Consolidated non-financial report

Consolidated non-financial report[1] of Telekom Austria Aktiengesellschaft in accordance with Section 267a (6) of the Austrian Company Code (UGB) on environmental, social and employee matters, as well as combating corruption and bribery

A1 Telekom Austria Group, listed on the Vienna Stock Exchange, is a leading provider of digital services and communications solutions in Central and Eastern Europe with more than 24 million customers, currently operating in seven countries: Austria and Slovenia (A1), Bulgaria (Mobiltel), Belarus (velcom), Croatia (Vipnet), the Republic of Serbia (Vip mobile) and the Republic of Macedonia (one.Vip). More information on the business activity can be found in the Group Management Report 2017.

Telekom Austria Aktiengesellschaft and its subsidiaries, hereinafter referred to as the A1 Telekom Austria Group, strive to increase enterprise value in a sustainable manner, while taking into account all relevant economic, ecological and social aspects. This goal is supported by the Group's commitment to the Austrian Corporate Governance Code and the application of all the requirements of the internal control system, the Code of Conduct and the compliance guidelines. An integrated CSR management system, defined standards and processes, group-wide environmental management,
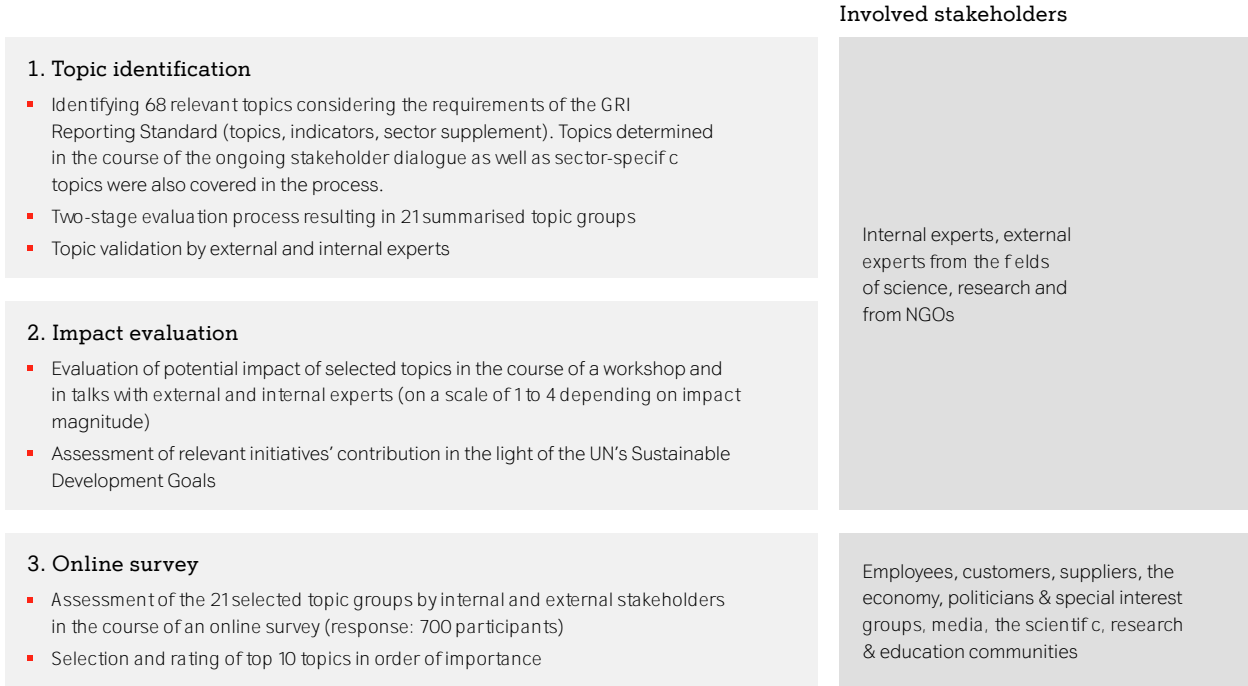
compliance with the principles of the UN Global Compact and regard for human rights ensure the development of strategies and goals oriented towards sustainability and the involvement of all business units and hierarchies.

A materiality analysis was conducted with the help of various interest groups to identify central sustainability issues and material impacts. Goals, which will be reviewed on an annual basis and adjusted if necessary, were derived from the results of the materiality analysis.
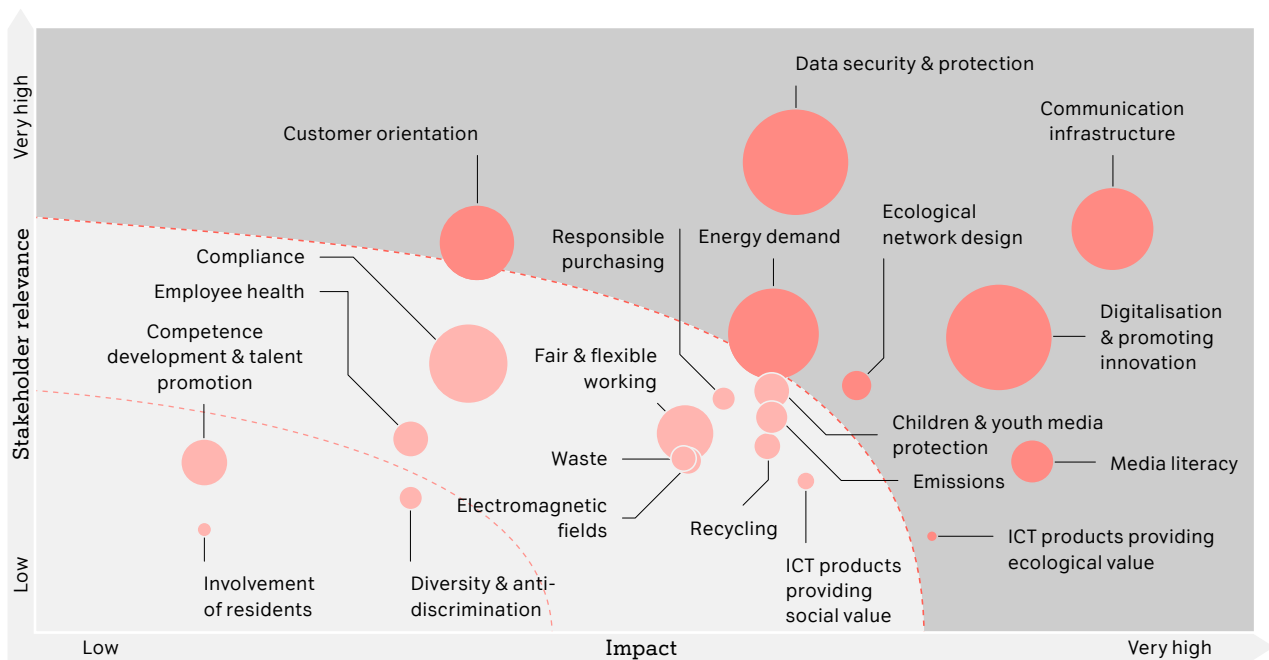
[1] The German text of the signed statement, which refers to the German Version of the Report, is the only binding one. The English translation is not binding and shall not be used for the interpretation.

Identifying topics in the context of sustainability

in accordance with the GRI Standard for Sustainability Reports: 102-46

Involved stakeholders

1. Topic identification

- Identifying 68 relevant topics considering the requirements of the GRI Reporting Standard (topics, indicators, sector supplement). Topics determined in the course of the ongoing stakeholder dialogue as well as sector-specif c topics were also covered in the process.
- Two-stage evaluation process resulting in 21 summarised topic groups
- Topic validation by external and internal experts

Internal experts, external experts from the f elds of science, research and from NGOs

2. Impact evaluation

- Evaluation of potential impact of selected topics in the course of a workshop and in talks with external and internal experts (on a scale of 1 to 4 depending on impact magnitude)
- Assessment of relevant initiatives' contribution in the light of the UN's Sustainable Development Goals

3. Online survey

- Assessment of the 21 selected topic groups by internal and external stakeholders in the course of an online survey (response: 700 participants)
- Selection and rating of top 10 topics in order of importance

Employees, customers, suppliers, the economy, politicians & special interest groups, media, the scientif c, research & education communities

Materiality matrix

Bubble size represents business relevance for A1 Telekom Austria Group.

1 Risks

Unless otherwise stated the significant risks and how to deal with them can be found in the risk report of the A1 Telekom Austria Group's Group Management Report 2017.

2 Information on the material topics derived for the A1 Telekom Austria Group

in accordance with the GRI Standards for Sustainability Reporting: 103-1, 103-2, 103-3

A topic's importance (see the graphic 'identifying topics in the context of sustainability') is based on its impacts on the environment, society, economy as well as how interesting it is to A1 Telekom Austria Group's stakeholders. Thus, the topics most important to A1 Telekom Austria Group are those that have the biggest impact and those that are most relevant to the stakeholders. As an additional dimension, the topics were assessed with regards to their business relevance for A1 Telekom Austria Group. This allows for a perspective that takes into account the topics' sustainability context and their economical significance for the company.

In the following, the A1 Telekom Austria Group reports on its own activities and measures with regard to all topics considered material, which are listed below. Within the A1 Telekom Austria Group, responsibilities for all of these topics have been defined in one or several departments.

a) Security and data protection

The topic of security and data protection was identified as material by all stakeholder groups in the materiality analysis 2017. Through its business operations, the A1 Telekom Austria Group directly contributes to data protection in its markets.

Included in the management approaches applied are certifications such as ISO 27001, the security information policy and business continuity plans. These aim to guarantee state-of-the-art data protection and a high security standard in order to avoid negative impacts within and outside the company as best as possible. Also used for this purpose are the security information policies and the security information standards (see also Group Management Report 2017) and the implementation of teams that respond professionally to cyber incidents (e. g. A1 CERT = computer emergency response team). Important security aspects are coordinated group-wide, such as the implementation of the EU General Data Protection Regulation (GDPR) – supported by sharing experiences in national (e. g. cyber security platform of the Austrian Federal Chancellery) and international security associations (e. g. ETIS). The service lines, employees in shops, support communities and contact forms on the websites are available as complaint mechanisms to all stakeholders. The position of data officer has also been created within the A1 Telekom Austria Group in response to the broader requirements for companies imposed by the General Data Protection Regulation of the European Union. At the core of this regulation is the protection of personal data. The EU General Data Protection Regulation will enter into force on 25 May 2018, and since 2016, the A1 Telekom Austria Group has been working to gradually enact it in the countries covered by the regulation. Furthermore, the A1 Telekom Austria Group encourages training and further education regarding security and data protection.

Management systems are evaluated regularly. For example, the ISO certifications are evaluated annually and these were also carried out in 2017. Effectiveness is reviewed and monitored regularly on the basis of predefined key figures, which are not disclosed for competitive reasons. Adjustments are made on an intra-year basis, if necessary. In addition, a total of 32,246 different e-learning modules on the topic of data protection were completed group-wide in 2017.

b) Communication infrastructure

In the materiality analysis 2017, the topic 'communication infrastructure' was identified as material both by stakeholders (particularly business representatives, customers and the media) and with regard to impacts. The A1 Telekom Austria Group makes a direct contribution in its markets by means of its business operations, which include the installation of communication infrastructure.

The A1 Telekom Austria Group is pursuing demand-oriented infrastructure expansion with the goal of driving forward digitalisation in its markets. The infrastructure expansion is an important part of A1 Telekom Austria Group's technology strategy. The strategy takes the approach of ensuring a secure and stable network with a high level of system stability and the best possible transmission rates. Complaint mechanisms for products such as shops, service lines and contact forms on the websites are available to all stakeholders.

The dynamic growth of the data volumes transported via the networks of the A1 Telekom Austria Group will be accounted for by extensive development activities. To prepare for future requirements and enable the development of new products and services, the further development of network infrastructure will be the focus of the Group's innovation strategy. A central point of the A1 Telekom Austria Group is the digital transformation of its network infrastructure, which it successfully continued in 2017 as well. Management systems such as ISO 9001 support this development.

In this context, the convergence of fixed-line and mobile networks is playing an instrumental role. Furthermore, data centres are increasingly relevant as part of the network infrastructure. In 2017, the A1 Telekom Austria Group laid the groundwork for an ultra-modern data centre in Vienna and successfully concluded the construction of a data centre with cutting-edge technology in Belarus.

In Austria, the fixed-line broadband expansion continues to be driven forward by the accelerated fibre roll-out in the form of FTTC (fibre to the curb), FTTB (fibre to the building) and FTTH (fibre to the home). While fibre is being brought closer and closer to the customers, the capacity of existing copper lines is also being increased. This is being done with a combination of vectoring – a technology for suppressing interfering signals – with transmission technologies such as VDSL2 and G.fast. In this case, the target transmission rates are several 100 Mbps for medium line distances. G.fast data rates provide up to 500 Mbps. In lab experiments, several Gbps could already be transmitted with further development of G.fast. With hybrid modems, mobile and fixed-line infrastructure are brought together in order to enable higher speeds. The undivided bandwidth and high capacity of a DSL fixed broadband line is combined with the peak data rates of the A1 LTE network and provided to customers for home internet access.

The A1 Telekom Austria Group offers the LTE (long-term evolution) mobile communication standard in Austria, Bulgaria, Croatia, Slovenia, the Republic of Serbia and the Republic of Macedonia. The accelerated roll-out of 4G LTE Advanced in 2017 led to a significant improvement in the supply of fast mobile internet in Austria, Slovenia, Croatia, the Republic of Serbia and the Republic of Macedonia. The A1 Telekom Austria Group is using LTE carrier aggregation with 256 QAM at selected locations in Austria, Croatia and the Republic of Serbia, enabling data rates of up to 300 Mbps. In reporting year 2017, the use of 4x4 MIMO (multiple input multiple output) during a field test produced data transmission rates of over 850 Mbps in Slovenia. MIMO is a process in which the radio connection is improved with severally antennas used in parallel. Carrier aggregation, complex modulation techniques and massive MIMO, a further development of 4x4 MIMO will also play a key role in the 5G standard since these serve as a technological basis for high bandwidths and the particularly efficient use of available frequency bands.

Management systems are evaluated regularly. For example, the ISO certifications are evaluated annually and were also carried out successfully in 2017. Effectiveness is reviewed and monitored regularly, as well as adjusted if necessary, on the basis of predefined key figures, which are not disclosed for competitive reasons.

c) Digitalisation and promoting innovation

The materiality analysis 2017 determined that the topic of digitalisation and promoting innovation is considered as material – both to stakeholders (particularly those in science and education, business representatives and the media) and with regard to the impacts. Digitalisation is promoted primarily by telecommunications companies, whereby the A1 Telekom Austria Group has a direct and indirect impact on society, the environment and the economy with regards to this issue.

A1 Telekom Austria Group sees itself as an enabler of digitalisation and is driving it forward in its markets. The growing significance of digitalisation is taken into account with A1 Digital International GmbH. A1 Digital International GmbH offers digital services to actively support companies in the digitalisation process. A1 Digital International GmbH focuses on two areas in particular: Internet of Things (IoT) and cloud-based ICT solutions. In the first case, the company is able to look back on many years' worth of experience because the pre-existing Machine-to-Machine-(M2M) business is part of the new company. The IoT product portfolio comprises solutions such as smart metering, fleet management, managed connectivity and asset tracking. In the second case, software solutions are offered predominantly to small and medium-sized enterprises, which then help to make their communication, sales or infrastructure requirements more cost-efficient and flexible. With the Infrastructure-as-a-Service (IaaS) solutions, complex and costly acquisition and modernisation of hardware, such as servers, is reduced and thereby resources are also conserved.

Innovation is encouraged by supporting new companies as part of the "A1 Start Up Campus" initiative by the Austrian subsidiary. By 2017, 12 start-ups had already been promoted since the initiative started in 2011. Research partnerships with notable scientific and industrial partners and joint projects with national and international institutions are supporting the A1 Telekom Austria Group in the launch of technologies of the future for market and customer-oriented communications solutions. The A1 Telekom Austria Group is also a partner of the Industry 4.0 platform and is addressing the interoperability of IoT platforms within the Europe-wide H2020 project symbloTe.

The effectiveness of management systems used is reviewed and monitored regularly, as well as adjusted if necessary.

d) Customer orientation

In the materiality analysis 2017, the topic of customer orientation was identified as material by stakeholders (especially by customers, suppliers, business representatives and employees). An impact on the A1 Telekom Austria Group's business and private customers is provided. The A1 Telekom Austria Group directly contributes to the impact through its business operations.

The A1 Telekom Austria Group's objective is, in addition to providing high-performance fixed-line and mobile infrastructure, to become the first point of contact and key partner for the digital transformation of companies in order to unlock new potential in digital services, such as cloud and ICT solutions. A variety of management approaches are used for this purpose in order to offer customers the best possible service. Complaint mechanisms such as service lines, e-mails and contact form on the company websites are available to all stakeholders in the A1 Telekom Austria Group.

The effectiveness of the management system is reviewed regularly basis and then measures are taken and adjustments are made if necessary, based on predefined key figures, which are not published for competitive reasons.

e) Energy demand and ecological network design

In the materiality analysis 2017, the topic of energy demand was identified as material with regard to impacts and by stakeholders (especially business representatives, politicians and the media). The A1 Telekom Austria Group has a direct impact primarily through operating the communication infrastructure as part of its business operations. The topic of ecological network design, which includes the activities and measures for sustainably creating the company's own infrastructure, was identified as being material in the materiality analysis 2017 with regard to the impacts. The A1 Telekom Austria Group has a direct impact on the environment through the installation and operation of the communication infrastructure.

RGUs[1] ('000)	2017 reported	2016 reported	Change in %
in Austria	3,390.4	3,495.5	-3.0
in Bulgaria	1,005.0	1,018.9	-1.4
in Croatia	654.1	620.1	5.5
in Belarus	463.4	279.4	65.9
in Slovenia	183.0	172.0	6.4
in the Republic of Macedonia	340.7	314.3	8.4
Total	**6,036.5**	**5,900.2**	**2.3**
of which broadband RGUs in Austria	1,447.3	1,481.0	-2.3
of which broadband RGUs in Bulgaria	434.8	429.3	1.3
of which broadband RGUs in Croatia	250.0	234.4	6.7
of which broadband RGUs in Belarus	212.0	132.0	60.6
of which broadband RGUs in Slovenia	70.4	70.2	0.2
of which broadband RGUs in the Republic of Macedonia	114.6	102.0	12.3
TV RGUs	1,421.4	1,284.3	10.7
Mobile communication customers ('000)			
in Austria	5,335.2	5,438.7	-1.9
in Bulgaria	3,977.1	4,108.1	-3.2
in Croatia	1,772.7	1,720.0	3.1
in Belarus	4,864.2	4,944.9	-1.6
in Slovenia	703.3	714.3	-1.5
in the Republic of Serbia	2,182.8	2,145.3	1.7
in the Republic of Macedonia	1,072.3	1,103.6	-2.8
Total	**20,657.7**	**20,707.8**	**-0.2**

1) Revenue generating unit

The A1 Telekom Austria Group has set itself the goal of stabilising or rather reducing energy demand and, at the same time, reducing CO2emissions. The Austrian subsidiary is doing this with the help of recognised management systems such as ISO 50001 for energy management and ISO 14001 for environmental management. The network design should be carried out as ecologically as possible, depending on the framework conditions. The A1 Telekom Austria Group has summarised its commitment in a group-wide environment policy. It has set itself the goal of reducing energy demand per transferred data volume by 30 % from 2015 to 2018 (based on 2015, measured by MWh per terabyte) and reduce CO2emissions by 25 % by 2020 (based on 2012). From 2015 to 2017, the energy requirement for transported data volumes had already been reduced by 59 %.

Management systems are evaluated regularly intervals. For example, the ISO certifications are evaluated annually and was successfully acquired for 2017. Effectiveness is reviewed and monitored regularly on the basis of predefned key figures. Adjustments are made throughout the year if necessary.

Direct and indirect energy (in MWh)

In accordance with the GRI Standard for Sustainability Reports: 302-1, 302-4

2017	Electricity[1]	Heating fuels[2]	District heating	Fuels[3]	Total energy consumption
Austria	298,853	16,572	29,321	48,297	393,044
Bulgaria	108,380	126	298	12,170	120,973
Croatia	59,643	3,798	3,861	4,602	71,904
Belarus	75,548	0	3,346	4,809	83,703
Slovenia	32,381	0	278	626	33,284
Republic of Serbia	43,772	81	1,452	2,797	48,102
Republic of Macedonia	36,778	2,085	0	1,917	40,780
A1 Telekom Austria Group	**655,355**	**22,662**	**38,556**	**75,218**	**791,790**
2016					
Austria	298,986	16,227	28,869	49,532	393,614
Bulgaria	86,175	128	407	10,758	97,469
Croatia	57,742	3,694	3,671	4,203	69,309
Belarus	75,715	0	3,235	4,280	83,230
Slovenia	28,403	0	276	530	29,208
Republic of Serbia	37,732	0	1,071	2,721	41,524
Republic of Macedonia	35,939	1,484	0	2,032	39,455
A1 Telekom Austria Group	**620,692**	**21,533**	**37,530**	**74,056**	**753,810**
Change in 2017 compared with 2016 (in %)					
Austria	0.0	2.1	1.6	-2.5	-0.1
Bulgaria	25.8	-2.1	-26.8	13.1	24.1
Croatia	3.3	2.8	5.2	9.5	3.7
Belarus	-0.2	n. m.	3.4	12.4	0.6
Slovenia	14.0	n. m.	0.5	18.1	14.0
Republic of Serbia	16.0	n. m.	35.5	2.8	15.8
Republic of Macedonia	2.3	40.5	n. m.	-5.7	3.4
A1 Telekom Austria Group	**5.6**	**5.2**	**2.7**	**1.6**	**5.0**

At the time of preparation, the environmental indicators for the 2017 fnancial year were not yet available. In the table above, the fgures include the period from 1 November 2016 to 31 October 2017, which can be considered a representative comparison period for the 2017 fnancial year. There were no signifcant requirement changes wherefore no fuctuations are assumed. Tables are subject to rounding diferences.

1 joule = 2.77777778 x 10^{-10} MWh

1) Acquisition and own production, as well as diesel for emergency power generator
2) Oil and gas, not climatically adjusted
3) Diesel, petrol, CNG, LPG and natural gas without diesel for emergency power generator

The rise in electricity consumption in Bulgaria by 26 % between 2016 and 2017 is due to the merger with the cable network operator blizoo. On the contrary "district heating" for Bulgaria 2016 already includes blizoo: Due to the closure of blizoo shops "district heating" dropped by 27 % between 2016 and 2017.

Direct and indirect greenhouse gas emissions (CO_2 equivalent in t)

In accordance with the GRI Standard for Sustainability Reports: 305-1, 305-2, 305-5

	Direct (Scope 1)	Indirect (Scope 2) location based	Indirect (Scope 2) market based	Total (Scope 1+2) location based	Total (Scope 1+2) market based	Total (Scope 1+2+complete) location based	Total (Scope 1+2+complete) market based
2017							
Austria	17,090	100,311	8,777	117,401	25,867	101,483	9,949
Bulgaria	4,443	61,705	61,705	66,148	66,148	66,148	66,148
Croatia	2,319	27,300	27,300	29,619	29,619	29,619	29,619
Belarus	1,744	20,352	20,352	22,097	22,097	22,097	22,097
Slovenia	174	13,617	7,812	13,791	7,986	13,791	7,986
Republic of Serbia	982	38,174	38,174	39,156	39,156	39,156	39,156
Republic of Macedonia	1,115	26,501	26,501	27,615	27,615	27,615	27,615
A1 Telekom Austria Group	**27,867**	**287,960**	**190,621**	**315,827**	**218,488**	**299,909**	**202,570**
2016							
Austria	17,587	100,136	8,733	117,723	26,320	101,353	9,950
Bulgaria	4,049	48,947	48,947	52,995	52,995	52,995	52,995
Croatia	2,183	26,411	26,411	28,593	28,593	28,593	28,593
Belarus	1,497	29,429	29,429	30,926	30,926	30,926	30,926
Slovenia	141	11,952	6,065	12,093	6,206	12,093	6,206
Republic of Serbia	978	32,785	32,785	33,763	33,763	33,763	33,763
Republic of Macedonia	985	25,669	25,669	26,653	26,653	26,653	26,653
A1 Telekom Austria Group	**27,419**	**275,328**	**178,038**	**302,747**	**205,457**	**286,377**	**189,087**
Change in 2017 compared with 2016 (in %)							
Austria	–2.8%	0.2%	0.5%	–0.3%	–1.7%	0.1%	0.0%
Bulgaria	9.7%	26.1%	26.1%	24.8%	24.8%	24.8%	24.8%
Croatia	6.3%	3.4%	3.4%	3.6%	3.6%	3.6%	3.6%
Belarus	16.5%	–30.8%	–30.8%	–28.6%	–28.6%	–28.6%	–28.6%
Slovenia	23.6%	13.9%	28.8%	14.0%	28.7%	14.0%	28.7%
Republic of Serbia	0.4%	16.4%	16.4%	16.0%	16.0%	16.0%	16.0%
Republic of Macedonia	13.2%	3.2%	3.2%	3.6%	3.6%	3.6%	3.6%
A1 Telekom Austria Group	**1.6%**	**4.6%**	**7.1%**	**4.3%**	**6.3%**	**4.7%**	**7.1%**

At the time of preparation, the environmental indicators for the 2017 financial year were not yet available. In the table above, the figures include the period from 1 November 2016 to 31 October 2017, which can be considered a representative comparison period for the 2017 financial year. There were no significant requirement changes wherefore no fluctuations are assumed.
According to GHG protocol, "location-based scope 2" figures refer to the average emissions factors in the area in which the energy consumption takes place. The average value at national level is used.
According to GHG protocol, "market-based scope 2" figures refer to energy suppliers' emissions factors, insofar as these are available, or an individual energy product.

f) Media literacy

In the materiality analysis 2017, the topic of media literacy was identified as material with regard to the impact. Secure and competent dealings with new media is essential for employment and therefore also contributes to closing the digital gap. The A1 Telekom Austria Group's "A1 Internet for All" media literacy initiative offers free courses for everyone for encouraging dealing with digital media. This has a direct impact on society and the economy. Regarding media literacy no risks for the A1 Telekom Austria Group are known.

The A1 Telekom Austria Group has set itself the goal to make a contribution to closing the digital gap. With the help of the group-wide "A1 Internet for All" initiative, it promotes media literacy in the countries in which it operates. The A1 Telekom Austria Group set itself the goal of reaching 150,000 participations in free internet trainings by 2018. As of year-end 2017 the "A1 Internet for All" initiative has already had more than 153,000 participations since 2011 so the goal had already been achieved.

Performance is reviewed and monitored regularly based on predefined key figures. In Austria, the initiative is supported and evaluated scientifically by the NPO Centre of the Vienna University of Economics. In 2017, it was reconfirmed that

"A1 Internet for All" makes a contribution to closing the digital gap in Austria. Adjustments are made throughout the year if necessary.

Media literacy training: "A1 Internet for All"

	2017 Participations	2016 Participations	Change in %
Austria	26,615	23,549	13.0
Bulgaria	2,087	1,625	28.4
Croatia	42	75	-44.0
Belarus	20	n.a.	n.a.
Slovenia	13	150	-91.3
Republic of Serbia	40	100	-60.0
Republic of Macedonia	n.a.	n.a.	n.a.
A1 Telekom Austria Group	28,817	25,499	13.0

g) ICT products providing ecological value

Included among ICT products providing ecological value are products and services that make a significant contribution to more efficient use of resources and enable the user to reduce their environmental footprint. In the materiality analysis 2017, the topic was identified as material with regard to the impact. A direct impact within and outside the company is caused by the development of relevant products. Regarding ICT products providing ecological value no risks for the A1 Telekom Austria Group are known.

ICT products with environmental added value are developed through regular evaluation of client requirements and innovation management and can contribute to reducing CO_2 emissions and preserving resources. Complaint mechanisms for products such as shops, service lines and contact forms on the websites are available to all stakeholders.

Management systems are evaluated regularly. Effectiveness is reviewed and monitored regularly, as well as adjusted if necessary, on the basis of predefined key figures, which are not published for competitive reasons.

3 Environmental issues

In terms of environmental issues, the significant impact by the A1 Telekom Austria Group is energy consumption. Approximately 80 % of its total energy consumption is made up by operating its network. This includes the most important environmental measures to achieve maximum efficiency in this regard and reduce the energy demand. See also material topics: Energy demand and ecological network design.

The environmental management system at A1 Telekom Austria Aktiengesellschaft, A1 Slovenija d.d., Vip mobile d.o.o. and one.Vip DOOEL is certified in accordance with ISO 14001. Furthermore, EMAS (eco management and audit scheme) requirements in Austria and Slovenia are met. Energy management at A1 Telekom Austria Aktiengesellschaft is also ISO 50001 certified. Since 2014, A1 Telekom Austria Aktiengesellschaft has been the first carbon neutral network in Austria to be assessed and validated by TÜV SÜD in line with the PAS 2060 international standard.

4 Social issues and employee matters

The A1 Telekom Austria Group had 18,957 employees at the end of 2017 (2016: 18,203). Headcount in the Austrian segment was reduced by around 1 % to 8,246 employees as part of the ongoing restructuring measures. Around 47 % of existing employees have civil servant status. The segments outside of Austria saw an increase of approximately 8 % to 10,366 employees. This increase was mainly driven by M&A activities in Croatia and Belarus, as well as higher salesforce numbers.

Employees[1] as of 31 December 2017

	2017	2016	Change in %
Austria	8,246	8,352	-1.3
Bulgaria	3,751	3,808	-1.5
Croatia	1,680	1,288	30.4
Belarus	2,575	2,248	14.6
Slovenia	565	532	6.2
Republic of Serbia	977	917	6.5
Republic of Macedonia	819	822	-0.4
Holding & Other (incl. A1 Digital)	345	238	45.2
A1 Telekom Austria Group	**18,957**	**18,203**	**4.1**

1) Full-time employees

To further expand its competitiveness and innovative drive, the A1 Telekom Austria Group invests in sound professional training for its employees on an ongoing basis and is increasingly using a central e-learning platform to provide training to all its employees throughout the company wherever and whenever. The platform currently comprises 14 learning providers and 894 online courses and virtual classes. In 2017, employees completed online courses. Furthermore, employee skills are also developed using a group-wide collaborative tool that ensures virtual teamwork within the company. The A1 Learning Hub (formerly the A1 Telekom Austria Group Business School) functions as a platform for in-person training. It developed and organised more than 30 training opportunities for 500 participants in the course of 2017. In addition to this central training, the A1 Telekom Austria Group subsidiaries have also developed their own training programmes tailored to the needs of their respective markets. To meet future requirements for experts and managers, the A1 Telekom Austria Group in Austria is particularly committed to apprenticeship training and offers university and college graduates a twelve-month graduate programme.

Another core element of the opportunities of social and employee matters is presented in the topic of fair and flexible working conditions within the company, which came up in the materiality analysis. Fair and flexible working means creating framework conditions that make flexible work in terms of time and location possible, whilst meeting all statutory requirements. In this sense, virtual collaboration and flexible working time models are encouraged to enable work that is independent of time and location. In addition, up-to-date performance management is used, which increasingly focuses on further training for employees.

Diversity among employees is seen as the central driver of the company vision "Empowering digital life" and encourages the guiding principles of "Team, Trust and Agility" through communication. Supporting women is one of the core elements of promoting diversity. A1 Telekom Austria Group has set itself the goal of increasing the proportion of women in management positions at the company to 38 % by 2018. At the end of 2017, the proportion was 36 %.

Proportion of female employees and proportion of female managers as of 31 December 2017

	2017 (in %) Proportion of female employees	2016 (in %) Proportion of female employees	2017 (in %) Proportion of female managers[1]	2016 (in %) Proportion of female managers
Austria	26	26	19	19
Bulgaria	49	48	50	54
Croatia	41	41	39	43
Belarus	53	67	46	40
Slovenia	44	40	45	39
Republic of Serbia	58	53	49	46
Republic of Macedonia	45	45	40	50
A1 Telekom Austria Group	**38**	**39**	**36**	**36**

1) Managers includes all persons with staff responsibility for at least one employee.

Proportion of locals in leadership teams and proportion of women in senior management positions as of 31 December 2017

	2017 (in %) Proportion of locals in leadership teams[1]	2016 (in %) Proportion of locals in leadership teams	2017 (in %) Proportion of women in senior management positions[2]	2016 (in %) Proportion of women in senior management positions
Austria	100	100	40	57
Bulgaria	89	89	22	22
Belarus	57	27	0	0
Cluster Croatia/ Macedonia	78	86	11	14
Cluster Serbia/ Slovenia	100	44	38	33
A1 Telekom Austria Group	84	70	21	24

1) Locals includes all those who have citizenship for the country in which they work. A leadership team consists of Senior Directors and the respective Chief Executive Officers.
2) Persons in senior management positions are part of the local leadership team.

In addition to central innovation and training offers, the A1 Telekom Austria Group subsidiaries have also developed their own training and health initiatives tailored to the needs of their respective markets. For example, this includes company physicians, health days and blood drives.

5 Compliance and combating corruption

Acting with honesty, fairness and transparency operation is an important component of the corporate culture at the A1 Telekom Austria Group. In order to achieve this standard of integrity, the company has a comprehensive compliance management system. The example set by top management and the responsibility of all employees for their own actions are increasingly important, in particular. In order to avoid misconduct, the A1 Telekom Austria Group has determined clear rules for acting in a manner complying with the law and with integrity in all business relationships. In addition, appropriate controls have been integrated within its business processes. With its admission to UN Global Compact, A1 Telekom Austria Group has been committed to implementing fundamental requirements in the areas of human rights, work, environment and combating corruption.

The group-wide Code of Conduct was revised in 2017 and adapted to the new guiding principles. In addition to the Code of Conduct, which is available in every national language of the subsidiaries, as well as in English, there are also detailed compliance guidelines providing assistance on specific topics. This includes the Anti-Corruption and Conflicts of Interest guidelines, which were also revised in 2017 and correspond to the ISO 37001 international standard. The compliance guidelines provide support in ensuring that acting with integrity is a natural part of daily work. Furthermore, the effectiveness of the compliance management system is supported by regular communication measures and training, the "ask.me" helpdesk, internal audits and the anonymous whistleblowing platform "tell.me".

The needs-based further development of the compliance program is ensured by the annual compliance risk assessment. In 2016 and 2017, essential elements of the group-wide compliance management system were reviewed for effectiveness by Group Internal Audit and Group Compliance with a successful outcome. Communication measures for promoting acting with integrity and compliance-relevant measures in hiring new managers and employees were also audited. Process and documentation requirements in conjunction with donations and sponsorship were also reviewed, as was compliance with internal regulations for gifts and invitations.

In order to again highlight the importance of compliance across the entire company, a group-wide e-learning was rolled out in 2017. In 2017, 1,206 managers and employees took part in 143 anti-corruption training courses.

Vienna, 30 January 2018
The Management Board

Alejandro Plater, CEO & COO
A1 Telekom Austria Group

Siegfried Mayrhofer, CFO
A1 Telekom Austria Group