

Consolidated non-financial report

Consolidated non-financial report of Telekom Austria Aktiengesellschaft in accordance with section 267a of the Austrian Company Code (UGB) on environmental, social and employee matters, human rights and combating corruption and bribery

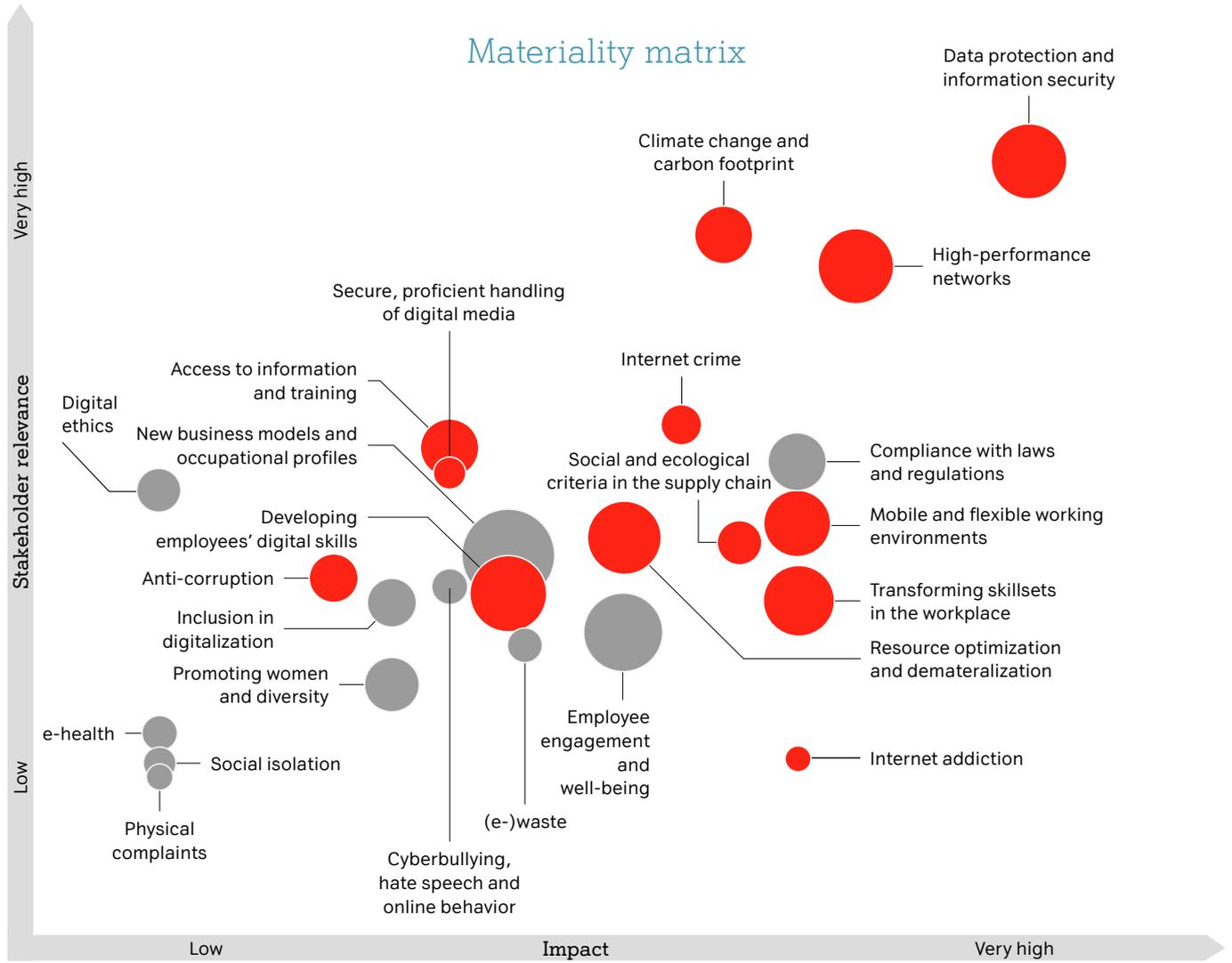
Telekom Austria AG, listed on the Vienna Stock Exchange, is a leading provider of digital services and communications solutions in Central and Eastern Europe with around 26 million customers in seven countries: Austria, Belarus, Bulgaria, Croatia, North Macedonia, Serbia and Slovenia. All equity investments have operated under the A1 brand since 2021. Through A1 Digital International GmbH (hereinafter referred to as A1 Digital), Telekom Austria AG offers industry-specific solutions for business clients on its core markets and in Germany and Switzerland. The scope of the consolidation according to the Group Management Report and the Consolidated Financial Statements for 2021 was referenced for the non-financial reporting. Information on business operations and the companies included in consolidation can be found in the 2021 Group Management Report and Consolidated Financial Statements.

Significant changes in non-financial reporting will be brought about by the EU Taxonomy Regulation, which applies in limited scope to the financial year 2021. In it, regulators have created an additional framework to push companies towards greater sustainability. The significance of non-financial reporting will grow as a result.

Sustainability aspects play a major role in the activities of Telekom Austria AG and its subsidiaries, referred to below as the A1 Telekom Austria Group. The company is aware of its social responsibility, and attaches great importance to sustainably increasing its enterprise value while taking all relevant economic, ecological and social aspects into account. 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, the compliance guidelines and Group-wide integrated sustainability management. Compliance with the principles of the UN Global Compact and respect for human rights ensure that these strategies and goals are sustainably implemented and achieved by all business units.

The new Group ESG (Environmental, Social & Corporate Governance) unit was created in 2021, and assigned directly to the CEO of the A1 Telekom Austria Group. This unit is responsible for the sustainability agendas. The Management Board defines the sustainability strategy in close coordination with Group ESG on the one hand and in an ongoing dialog with the Supervisory Board on the other. Rigor is ensured by close connections to corporate strategy. External stakeholder issues are also taken into account by the materiality analysis and, thus, incorporated into ESG work. Social, legal and regulatory changes are taken into account in ESG action areas as well, such as the impact of the COVID-19 pandemic on the world of work and the service portfolio, or the legal developments in the field of data privacy and the constant evolution of the Code of Conduct.



Red circles in this matrix represent the topics relevant to the A1 Telekom Austria Group, which are reported on in course of the non-financial report. The size of the circles reflects their business relevance. This matrix allows an integrated perspective that takes into account firstly the topics' sustainability context and secondly their economic significance for the company.

1. Information on the topics derived for the A1 Telekom Austria Group from the materiality analysis

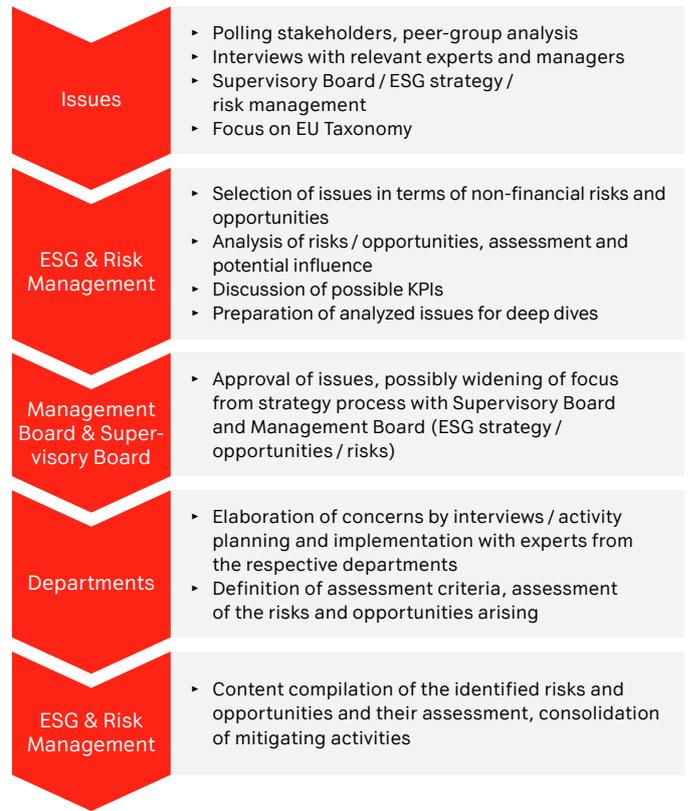
In order to identify the relevant issues, research was performed into the potential impact and risks in terms of environmental, social and employee matters. The results of this were analyzed, clustered and subsequently assessed in an online survey by internal and external stakeholders such as customers, suppliers, special interest groups, academia, businesses, NGOs and employees. In total, around 900 stakeholders and managers of the A1 Telekom Austria Group participated in the materiality analysis.

The two highest rated topics were allocated to the Austrian Sustainability and Diversity Improvement Act (NaDiVeG) areas of social matters, employee matters, environmental matters, respect for human rights, combating corruption and bribery and, as an additional matter, business operations. Given the content overlap, the topics of cybercrime, access to information and education, internet addiction and the safe and skilled use of digital media have been combined to form a single topic cluster that is discussed jointly under social matters. Moreover, “employee digital skills development” has been combined with “skill shift on the employment market”, and can be found with the disclosures on promoting women and diversity under employee matters. Under the method used, the topic of compliance with laws and regulations was not identified as material, however the A1 Telekom Austria Group nonetheless regards it a basic requirement and it has therefore also been taken into account. Following constant feedback and discussion with departments and management on key issues, particular attention was placed on data protection and information security in 2021, hence this section has been restructured and expanded since the previous year. There is also reporting on the EU Taxonomy, as referred to above.

Risks and opportunities—Identification, mitigation and assessment

Based on the materiality analysis, the company’s non-financial risks and opportunities were derived and the risk analysis was adapted following internal discussion. After this, the risk managers and the ESG unit analyze and mitigate the risks and

Identification of risks—procedural perspective



opportunities with experts before producing a final assessment. The Management Board is kept informed by enterprise risk management updates. ESG is a top priority in the annual strategy discussion between the Supervisory Board and the Management Board / the general focus of the Supervisory Board. This relates, for example, to the ESG performance and ratings, as well as their rising relevance for investors and the capital market.

The A1 Telekom Austria Group impressively demonstrated its resilience in the face of the challenges stemming from the pandemic. For instance, internal digitalization and agile working methods in conjunction with the “A1 Way of Working” were further expedited.

Business operation matters	Social matters	Employee matters	Environmental matters	Respect for human rights	Combating corruption and bribery
<ul style="list-style-type: none"> ▶ Data protection and information security ▶ High performing networks 	<ul style="list-style-type: none"> ▶ Internet crime + access to information and training + Internet addiction + secure, proficient handling of digital media 	<ul style="list-style-type: none"> ▶ Mobile and flexible working environments ▶ Transforming skillsets in the workplace + developing employees’ digital skills 	<ul style="list-style-type: none"> ▶ Climate change and carbon footprint ▶ Resource optimization and dematerialization 	<ul style="list-style-type: none"> ▶ Social and ecological criteria in the supply chain 	<ul style="list-style-type: none"> ▶ Anti-corruption

Risks and opportunities assessed with at least a qualitatively high impact are covered in the following report, corresponding activities and measures to manage the risks have been compiled and presented. The assessment arises from the discussion with the responsible experts and managers within the company.

2. Material business operations matters

Data protection and information security

Concept

Compliance with high data protection standards is a fundamental requirement for the A1 Telekom Austria Group and serves to safeguard customers' trust in the Group. The A1 Telekom Austria Group strictly adheres to the current legal framework in the field of data protection and information security. Personal data are processed in accordance with the EU General Data Protection Regulation (GDPR), national data protection laws and the specific provisions of national telecommunications legislation. In the event of a breach of personal data protection, the data protection authorities are notified in line with statutory requirements and the data subjects are informed.

The data of the A1 Telekom Austria Group's customers, employees, shareholders, suppliers and sales partners are only shared with third parties if there is a legal basis. Any requests for the transmission of data received from the courts, public prosecutors, the police or other authorities are analyzed to ensure their legality. Data are only shared in compliance with legal and regulatory requirements in response to a lawful inquiry. If appropriate, Data subjects will be informed of this in accordance with the statutory provisions.

In addition to the statutory requirements, all companies in the Group are required to obey the information security standards created for this purpose and other country-specific guidelines on data security. At A1 in Austria, for example, comprehensive certificates such as ISO 27001 and ECO Datacenter 3.0 attest to these high security standards. All A1 Telekom Austria Group network operators already satisfy the ISO 27001 standard, except A1 in Serbia. The management systems are regularly evaluated. For example, ISO certification is reviewed annually. Adjustments are also made as necessary throughout the year.

The network operators of the A1 Telekom Austria Group work with the respective authorities to continuously improve cybersecurity. A1 in Austria took part in the industry risk analysis of the radio and telecoms regulator RTR. This regulator analyzed risks in the telecommunications industry and, on the basis of the findings, develops recommendations for network and service operators and for public administration. Relevant security information is shared through the A1 CERT (Computer Emergency Response Team), which is also a member of the

national CERT association ATC (Austrian Trust Circle). Security expertise is shared within the A1 Telekom Austria Group and at conferences.

The A1 Security division in Austria also handles the security governance for the A1 Telekom Austria Group as a whole. Security requirements are being harmonized throughout the Group so that services, such as cloud services or new working models (working from home, remote working, agile teams, remote operation & support, etc.), can still be developed reliably and securely and can be used in live operations.

The data privacy governance approved by the Management Board of the A1 Telekom Austria Group provides for the harmonization of the obligations binding for the companies of the Group. This is based on an analysis of local data governance legislation.

The Management Board or management team of the individual Group companies is responsible for the processing of personal data in line with data protection requirements. At A1 in Austria, the Data Privacy unit, together with the Legal department, assists management in complying with its obligations under data protection law. Moreover, data protection officers have been appointed in all countries of the operational footprint.

In Austria, the core duties of the data protection officers include in particular notifying and advising the Management Board and employees on their duties under data protection provisions and monitoring their compliance. Every division must appoint a data protection coordinator to ensure the operational implementation of data protection requirements. This coordinator is the point of contact for all issues in connection with data protection and information security in the division, and reports any vulnerabilities or breaches to the Data Privacy and Security units.

Data protection and information security are key principles in the Code of Conduct of the A1 Telekom Austria Group. The protection of privacy, and thus respecting the human rights of customers, employees, shareholders, suppliers and sales partners are guiding principles anchored in it. The Group's contractual partners are required to comply with the principles governed by the Code of Conduct and, thus, to comply with data protection. Furthermore, in their role under data protection law as contract processors, suppliers are contractually required to fulfill the A1 Telekom Austria Group's requirements for data protection and information security in the processing of personal data.

Data protection and information security are essential within the company as well. All employees of the A1 Telekom Austria Group are required to preserve trade and business secrets. Such confidential information must be stored securely and can only be disclosed internally to persons who require such information for their professional work (need-to-know principle).

Key performance indicator

To raise awareness and provide training on data protection and information security, there are company-wide online training sessions and more advanced sessions for the individual divisions and data protection coordinators, as well as current information in internal communication media or events. In 2021 throughout the Group, more than 9,500 e-learning modules were completed and 1,900 participants at workshops on data protection and information security were registered (2020: around 22,200 e-learning). The figure from 2020 contains a new mandatory e-learning on data protection, which in 2021 only new employees had to complete. This partly explains the lower number in the year 2021 compared to the year before.

Opportunities and risks

The A1 Telekom Austria Group is aware of the risk posed by cybercrime. To reduce cyber-risks and also to be optimally prepared for future threats of this nature, the Group is continuously investing in its security measures. To prevent and minimize security risks such as unauthorized penetration of A1 systems or forced downtimes, security measures are expanded on an ongoing basis. For example, realistic phishing drills ensure that employees can detect scam messages. The implementation of data governance in accordance with the privacy by design principle reduces the risk when handling data. This applies in particular to the use of cloud services and ensuring data protection when sourcing software and service providers.

Implementation / results in 2021

In 2021, the A1 Telekom Austria Group therefore took comprehensive and wide-ranging measures to safeguard the security of customer data. This year, the Group experienced a significant increase in DDoS attacks aiming to deliberately overload network servers. More than 100 DDoS attacks per day are registered in A1's backbone. Significant attacks with loads of more than 100 Gbit/s also occur on nearly a weekly basis. Investment by the A1 Telekom Austria Group in automatic DDoS defense allows virtually all of these DDoS attacks to be successfully counteracted. So that A1 business customers can successfully defend against DDoS attacks, A1 offers them automatic protection with its "A1 Cleanpipe" product.

The function of Chief Security Officer (CSO) was created in Austria and additional staff were added to the Cyber Security department overall. Moreover, password requirements have been heightened for all employees. In addition, vulnerability management was revised to enhance transparency and so that vulnerabilities that arise can be tackled even more rigorously and quickly. Furthermore, the security information and event monitoring (SIEM) system was comprehensively expanded to be able to detect and combat cyber incidents immediately. Internal risk management is also being modernized in view of the complexity of cyber-risks.

There has been a new form of malware in Austria since around May 2021 called FluBot, which compromises phones in order to access its victims' personal data, identities on social platforms, contacts and online banking. The malware sends SMS

messages from the compromised phone to other phones not yet affected. To prevent its spread and limit the potential harm to customers, A1 places a cyber-lockout on phone numbers that are noticed to be sending unusually high numbers of SMSs. The A1 service line also helps the customers affected to fix the problem.

High-performance networks

Concept

The advances in digital transformation and the associated rise in demand for secure and stable connectivity were greatly accelerated by the COVID-19 pandemic. The greater number of people working from home and more agile forms of collaboration are significantly amplifying this trend. With its high-performance and future-proof infrastructure, the A1 Telekom Austria Group offers a dependable foundation for increasingly digital working and living environments.

In particular, the Group is focusing on helping to shape a sustainable future on the basis of technological innovation. For in the age of digital transformation, alongside the many advantages, there are naturally also challenges. Among other things, increased online presence ultimately also means greater data traffic, a consequence of which is higher energy requirements. The A1 Telekom Austria Group is tackling the associated tasks, and its ecological and social responsibility, head-on, and is promoting a more efficient and resource-friendly operation of its infrastructure through innovative technologies.

In the area of management systems, the A1 Telekom Austria Group has initiated the development of the future operations support system (future OSS). Systems of this type automate the operation of networks and will bring more flexibility in the coming years. In addition, the use of established management systems such as ISO 9001 will also continue. These are regularly evaluated.

Key performance indicator

Capital expenditure by the A1 Telekom Austria Group amounted to EUR 891.5 mn in the financial year 2021 (2020: EUR 651.4 mn), with the expansion of 5G and fixed-line broadband services being one of the main areas. The expansion of the digital infrastructure in Austria accounted for EUR 496.0 mn of this.

Opportunities and risks

The stable availability of Internet access, products and services is the fundamental requirement for customer satisfaction. The key risks here include the failure of parts / layers of the network due to physical damage (e.g. construction work, natural disasters), technical problems (hardware or software errors) or human error / sabotage.

Short latency and high data throughput even under heavy load require highly professional network management. Quick problem-solving and information when disruptions occur are

essential for offering customers the utmost quality. Ongoing protection and continuous improvement of the communications infrastructure and supply performance represent a significant quality advantage and thus enhanced image and reputation. The company therefore relies on measures such as the (geo-) redundancy of networks and services, certified service and update processes, the virtualization of functions, testing and documentation, plus a close-knit control system, thereby ensuring product and service performance without interruption.

Implementation / results in 2021

Broadband expansion in Austria

The 2021 infrastructure expansion in Austria focused on the advancing 5G roll-out and investment in Austria's biggest fiber network. In mobile communications, around 62 % of the population already has coverage for the fastest mobile technology 5G, as of the end of 2021. This makes A1 the leader in the field of 5G networks. A1 is still pursuing its target of providing 5G coverage for the entire population (>95 % of Austrian people) by 2023.

In fixed-line operations, more than 3,000 km of additional fiber was laid this financial year. A1 now has a fiber network with a fiber length of around 64,000 km in Austria. 95 % of Austria's communities are therefore connected to the A1 Telekom Austria Group's fiber network.

Broadband expansion in CEE

The starting shot for 5G was fired in Bulgaria, Croatia and Slovenia in 2021 following the corresponding frequency auctions. Spectrum in the 2.1 GHz, 2.6 GHz and 3.6 GHz frequency ranges was acquired in Bulgaria in the first half of 2021. In a multi-band auction in Slovenia, spectrum in the 700 MHz, 1.4 GHz, 2.1 GHz, 3.6 GHz and 26 GHz frequency ranges was purchased at auction in the second quarter. Most recently, spectrum in the 700 MHz, 3.6 GHz and 26 GHz ranges was acquired in Croatia in summer 2021. The A1 Telekom Austria Group invested a total of EUR 65.3 mn in frequencies in the financial year 2021.

Parallel to this, the Group is continuing to develop its fixed line infrastructure on its CEE markets and increasingly using fiber and state-of-the-art cable technologies such as DOCSIS 3.1.

3. Material environmental matters

Climate change and carbon footprint

Concept

The carbon emissions resulting from the energy consumption of the network infrastructure represent the Group's biggest impact in terms of climate change. The company's fleet and the heating / air conditioning of its buildings likewise contribute to its carbon emissions. The A1 Telekom Austria Group therefore takes action to enhance its energy efficiency and stabilize or

reduce its energy requirements while simultaneously cutting carbon emissions as much as possible in all areas. Also, depending on the framework conditions, it seeks to ensure that its network design is as ecological as possible—including by using electricity from renewable energies.

The A1 Telekom Austria Group has summarized its commitment in a Group-wide environmental policy and anchored specific environmental goals in its environment, social and corporate governance (ESG) strategy. This, in turn, is part of its corporate strategy. As the goals of the ESG strategy have been taken into account in remuneration criteria for members of the Management Board of the Group and of the respective Group companies since 2020, the achievement of environmental goals has a direct influence on management remuneration.

The environmental management systems are certified according to ISO 14001 in all operating countries of the A1 Telekom Austria Group, except Belarus. A1 in Belarus is striving to achieve this certification for 2022. Furthermore, EMAS (eco management and audit scheme) requirements are complied with in Austria and Slovenia. Energy management in Austria is also certified according to ISO 50001. Since 2014, A1 has been the first carbon-neutral network in Austria to be audited and validated annually by TÜV SÜD according to the PAS 2060 international standard. Management systems are also evaluated regularly. For example, the ISO certifications are evaluated annually and were successfully carried out again for 2021. Adjustments are made as necessary throughout the year.

Key performance indicator

The A1 Telekom Austria Group's goal is to reduce its carbon footprint to "net zero" by 2030 and to increase its energy efficiency per terabyte generated by 80 % over the same period. It plans to do so by reducing its own carbon footprint as a whole and by gradually making the transition to energy from renewable sources.

As a result of all the measures taken to date, carbon emissions were reduced at Group level as against 2020 in 2021. The A1 Telekom Austria Group's scope 1 emissions, which include carbon emissions from the combustion of fossil fuels for heating and mobility, were reduced by 3%. Scope 2 emissions (market-based), which are generated by energy consumption and district heating, declined by 22%. The total carbon reduction amounts to 20%. The distance driven by the Group's fleet was reduced by 0.8% and fuel consumption fell by 3%. At A1 in Austria, 161 electric vehicles were ordered in 2021. Heating levels stayed the same / decreased slightly in 2021 year-on-year (fuel for heating: ±0%; district heating: -2%). Electricity requirements increased by 6% over the same period. The energy efficiency indicator (electricity required per terabyte transferred) was 0.11 MWh / terabyte in 2021 (2020: 0.14 MWh / terabyte).

Targets for 2030¹⁾

Status in 2021

Reduction of CO ₂ emissions to net zero by reducing own CO ₂ footprint and by gradually making the transition to energy from renewable sources	-20% scope 1 and scope 2 (market based) emissions compared to 2020
Energy efficiency enhancement of 80% ²⁾	Improvement of 18% compared to 2020

1) Base year 2019

2) Measured as electricity required per terabyte transferred (in MWh / terabyte)

Direct and indirect energy (in MWh)

According to the GRI Standard for Sustainability Reports: 302-1, 302-4

2021	Electricity ¹⁾	Fuels for heating ²⁾	District heating	Fuels ³⁾	Total energy consumption
Austria	351,843	13,990	26,406	33,520	425,759
Bulgaria	130,564	97	164	9,806	140,631
Croatia	90,813	578	3,385	5,675	100,452
Belarus	96,252	320	3,712	4,560	104,844
Slovenia	36,020	0	326	1,036	37,382
Serbia	66,828	161	287	2,610	69,886
North Macedonia	33,866	0	0	2,189	36,055
A1 Digital	812	0	22	67	902
A1 Telekom Austria Group	807,000	15,147	34,302	59,463	915,912

2020

Austria	323,374	14,105	28,454	35,117	401,051
Bulgaria	126,996	95	302	10,061	137,455
Croatia	86,413	499	2,845	5,137	94,894
Belarus	95,879	329	3,039	4,805	104,052
Slovenia	33,814	0	277	1,172	35,264
Serbia	64,619	132	218	2,472	67,442
North Macedonia	32,564	0	0	2,158	34,722
A1 Digital	729	0	22	161	913
A1 Telekom Austria Group	764,390	15,161	35,159	61,083	875,793

Change (in %)

Austria	9	-1	-7	-5	6
Bulgaria	3	2	-46	-3	2
Croatia	5	16	19	10	6
Belarus	0	-3	22	-5	1
Slovenia	7	n. a.	18	-12	6
Serbia	3	22	31	6	4
North Macedonia	4	n. a.	n. a.	1	4
A1 Digital	11	n. a.	0	-59	-1
A1 Telekom Austria Group	6	0	-2	-3	5

The environmental indicators for the full financial year 2021 were not yet available at the time of reporting. The above table contains the figures for the period from 1 November 2020 to 31 October 2021, which is considered a representative comparison period for the financial year 2021. If no data were available for this period, data from the previous period were used. While figures were compiled with the utmost care, inaccuracies may occur, for instance due to estimates. Due to more precise compliance with the GHG protocol, the "electricity" indicators for Belarus have been recalculated for 2020. A1 Digital includes the German and Swiss part of the operations of A1 Digital (Austrian and Bulgarian parts are already reported in their respective segments).

Tables may be subject to rounding differences.

1) Purchased and own production, plus diesel for (emergency) power generators

2) Including oil and gas, not adjusted for climate factors

3) Including diesel, gasoline, CNG, LPG and natural gas, not including diesel for (emergency) power generators

Opportunities and risks

In the area of environmental matters, climate scenarios and their impact on the A1 Telekom Austria Group's business model were analyzed for the first time in 2021. A multidisciplinary team evaluated the effects of two scenarios (<2°C, 4°C temperature increase) on the dimensions of customers, procurement, production and operations. The analysis focused on the risks of flooding / loss of parts of the network, cost increases, for

instance due to carbon taxes, or massive increases in power costs and a disruption of the production of end-user devices or their components and supply chains. These enhanced ESG activities offer opportunities in both customer acquisition and customer loyalty.

The long-term financial impact of the risks is mainly reflected in the cost increase for energy. Steps were successfully taken

Direct and indirect greenhouse gas emissions including biogenic emissions (in t CO₂-equivalent)

According to the GRI Standard for Sustainability Reports: 305-1, 305-2, 305-5

	Direct (Scope 1)	Indirect (Scope 2)		Total (Scope 1+2)		Total (Scope 1+2+Comp.)	
		location-based	market-based	location-based	market-based	location-based	market-based
2021							
Austria	12,086	85,783	8,356	97,870	20,442	83,042	5,614
Bulgaria	3,033	58,270	38,969	61,303	42,002	61,303	42,002
Croatia	2,408	13,715	26,942	16,124	29,350	16,124	29,350
Belarus	1,715	37,128	37,128	38,843	38,843	38,843	38,843
Slovenia	274	7,857	2,849	8,130	3,122	8,130	3,122
Serbia	948	48,883	41,231	49,831	42,179	49,831	42,179
North Macedonia	835	20,859	20,859	21,694	21,694	21,694	21,694
A1 Digital	18	135	6	153	23	153	23
A1 Telekom Austria Group	21,316	272,631	176,340	293,947	197,656	279,119	182,828
2020							
Austria	12,536	85,270	9,143	97,807	21,679	85,324	9,196
Bulgaria	3,168	64,981	64,962	68,149	68,130	68,149	68,130
Croatia	2,191	18,373	35,815	20,565	38,006	20,565	38,006
Belarus	1,794	36,492	36,492	38,285	38,285	38,285	38,285
Slovenia	311	7,931	4,809	8,242	5,120	8,242	5,120
Serbia	852	50,925	50,925	51,778	51,778	51,778	51,778
North Macedonia	1,012	22,931	22,931	23,943	23,943	23,943	23,943
A1 Digital	43	121	6	164	49	164	49
A1 Telekom Austria Group	21,908	287,025	225,083	308,932	246,990	296,449	234,508
Change (in %)							
Austria	-4	1	-9	0	-6	-3	-39
Bulgaria	-4	-10	-40	-10	-38	-10	-38
Croatia	10	-25	-25	-22	-23	-22	-23
Belarus	-4	2	2	1	1	1	1
Slovenia	-12	-1	-41	-1	-39	-1	-39
Serbia	11	-4	-19	-4	-19	-4	-19
North Macedonia	-18	-9	-9	-9	-9	-9	-9
A1 Digital	-59	11	-4	-7	-52	-7	-52
A1 Telekom Austria Group	-3	-5	-22	-5	-20	-1	-16

The environmental indicators for the full financial year 2021 were not yet available at the time of reporting. The above table contains the figures for the period from 1 November 2020 to 31 October 2021, which is considered a representative comparison period for the financial year 2021. If no data were available for this period, data from the previous period were used. Scope 1 includes direct emissions from combustion of fossil fuels; emissions from cooling agents are not considered. Scope 2 includes indirect emissions from electric energy and district heating. According to the 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 the GHG Protocol, "market-based scope 2" figures refer to energy suppliers' emissions factors, insofar as these are available, or an individual energy product. A1 Digital includes the German and Swiss part of the operations of A1 Digital (Austrian and Bulgarian parts are already reported in their respective segments).

Tables may be subject to rounding differences.

to minimize the risk of flooding, including construction activity and relocating critical equipment to higher floors. The externally monitored analysis resulted in the classification of climate risks in countries of the A1 Telekom Austria Group as “low impact” (<3% impact on cash flow). Other strategic activities also contributed to a reduction of consumption or the avoidance of regulatory risks.

To reduce the risks, nearly 100% of electricity is sourced from renewable energy in Austria, solar power is promoted throughout the Group and various measures are taken to use the required energy as efficiently as possible. These range from using low-consumption equipment to increasing average temperatures at IT locations in order to reduce the need for cooling. A transition to cloud solutions for the more efficient processing and storage of data contributes to the reduction, as does active network management, which supports the most efficient technology for data transfer in addition to the investment in new technologies.

Implementation / results in 2021

As stated before, the A1 Telekom Austria Group believes that it has an obligation to make its business operations as sustainable as possible. In addition to measures to enhance energy efficiency, meeting the energy demand from renewable sources such as solar power, hydropower or wind power plays a big role. For this reason, the focus in 2021 was again in particular on electricity purchasing and consumption as the biggest lever for reducing CO₂ emissions. Throughout the Group, the share of renewable energy in total energy consumption and in electricity consumption increased to 50% and 57% respectively. A Green Electricity Policy was created to define the right measures with corresponding quality standards for the purchase of green electricity. This policy defines four key instruments: on-site energy production, power purchasing agreements (PPAs), green tariffs and guarantees of origin. Each of these instruments was assessed and prioritized according to various criteria, such as environmental impact, time to implementation and innovation potential. At least one of the Green Electricity Policy’s instruments was implemented on virtually all markets of the A1 Telekom Austria Group in 2021. Examples include a contract for a green tariff in Croatia and Serbia, the acquisition of guarantees of origin in Bulgaria and the installation of solar panels on base stations in Bulgaria. The A1 Telekom Austria Group also operates two major photovoltaics plants of its own. One in Belarus has been operating since 2016 with around 24 million kWh of electricity produced every year. Also, another plant in Aflenz, Austria, has been operating since back in 2013 producing around 215,000 kWh of electricity per year.

Various measures are being taken to reduce carbon emissions by the Group’s fleet of vehicles, the first of which is to reduce

the distance traveled. Innovative logistics concepts and tele-presence solutions, as well as other digital solutions in support of flexible, remote forms of work are also used as an alternative. Self-installation solutions for customers also help to reduce the distance traveled. The second step is to use vehicles with sustainable drive systems. The increased use of gas, hybrid or electric vehicles is currently being evaluated / implemented. The A1 Telekom Austria Group also commissioned EcoAustria and the Fraunhofer Institute for Systems and Innovation Research (ISI) in Austria to produce a study on “Digitalization and Climate Change”, which was published in March 2021. Both the positive and negative effects of digitalization on CO₂ emissions were analyzed qualitatively and quantitatively. The results show that digital infrastructure makes a positive contribution to the climate overall, as the carbon-reducing effects outweigh the carbon-increasing effects on average.

Resource optimization and dematerialization

Concept

Digitalization offers huge potential for environmental protection in terms of resource conservation. Digital communication solutions, such as videoconferencing or telepresence, are making communication more efficient and more environmentally friendly in a number of areas of work and life, as many work processes that would otherwise have required travel can now be done online. Hand in hand with this dynamic digital transformation, new technologies and devices / components are continuously being developed and used to optimize efficiency and potential. The A1 Telekom Austria Group makes fundamental ecological principles a top priority, such as preventing waste, conserving resources and efforts to keep valuable raw materials in circulation for as long as possible. Continuous lifecycle management ensures that resources in circulation can be used for as long as possible. This includes the refurbishment and reuse of returned devices that are still functional and technologically current. When devices or equipment can no longer be used, they are dismantled, systematically separated by component, such as circuit boards, copper, iron or tin, and properly recycled. Manual recycling processes are preferred. The A1 Telekom Austria Group also contributes to the conservation of resources by recycling cell phones. Most of its subsidiaries offer their customers the opportunity to return old devices free of charge, and some subsidiaries have even been doing this since 2004.

Key performance indicator

The A1 Telekom Austria Group has set itself the goal of recycling around 50,000 old devices every year by 2030. Between 70% and 80% of the components of these old devices can

Target for 2030	Status in 2021
Promoting the circular economy within the company by recycling around 50,000 old devices per year	166,038 devices

be recycled and reused as raw materials by specialist recyclers. In 2021, the Group as a whole collected 166,038 recycled devices (2020: 84,880 mobile devices) and 580,839 recycled and refurbished devices in total.

Opportunities and risks

The A1 Telekom Austria Group also sees dematerialization and resource conservation as a business opportunity, as the development of innovative solutions could open up new business areas and possibilities for revenue growth. Improving process efficiency means resources such as raw materials can be used more effectively or their use can be prevented altogether. This affects both production and logistics costs. The COVID-19 pandemic made an unplanned yet key contribution to accelerating this development.

Rising recycling targets and the underlying activities contribute to the resource cycle and mitigate the risk of recycling requirements, such as those that have long existed in Belarus. An active commitment to certified product refurbishment also reduces the Group's investment in equipment. Refurbishment is already being successfully practiced for cell phones, modems and set-top boxes. With customers now increasingly aware of the issue of resource conservation, calls are growing for the company to become a market pioneer, as is demand for refurbished devices that also lower the barrier to entry for the premium segment.

Implementation / results in 2021

A1 Telekom Austria Group's ambitions for resource optimization and dematerialization are not just limited to recycling. In Austria, the proceeds from cell phone recycling go towards climate protection projects. Similarly, initial pilot projects were carried out to resell refurbished cell phones. In Slovenia, for example, A1 introduced a green cell phone plan where older smartphone models that are still technically fully intact are sold at lower costs, mainly to a younger target group. Moreover, at A1 in Austria, more than 160,000 units of the A1 WLAN Box and the new A1 Hybrid Box have been shipped with a new packaging design based on sustainable criteria already.

4. Social matters

Secure, proficient use of digital media, Internet crime, Internet addiction, access to information and education

With regard to social matters, the A1 Telekom Austria Group fulfills its responsibility to society with a special focus on teaching media literacy, how to use social media and cybercrime. The significant issues are discussed jointly in the following

section: access to information and education, secure, proficient handling of digital media, cybercrime and Internet addiction.

Concept

The dynamic digital transformation is accompanied by the continuous introduction of innovative applications that are enriching our working conditions, our lives and our communities. The A1 Telekom Austria Group is aware of the social responsibility associated with this. It is actively involved in educating people about the proper use of mobile devices and the Internet, as well as about risks such as Internet addiction or cybercrime. This is relevant both for the older generation and for children and young people. Furthermore, for the latter target group, the clear trend towards creative digital applications will require new digital teaching concepts. It is no longer just a matter of acquiring digital skills, but also actively helping to develop and shape the digital world. This is particularly relevant for children and young people, as digitalization will shape and change the future of working life more than ever before. New job profiles will emerge, which will demand new approaches to training and continuing professional development. The workshops offered by the A1 Telekom Austria Group on issues such as programming, robotics or design and media will give young people a hands-on way to acquire digital learning content so that they can become the architects of the digital world of tomorrow.

The focus today is therefore on teaching learners the right way to handle digital design, Internet security and social media. The "A1 Internet for All" media literacy initiative was established in Austria in 2011 to teach these very skills, and similar projects and activities have since been rolled out in other countries where the Group operates. The initiative offers free workshops that help people to take their first steps in the digital world and teach them how to protect themselves effectively against potential risks, such as cybercrime, in addition to training programs for educators.

Target attainment is regularly reviewed on the basis of predefined key figures, such as the number of participants in media literacy training sessions. The responsibility and steering of the Group-wide media literacy initiative is ensured by the Group ESG department.

Key performance indicator

Some workshops were held online because of COVID-19. In total, workshops were attended by 33,190 participants in 2021. The "A1 Internet for All" and "A1 digital.campus" initiatives have already been attended more than 261,100 times in total since 2011. The A1 Telekom Austria Group is committed to reach 100,000 people between 2020 and 2023 as part of its digital education initiative. This initiative is clearly focused on children and young people to help them safely navigate and actively shape the digital world.

Opportunities and risks

Promoting the use of digital media is seen as an opportunity, because the safe and skilled use of new media has now reached all areas of life—education, work, leisure—and therefore also helps to close the digital gap. Lockdowns due to the pandemic served as a catalyst of digital transformation and fueled a rapid increase in the use of digital tools across all age groups. Risks in using digital media pose challenges to children, young people and digital beginners especially—challenges that they have a limited capacity to solve themselves. These can range from addiction, bullying or isolation to rising cybercrime.

Implementation / results in 2021

The digital transformation and the COVID-19 pandemic are creating new skill requirements, not just for children and young people, but for educators and parents as well. Distance learning, working from home and virtual contact with family and friends are now part of our day-to-day reality. To address this, A1 expanded its range of online workshops for teachers and kindergarten educators in Austria. Moreover, the number of parents' evenings was increased as, especially in times of distance learning and lockdown, children's Internet consumption has risen enormously, giving rise to a number of extra questions about Internet use, cyberbullying and social media addiction. For pupils in Austria, a selected number of online workshops were offered in conjunction with distance learning in the first half of the year, while at the same time a new education initiative concept was developed.

After ten years, "A1 Internet for All" became the new "A1 digital campus" in 2021, with a focus on robotics, coding and design and media labs for school classes. Children and teenagers were given a hands-on chance to learn the basics of coding and robotics at the first vacation special in November.

A1 is also focusing on safety workshops for children in North Macedonia, Croatia, Serbia, Slovenia and Bulgaria, and it offers workshops for parents in Slovenia and Croatia as well. Furthermore, in Serbia, A1 designed a workshop just for girls on safety on the Internet and digital skills, while children and parents in Slovenia found answers for their questions on safe Internet habits in an online quiz on A1's website.

For the older generation, the A1 Seniors' Academy was launched in Austria, giving people over 60 the chance to take part in online workshops as a gateway to the Internet, in addition to covering relevant security issues and the latest advice on communicating by WhatsApp and video calls. In Belarus as well, the #ionline campaign was continued to actively help Internet beginners as they take their first steps in the digital world.

5. Employee matters

The issues of remote and flexible working environments, the skill shift on the employment market and developing employees' digital skills are the central elements in the area of employee matters. Actions for promoting women and diversity are reported on as well.

The A1 Telekom Austria Group had 17,856 employees / full-time equivalents (FTE) as of the end of 2021 (2020: 17,949). The headcount in the Austria segment was reduced by 2% to 7,180 in conjunction with the ongoing restructuring measures. 35% of employees in the Austria segment have civil servant status (2020: 38%).

Target for 2023

Reaching 100,000 people—with a special focus on children and young people—as part of the digital education focus. Providing confidence and skills in their active creation of digital worlds.

Status in 2021

42,429 since 2020

Participation in the "A1 Internet for All", "A1 digital.campus" and "A1 Seniorenakademie" initiatives

	2021	2020	Change (in %)
Austria	12,793	8,936	43
Bulgaria	12,082	n. a.	n. a.
Croatia	2,878	143	1,913
Belarus	184	n. a.	n. a.
Slovenia	3,705	n. a.	n. a.
Serbia	244	90	171
North Macedonia	1,304	70	1,763
A1 Telekom Austria Group	33,190	9,239	259

Remote working and flexible hours

Concept

The focus in 2020 was on successfully coping with the challenges of the COVID-19 pandemic. This includes successful collaboration when working from home for those for whom this is an option. In addition, appropriate health and safety concepts had to be implemented for shop and logistics employees, as well as customer service technicians, as quickly as possible. When it emerged that an orderly return to offices would be possible again, the A1 Telekom Austria Group developed a joint framework that could give guidance for all countries while still enabling and allowing specific local solutions. This focuses on flexibility in the time and location of work. A good balance between working under remote and office-based conditions plays a crucial role in this. The physical office is preferred for creative collaboration, team meetings and social interaction, while working from home or remote working is particularly suitable for focused, individual work or routine activities. The A1 Team is aware that flexibility and freedom also mean responsibility regarding one's own work and the results that must be achieved. This framework is being adapted in line with the current pandemic situation.

To make the transition to hybrid working and different forms and formats as smooth as possible, corresponding training, webinars and e-learning were offered at both Group and country level.

Opportunities and risks

Among other things, the increased competitive capability resulting from higher employee productivity is seen as an opportunity. Satisfied employees deliver better results and employee satisfaction also improves the perception of the A1 Telekom Austria Group as an attractive employer. This likewise lays the groundwork for ensuring a work / life balance and a healthy working environment. At the same time, however, the growing

flexibilization of working life is posing new challenges for employers and employees alike. After one and a half years of pandemic, both a mode of working and the associated regulations have been developed and established. Adjustments that had to be made on account of the pandemic have had no measurable negative effects on employees' performance or motivation. Nonetheless, risks (decline in creativity, isolation, loss of work-life balance) and opportunities (attractiveness as an employer) remain a constant challenge for employees and managers.

The A1 Telekom Austria Group is actively taking steps to minimize these risks. These include a clear focus on more dialog and virtual collaboration formats as well as, above all, the training of management and support for them and their teams.

Implementation / results in 2021

In order to explore the changing conditions in a hybrid working environment, in the spring and fall of 2021, the Group offered virtual workshops on hybrid working for managers, staff who host meetings and all employees. In view of the high demand, further workshops are planned for 2022.

The New Work Festival was created at A1 in Austria in 2021 as a new event format open to all employees with the aim of discussing and reporting on various aspects of the "A1 Way of Work" with internal and external experts. In a co-creation process, all employees can help to shape the new world of work. A1's biggest co-creation event to date lasted nine days and comprised 64 sessions with 91 internal and external speakers. All sessions and workshops, etc. were held virtually. This format was continued from November 23 to December 1 with the title "Leadership in Flux". Various aspects of leadership were examined in the new work context in 27 virtual events with 43 internal and external speakers, which were open to all A1 employees in Austria. Three specific workshops were offered to all employees of the A1 Group as part of the New Work Festival: "Intent-based Leadership" with a keynote by a renowned

Employees¹⁾ as of 31 December 2021

	2021	2020	Change (in %)
Austria	7,180	7,320	-1.9
Bulgaria	3,291	3,329	-1.2
Croatia	1,837	1,872	-1.9
Belarus	2,334	2,385	-2.1
Slovenia	606	532	14.1
Serbia	1,456	1,370	6.3
North Macedonia	767	776	-1.2
Corporate including A1 Digital	385	366	5.3
A1 Telekom Austria Group	17,856	17,949	-0.5

1) Full-time equivalents

leadership author, “The Role of Leadership in Hybrid” and “Inclusive Leadership”.

The Group Young Potential Program, or GYPP, was held entirely virtually in 2021. GYPP is intended for talented young employees with less than five years’ professional experience who have been with the A1 Telekom Austria Group for at least one year. The aim of this program is to bring fresh perspectives, ideas and concrete projects by young potentials into the company in service of its digital transformation. It allows the participants to broaden their horizons, to network throughout the Group and with different departments, and to learn new skills. In GYPP, there are currently 25 participants working in teams on projects relevant to business, learning and working independently with the guidance of coaches and project sponsors throughout the six-month process.

The employee survey “A1 Voices” was carried out in the fourth quarter of 2021. Employee engagement has risen since the last survey in 2019—the Engagement Index for the whole of the A1 Telekom Austria Group was at 77% as compared to 76% in 2019. The values for the various units of the company were between 68% and 86%.

Skill shift on the employment market and employee digital skills development

Concept

It is important to the A1 Telekom Austria Group to be an attractive employer for talented people, and to offer its current employees the chance to expand their capabilities and to create an ideal framework for their ongoing development to ensure that they have the skillsets they need for the future as well. According to the motto “Learning is in our DNA”, it is a strategic goal of the A1 Telekom Austria Group to actively develop the learning culture and to create a framework for customized and self-managed learning.

In addition to specific expert training, relevant learning content is offered for all employees of the Group. Since 2019, A1 Learning Topics have been teaching the basics and more advanced information on strategic future issues such as advanced analytics, the cloud and agility. The learning content can be accessed via the Group-wide eCampus learning platform at any time.

Key performance indicator

More than 120,400 eCampus courses were completed in 2021. The number of courses completed in 2020 was 131,200.

Opportunities and risks

Digitalization—and the associated development of digital skills—is a central aspect of corporate strategy, and the ongoing development of employee skills is a key pillar of advancing this

digitalization. Depending on skillsets and how they are used in day-to-day work, increased personal responsibility and thus employee satisfaction—also as a result of being able to work anywhere and at any time—is seen as an opportunity of a digital business model. A wide range of courses is therefore available on the internal eCampus for acquiring skills.

Digitalization offers a wide range of possibilities that the A1 Telekom Austria Group is actively leveraging in conjunction with its internal transformation and externally guiding customers with forward-looking services. For completeness, it should be noted that the increase in networking also entails risks in the field of cybersecurity, which the A1 Telekom Austria Group is actively addressing.

Implementation / results in 2021

16 A1 Learning Topics, mostly in the areas of social and digital skills development, were available on the eCampus in 2021. Starting in the fourth quarter, one A1 Learning Topic dealt with ESG. At the same time, employees can use the ESG Library as a point of reference, where they can find the A1 Telekom Austria Group’s ESG strategy or informative Internet sites on ESG issues. This A1 Learning Topic will be continued in 2022 with the aim of providing an overview of ESG issues and raising awareness.

Another A1 Learning Topic was “Growth Mindset”, which was chosen for the ongoing development of the A1 learning culture. “Growth mindset” describes the belief that talents and skills can be developed and are not set in stone. All employees were given the chance to take part in this learning option with activities such as a talk by an internationally renowned expert, videos of A1 testimonials, extensive learning materials and a quiz for testing their own knowledge.

The A1 Telekom Austria Group is using a skills-matching platform to establish an overview of the skills that exist within the Group on the one hand while also offering all employees an individually tailored learning experience on the other. There, employees can create their skills profile and compare this against real job profiles and offers using artificial intelligence. The tool shows the matches between the skills that employees already possess and job requirements, and it suggests suitable learning options from various learning platforms. For example, in support of gender diversity initiatives, women can compare their individual skills with the profile for leadership roles and are assisted in their development towards a leadership role. Two webinars were held on this subject in November.

Promoting women and diversity

Concept

Diversity, equity and inclusion are key components of the ESG strategy. Diversity within the A1 Team opens up enormous potential for the Group. Different skills, perspectives and

experiences offer a wide range of options for learning together and from each other, and thereby arriving at better solutions for A1 customers, for employees and for the company. "Diversity, Equity and Inclusion" (DE&I) is the catch-all term for initiatives and projects relating to these issues.

While diversity itself is broadly defined (age, equality, disabilities and skills, etc.), special attention is paid to gender diversity. In Austria especially, there is a low share of women on account of the company's history and social circumstances. To raise the number of women and to get more women into management positions, the compatibility of family and work has been a key point of focus in the last few years especially. However, flexible time models and the chance to work from home have been available since long before the COVID-19 pandemic.

Key performance indicator

The A1 Telekom Austria Group has set itself the goal of increasing the share of women in management positions to 40% by 2023, while also raising and keeping the overall share of women in the company at above 40%. In 2021, the share of women in management positions was 36% (2020: 36%), with women accounting for 39% (2020: 40%) of the company's workforce.

Opportunities and risks

By design, management teams are organized in a cross-functional way in the A1 Telekom Austria Group. One of the opportunities this affords is that diversity leads to better

decisions, as it allows a broader perspective on issues. Different perspectives allow risks to be identified more quickly as well. Diverse teams also often consider more options, find more creative solutions, make decisions based on more comprehensive criteria and are less prone to one-dimensional thinking. Diverse teams are also considered a strong engine for innovation. Companies with a high level of diversity are more likely to be highly profitable, as multiple studies have shown.

Implementation / results in 2021

A number of DE&I initiatives were launched in 2021 and programs were implemented to actively pursue goals in the area of promoting women and diversity. The DE&I Policy forms a Group-wide framework for these issues. This policy has been published on the A1 Telekom Austria Group's ESG website.

Transparency creates trust and understanding, which is why an internal DE&I Information Hub was set up in 2021. This is an internally accessible website with information on all DE&I issues and their corresponding points of contact. This hub is accessible to all employees. In the interests of transparency, the "DE&I Info Hub" also contains a KPI dashboard that displays and analyzes all key diversity indicators for the Group as a whole. The hub is constantly being refined and improved with the help of the entire A1 team.

A further initiative is workshops on unconscious bias, because this remains one of the biggest obstacles to diversity, equity and inclusion. The Group has therefore made it its goal to provide even more information and, above all, to create more

Targets for 2023¹⁾

	Status in 2021
Increasing the share of women in management positions to 40%	36%
Raising and maintaining the share of women in the company at 40%	39%

1) Basis year: 2019

Share of female employees and female managers as of 31 December 2021

in %	Share of female employees		Share of female managers ¹⁾	
	2021	2020	2021	2020
Austria	26	26	19	18
Bulgaria	44	46	47	47
Croatia	42	43	38	41
Belarus	54	55	43	43
Slovenia	45	44	41	46
Serbia	61	62	49	51
North Macedonia	48	52	45	42
A1 Telekom Austria Group²⁾	39	40	36	36

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

2) Including Holding and A1 Digital

transparency in this regard. The target group in 2021 was managers who were invited to take part in these workshops. This was supplemented by a preparatory e-learning. To enable as many employees as possible to access this content, the English version was translated into seven languages.

New Group-wide online training has also been used since 2021 to teach a basic understanding of diversity. Promoting women continues to be a key priority within diversity. A1 in Austria is clearly focused on increasing the share of women in management positions and the share of women in general. New networks and training are intended to create a better framework for this. All woman managers in Austria were invited to the Female Leaders Circle for the first time in March 2021. There have already been four meetings where participants have been able to learn together, network and share experiences. The A1 Female Empowerment Program offers suggestions for personal development and for defining goals and priorities, input on issues such as potential, decision-making authority and communication and presentation. In five modules, external trainers guide 30 participants in total on their path to more empowerment.

Recruitment activities tailored to specific target groups and new wording to be used in job advertisements in Austria are intended to help remove gender-specific barriers. Job adverts now address all genders, and also point out that women will be hired given equal qualifications.

A1 in Slovenia signed the Diversity Charter in 2021. This reflects the company's intention to actively do something about raising awareness for the need to respect diversity in the workplace. The Diversity Charter is a voluntary European initiative to motivate the signatory companies to engage in halting discrimination and the promotion of diversity, freedom from discrimination and equal opportunities in the workplace. The A1 Telekom Austria Group has been a member of this Diversity Charter since 2014.

The A1 Telekom Austria Group attaches great importance to the satisfaction and wellbeing of its employees. Employee polling was stepped up during the COVID-19 pandemic in the regular "A1 Voices" survey and quick pulse checks. The "A1 Cares" initiative was launched this year based on the results of the "A1 Voices Spotlight" survey. According to the motto "You care about your family and A1. A1 cares about you", support was provided in the form of an e-library with information materials and practical exercises for the issues of work-life balance as well as physical and mental wellbeing, at the same time as local activities at the subsidiaries. Its range is rounded off by information on virtual (team) work and a live webinar with a neuroscientist and a yoga teacher, who provide scientific insights, practical tips and exercises for improving wellbeing.

6. Human rights

Having joined the UN Global Compact, the A1 Telekom Austria Group is committed to implementing fundamental requirements in the areas of human rights, labor, the environment and combating corruption. This commitment has been acknowledged by being integrated into the Austrian subsidiary's Terms and Conditions, for example. In some countries in which the A1 Telekom Austria Group operates, national laws can make it difficult to ensure that human rights are respected absolutely. Where national law diverges from the A1 Telekom Austria Group's commitment to human rights and sets a lower standard, the Group always endeavors to achieve the higher standard, though the wellbeing of employees is the top priority. In the event of a conflict, the A1 Telekom Austria Group applies national law, at the same time attempting to respect human rights as much as possible. In order to assess the respective national situations, a steering committee was initiated as a management instrument for the event that human rights violations are suspected in the respective countries. This steering committee consists of one member each from the A1 Telekom Austria Group Management Board, the national Management Boards and the Public Affairs Officers of the A1 Telekom Austria Group and the respective country. This committee's job is to evaluate the respective situation from the perspective of employees, customers and civil society, and to make corresponding decisions on business policy. Specifically as a provider of critical infrastructure, the A1 Telekom Austria Group wishes to avoid all negative consequences that can affect employees and civil society and that are not in its interests.

Human rights complaints can be submitted throughout the Group on the compliance whistleblowing platform "tell.me"—also anonymously if so desired—and are carefully processed in conjunction with compliance processes. Seven complaints were submitted and processed in the 2021 reporting year.

Focus: A1's commitment in Belarus

The A1 Telekom Austria Group is highly aware of the political circumstances and human rights problems in Belarus especially. At the same time, the Group is paying particular attention to providing stable and high-quality services to all people in the country so that they can have access to information in any situation. In Belarus, A1 is the biggest alternative telecommunications company and makes an important contribution to supplying the country's Internet, making it a pathfinder for digitalization.

In 2020, in the period from August to November, several government orders were issued to mobile network operators to curb data traffic in certain regions of the country. Prior to this, A1's Internet access in Belarus was restricted throughout the country due to the state-run monopolists not providing enough capacity. As a result, A1 was forced by regulatory frameworks to reduce Internet speeds in some areas of Belarus.

A1 was the first provider in Belarus to publicly and transparently declare the above restrictions on Internet access. This approach was chosen in light of the fact that the authorities in Belarus have the technical capability, independently of the A1 network in Belarus, not only to curtail Internet access for the whole country but also to cut it off completely. The last order restricting A1's Internet coverage in Belarus was issued in November 2020. There were therefore no official instructions to reduce data traffic in certain regions in the 2021 reporting period. Since November 2020, A1 in Belarus has been providing the people of Belarus with mobile and Internet services round the clock. A1 in Belarus has also financially compensated its customers for the loss of Internet in 2020.

A1 is highly valued as an employer in Belarus. As a company, the A1 Telekom Austria Group does not get involved in political affairs, but it supports the constitutional rights of its employees, including the right to freedom of speech or the right to peaceful demonstration.

The A1 Telekom Austria Group was informed on December 10 that a spokesperson for A1 in Belarus was arrested in Minsk. He has been accused of leaking sensitive company data. A demeaning video was also released with personal details about his private life. The A1 Telekom Austria Group condemned this invasion of the privacy of one of its employees, as it promotes diversity and freedom of opinion within its business enterprises. A1 in Belarus has strict policies and processes for avoiding illegal data breaches and investigates any possible misconduct.

The A1 Telekom Austria Group's commitment in Belarus makes a vital contribution to social development, and it offers employees an international career path. As in every country in which the A1 Telekom Austria Group operates, as a company it must obey local legal and regulatory requirements.

7. Compliance and anti-corruption

Concept

Acting with honesty, fairness, and transparency is an essential and integral 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 (CMS). The appropriateness and effectiveness of the A1 Telekom Austria Group's compliance management system was first audited and confirmed by PwC GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in 2012/2013 and again by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in 2018/2019. The next external audit is planned for 2023.

KPMG issued an unqualified audit opinion regarding anti-corruption and integrity, anti-trust law and capital market compliance throughout the A1 Telekom Austria Group for the design,

implementation and effectiveness of the CMS in accordance with IDW PS 980 (German audit standard for compliance) and classified the CMS of the A1 Telekom Austria Group in the highest maturity level. KPMG also confirmed that the principles and measures of the A1 Telekom Austria Group's CMS meet the requirements of ISO 19600 (now ISO 37301 Compliance Management System) and ISO 37001 (Anti-Corruption Management System), the US Foreign Corrupt Practices Act (FCPA), European anti-trust legislation and the UN Global Compact.

In its Code of Conduct, the A1 Telekom Austria Group has determined clear rules for acting in a manner consistent with the law and with integrity in all business relationships. Group-wide guidelines also provide detailed assistance on specific issues such as avoiding corruption and conflicts of interest, data protection, anti-trust law and capital market compliance.

However, to prevent potential misconduct, the A1 Telekom Austria Group has not only established clear rules, but also integrated suitable controls into its business processes. Group Compliance is supported by local compliance officers based at the subsidiaries in its mission to consistently implement the measures resulting from the annual compliance risk assessments within all the business units.

The "tell.me" whistleblowing platform can be used by employees and third parties as well to report observed or suspected misconduct, and can be used absolutely anonymously if so desired. The whistleblowing process, which is actively communicated to employees, takes into account all the requirements of the EU Whistleblowing Directive and regulates in detail the protection of whistleblowers, the confidential and professional processing of all reports, communication with whistleblowers, and appropriate sanctions for misconduct that is actually identified. The A1 Telekom Austria Group responds immediately with appropriate measures and sanctions in the event that actual misconduct is identified. The possible consequences range from investigation and training activities or process improvements to reprimands, dismissals, police reports and the termination of business relationships.

Furthermore, training optimized for the respective target group is held each year to lastingly embed the concept of integrity in the A1 Telekom Austria Group. Mandatory Group-wide training explains compliance issues in a practical way and provides tangible case studies. The focus in 2021 was on developing compliance e-learning programs for specific target groups.

Key performance indicator

In 2021, information on around 25 compliance issues was received on the "tell.me" whistleblowing platform and other reporting channels, which was handled with the utmost care and confidentiality. Action was taken 32 times as a result of information received in this way in 2021.

More than 26,400 compliance e-learning courses were completed by employees and managers in the reporting year (2020: approximately 24,200). Also, 6,500 employees and managers took part in instructor-led compliance training in 2021 (2020: approximately 2,800), most of which was held online—not least on account of COVID-19. Employees at the A1 Telekom Austria Group can contact the compliance helpdesk “ask.me” if they would like to have any outstanding questions resolved, and in 2021 the helpdesk responded to approximately 360 inquiries (2020: 280).

Opportunities and risks

Risk management quantifies the remaining risks regarding compliance in the areas of capital market compliance, integrity and anti-corruption, anti-trust law and data privacy. In addition to self-assessments (e. g. for integrity and anti-corruption) and the regular discussion of risks and mitigating activities between the Compliance function and functional management, also the regular internal and external review of the functioning of the Compliance Management System (CMS) contributes to securing and further developing compliance in the company and thus to reducing the remaining risks. A clear tone-from-the-top on compliance matters and communication and training activities highlight the significance of compliance within the company and thus contribute also to a positive development.

Implementation/ results in 2021

In 2021, the Code of Conduct was expanded to include vital ESG aspects such as responsibility for people, society and the environment, a commitment to diversity and inclusion, as well as human rights, environmental initiatives and the Group’s commitment to digital education. As before, it includes regulations on integrity, fair conduct with stakeholders, protection of personal and confidential data, reporting and avoiding conflicts of interest, gifts, invitations and personal advantages, protection of corporate assets, communication of the contents of the Code of Conduct, and the Group’s whistleblower principles. The Code of Conduct addresses all employees and managers and helps to promote ethical and legal behavior in the many decisions that have to be made every day.

The “Anti-Corruption and Conflict of Interest” Policy was also revised in 2021. It contains a strict ban on all forms of bribery and corruption as well as detailed regulations on conflicts of interest, lobbying, gifts and invitations, sponsorship and donations. The prohibition of donations to political parties and organizations with close ties to political parties, the placement of advertisements in political media, and the commitment to responsible advertising are clearly regulated.

8. EU Taxonomy

The aim of the EU Taxonomy, as part of the European Green Deal, is to mobilize investment in sustainable activities. Mandatory reporting will ensure that sustainability is measured with financial performance indicators for the first time.

The EU Taxonomy Regulation¹⁾, which became effective in June 2020, the Climate Delegated Act²⁾ for the environmental goals of climate change mitigation and climate change adaptation, the associated Annexes I³⁾ + II⁴⁾ and the supplementary Delegated Act⁵⁾ that sets out the publication requirements in accordance with Article 8 of the Taxonomy Regulation, currently form the statutory framework for reporting.

The scope of the first round of reporting for financial year 2021 is limited in two respects:

The reporting currently comprises the first two environmental goals formulated, namely climate change mitigation and climate change adaptation, for which technical screening criteria have already been defined. Criteria for four further environmental goals are being drafted at this time.

For the financial year 2021, in accordance with Article 8 of the Delegated Act, the share of CAPEX and OPEX and the turnover from Taxonomy-eligible and non-Taxonomy-eligible economic activities need to be reported. Reporting on which Taxonomy-eligible economic activities are also Taxonomy-aligned, i. e. the extent to which these activities also satisfy the technical screening criteria and the criteria for the principle of “do not significant harm” and “minimum safeguards” for work safety and human rights, is mandatory only from the financial year 2022.

Under this framework, the launch of the EU Taxonomy in the A1 Telekom Austria Group was implemented by a cross-border project team. Experts from Group Accounting, Group Controlling, Group Finance and Group ESG were involved in the project at Group level. Local project teams consisting of employees of the ESG and Controlling departments were formed at the operating companies (opcos). Depending on their Taxonomy activities, experts from the opcos’ departments were also consulted to provide detailed technical information, e. g. in the areas of data centers or facility management.

The companies included in consolidation, as disclosed in note 34 to the 2021 consolidated financial statements, formed the basis for reporting in accordance with the Taxonomy Regulation.

1) EU Taxonomy Regulation (EU) 2020/852

2) Delegated Regulation (EU) 2021/2139

3) Annex I (EU) 2021/2800

4) Annex II (EU) 2021/2800

5) Delegated Regulation (EU) 2021/2178

The procedure was planned in coordination with the Management Board of the A1 Telekom Austria Group. The Management Board and the Audit Committee were informed of the progress, possible risks and obstacles and current developments.

The first step was to screen the catalogue of economic activities according to the Taxonomy Regulation at Group level for their relevance to the A1 Telekom Austria Group. Activities that are not relevant, because they are not performed, were excluded.

The remaining activities, i. e. those that are performed by one or more companies, were analyzed by the experts at the opcos. The specific activities were identified and described. Finally, the corresponding CAPEX, OPEX and turnover were allocated for these activities.

To ensure that the information was correct and complete, a documentation was produced with the key content of the EU Taxonomy. In this documentation, the relevant terms were clarified and the procedures defined. This documentation was shared with all members of the project team at the start of the project and served as the working basis.

The identification of the Taxonomy-eligible activities of each opco was reviewed by the Group project team. Any questions raised by the opcos regarding the requirements of the Taxonomy Regulation, definitions and any options for interpretation were discussed and answered in coordination meetings on an ongoing basis. All the data on KPIs were verified by Group Controlling.

The telecommunications sector undoubtedly plays a key role as a central enabler for the reduction of carbon emissions through digitalization in all industries. High-performance networks are a prerequisite for high-performance digital solutions.

However, the list of economic activities described in the EU Taxonomy Regulation only covers the core activities of the A1 Telekom Austria Group to a small extent. Most of its business activities, which mainly involve products and services for mobile telecommunications, fixed-line and broadband Internet, are currently not considered relevant for the purposes of the EU Taxonomy Regulation. Thus, the comprehensive investment in infrastructure, such as the 5G and fiber roll-out, are also not Taxonomy-eligible.

Overview of the Taxonomy-eligible activities of the A1 Telekom Austria Group

The Taxonomy-eligible activities of the A1 Telekom Austria Group were defined stepwise.

First, the list of all activities was screened in accordance with the Taxonomy Regulation to determine which of these activities are even relevant to the A1 Telekom Austria Group. Activities that are not relevant, because such services are not performed, were filtered out of the list. The relevant activities were then examined in terms of their Taxonomy eligibility. The descriptions and criteria in the EU Taxonomy Compass⁶⁾ were used for this in particular. All activities that are relevant and Taxonomy-eligible were regarded as material. The list of the A1 Telekom Austria Group's Taxonomy-eligible activities comprises activities that are material on account of its business operations as well as activities that are defined as material based on the ESG strategy of the A1 Telekom Austria Group. It was regarded as immaterial to Taxonomy eligibility whether the economic activities generate turnover (e. g. operation of the fleet of vehicles, digital training).

The Taxonomy-eligible activities of the A1 Telekom Austria Group for 2021 are therefore as follows:

6) EU Taxonomy Compass

Taxonomy-eligible activities A1 Telekom Austria Group 2021

EU Taxonomy sector	Activities of the A1 Telekom Austria Group according to Taxonomy definition and specification
4. Energy	<ul style="list-style-type: none"> ▶ Electricity generation using solar photovoltaic technology: solar power stations, solar panels on cell towers ▶ Electricity generation from wind power
6. Transport	<ul style="list-style-type: none"> ▶ Operation of personal mobility devices, cycle logistics ▶ Transport by motorbikes, passenger cars and light commercial vehicles: cars with combustion engines, hybrid and electric vehicles
7. Construction and real estate	<ul style="list-style-type: none"> ▶ Acquisition and ownership of buildings and renovation of existing buildings ▶ Installation, maintenance and repair of energy efficiency equipment: in particular, replacement of heating / cooling to enhance energy efficiency in office and technical buildings ▶ Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) ▶ Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings ▶ Installation, maintenance and repair of renewable energy technologies: solar panels on buildings and charging stations
8. Information and communication	<ul style="list-style-type: none"> ▶ Data processing, hosting and related activities, in particular the operation of data centers ▶ IoT / data solutions for GHG emissions reductions: smart meters, smart waste, smart parking and mobility ▶ Development and operation of TV platforms (IPTV, OTT)
11. Education	<ul style="list-style-type: none"> ▶ Digital training, e. g. Internet for All, improvement of digital skills of children, Internet safety training
13. Arts, entertainment and recreation	<ul style="list-style-type: none"> ▶ Television program production

EU Taxonomy Regulation KPIs

The proportion of Taxonomy-eligible and non-Taxonomy-eligible economic activities (key performance indicators) of A1 Telekom Austria Group to its total turnover and its CAPEX and OPEX are as follows for financial year 2021:

EU Taxonomy: FY 2021 Results

Economic Activity (EU Taxonomy)	A1 GROUP Overview Revenue CAPEX OPEX Abs in mEUR			A1 GROUP Overview Revenue CAPEX OPEX in %		
Energy						
4.1 Electricity generation using solar photovoltaic technology	6.1	0.8	0.3	0.1	0.1	0.2
4.3 Electricity generation from wind power	-	0.1	-	-	0.0	-
Transport						
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	-	10.4	5.2	-	1.0	2.9
Construction and real estate activities						
7.2 Renovation of existing buildings	-	1.0	2.3	-	0.1	1.3
7.3 Installation, maintenance and repair of energy efficiency equipment	-	5.6	1.7	-	0.6	0.9
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	-	0.6	-	-	0.1	-
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	-	0.0	0.4	-	0.0	0.2
7.6 Installation, maintenance and repair of renewable energy technologies	-	0.4	0.0	-	0.0	0.0
7.7 Acquisition and ownership of buildings	4.7	-	-	0.1	-	-
Information and communication						
8.1 Data processing, hosting and related activities	41.2	27.7	8.4	0.9	2.8	4.7
8.2 Data-driven solutions for GHG emissions reductions	17.7	0.1	-	0.4	0.0	-
Information and communication						
8.3 Programming and broadcasting activities	167.0	38.5	5.9	3.6	3.9	3.3
Arts, entertainment and recreation						
13.3 Motion picture, video and television production, sound recording and music publishing activities	12.4	0.0	0.1	0.3	0.0	0.1
TOTAL taxonomy—eligible activities	249.2	85.1	24.3	5.3	8.6	13.6
TOTAL taxonomy—non eligible activities	4,429.1	908.4	154.6	94.7	91.4	86.4
TOTAL KPI (according to the definition)	4,678.3	993.5	178.9			

Values of 0,0 shown in the table result from amounts lower than 50,000 EUR.

Any activity of the A1 Telekom Austria Group is allocated to the corresponding economic activity of the Taxonomy Compass. In some cases, it is possible that individual business activities can be assigned to more than one category. This applies in particular to the CAPEX and OPEX figures for real estate used as both offices and data centers. To allow transparency, the costs were assigned to the main activity based on the majority principle.

A1 Telekom Austria Group does not have any material R&D projects and virtually all its leases are capitalized (see also note 30), exclusively expenses for maintenance and repairs, which are included in other operating expenses (see note 6), are classified as relevant.

The KPIs were defined as described by Delegated Regulation (EU) 2021/2178 Annex I / KPIs of Non-Financial Undertakings⁷⁾.

Vienna, 4 February 2022
The Management Board

In order to calculate the KPIs for all Taxonomy-eligible activities as presented in the table above, parameters were created according to the definition of CAPEX, OPEX, turnover, and reports were generated from the respective ERP systems of the opcos.

The total turnover (revenue) is as disclosed in note 5 to the consolidated financial statements, revenue from services and the sale of end-user devices. Proceeds from the sale of solar energy and the letting of buildings, which are reported in other operating income, are also included.

Thomas Arnoldner, CEO
Telekom Austria AG

Total CAPEX is equal to the amount disclosed in note 1 for total additions to intangible assets and property, plant and equipment, plus additions to right-of-use assets in accordance with IFRS 16 (Leases).

Alejandro Douglass Plater, COO
Telekom Austria AG

Siegfried Mayrhofer, CFO
Telekom Austria AG

Total OPEX is only defined for a very limited share of operating expenditure in the EU Taxonomy. This refers to expenses in connection with research and development, building renovation, short-term leases and maintenance and repairs. As the

7) Delegated Regulation (EU) 2021/2178