegal activities of any kind are strictly forbidden. Unlawful activities will be subject to disciplinary action including dismissal.



SUPPORT TO THE COMMUNITY

Education – „Be a Vip student“

Initiated in November 2007, „Be a Vip student“ is one of the most complex and biggest CSR projects in the area of high education in Serbia. It is a long-term scholarship program for final-year students of bachelor studies (BSc) from selected faculties across Serbia which are interested in further education in telecommunications in Serbia. Project provides unique synergy of theoretical and practical knowledge in telecommunications, transmits expertise of Telekom Austria Group and creates high quality trainees that can easily be incorporated in company's business.

The project is under the patronage of the Ministry of Telecommunications and Information Society and the biggest four public universities in Serbia (Universities in Belgrade, Nis, Novi Sad and Kragujevac). It is supported by 20 Faculties with right to participate as well as numerous student organizations.

Over 600 excellent students from 20 faculties all over Serbia applied for scholarships in previous three years. Out of 60 students awarded in three generations, 13 of them are now employed by Vip.



"Be a Vip student" project was awarded with the European Employee volunteering Award in Serbia in the category "Best Innovative Project" in 2010. The European Employee volunteering Award celebrates best employee volunteering programs aimed at employability support. It was run in 23 countries for the first time in 2010.



Support to vulnerable social groups - New Year's donation

Vip mobile traditionally supports children with special needs for the New Year's holidays. In 2010, Vip mobile donated EUR 27.000 for purchase of audible traffic lights for blind and visually impaired people in eight cities all over Serbia that enable their independent movement on the streets, as well as acquisition of "Daisy player" devices for pupils in a special school "Veljko Ramadanović" in Zemun and talented high-school pupils and students with impaired vision all over Serbia. "Daisy player" devices have the possibility of playing and recording material in MP3 and daisy formats and reading text formats, which enables blind persons to read books.

Financial means were collected by redirecting part of the income gained by SMS traffic for New Year's Eve to humanitarian causes, as well as with support of Vip customers who sent their humanitarian SMS to number 2001.

Project is implemented with a support of the People's Office of the President of the Republic and under auspices of the Ministry of Labor and Social Policy.

Individual projects

Vip is very active in providing donations and support to many social groups in Serbia through unsolicited or joint activities. Vip joined UNICEF, Caritas and other humanitarian organizations in special programs that are aimed to collect financial resources for people in need. The company also supports numerous humanitarian SMS campaigns by waiving its turnover gained from SMS messages traffic.

In 2010, by activating short code numbers Vip enabled participation of its customers in humanitarian initiatives for victims of Kraljevo earthquake, Kosovo refugees, Hilandar Monastery and many others.