

---

VIVACOM 2014  
**SUSTAINABILITY REPORT**





---

# **SUSTAINABLE BUSINESS** 2014

# CONTENTS

4	STATEMENT BY THE CHIEF EXECUTIVE OFFICER	
6	INTERVIEW WITH THE MINISTER OF TRANSPORT, INFORMATION TECHNOLOGY AND COMMUNICATIONS (MTITC)	
8	1. ABOUT THE REPORT	
9	2. OUR COMPANY	
	2.1. Who we are	10
	2.2. How we are organized	12
	2.3. Corporate mission and vision	14
	2.4. Sustainable development to us	17
25	3. EFFECTIVE	
	3.1. Coverage and network	27
	3.2. Products and services	29
	3.3. Financial results	33
	3.4. Procurement: selection policy and supplier relations	38
	3.5. Energy and resource efficiency	40
45	4. INSPIRING	
	4.1. Employees	47
	4.2. Recruitment, development and retention	48
	4.3. Knowledge management	53
	4.4. A robust young professionals head start	54
	4.5. Collaboration with the StartUP community	56
	4.6. VIVACOM Art Hall	57

59	<b>5. INNOVATIVE</b>	
	5.1. Innovative products and services	61
	5.2. Innovative projects with corporate suppliers	63
	5.3. Cooperation with Nixanbal	65
	5.4. VIVA Cognita for innovation in education	66
	5.5. The development of the Questionnaire Application	68
69	<b>6. HONEST</b>	
	6.1. Customer relations	71
	6.2. Cooperation with institutions and professional organisations	75
	6.3. Information flow to general public – media relations	76
	6.4. Fundamental principle for supplier selection and collaboration - transparency	78
	6.5. Corporate Culture - Code of Ethics	82
83	<b>7. DYNAMIC</b>	
	7.1. The Market: VIVACOM's positioning	85
	7.2. Marketing research	86
	7.3. Dynamic solutions for corporate clients	88
	7.4. Dealing with network infrastructure theft problem	91
	7.5. VIVA Club loyalty program	92
93	<b>8. RESPONSIBLE</b>	
	8.1. Regulation and cooperation with government authorities	95
	8.2. Base stations – electromagnetic emissions	96
	8.3. Personal data protection management	97
	8.4. Health and safety at work	98
	8.5. Corporate social responsibility	99
103	<b>MEMBERSHIPS, CERTIFICATES AND STANDARDS</b>	
104	<b>COMPANY PROFILE DESCRIPTION UNDER GRI TABLE IN COMPLIANCE WITH THE “CORE” OPTION</b>	
106	<b>INDICATORS BY MATERIALITY TOPICS</b>	

---

*Sustainable development  
is our commitment to  
clients*

---



**ATANAS DOBREV**

Chief Executive Officer, BTC EAD

---



---

DEAR READERS,

**W**e hereby present to you the first Sustainability Report of VIVACOM. We are pleased to share our success, our achievements and the challenges we have encountered on our way to the first place in the telecommunications sector in Bulgaria. A position that we proudly hold today.

The report presents the activities and operations of our company in 2014 - a year in which we strengthened our position and proved ourselves as the largest provider of telecommunication services. We have been the leader in revenues for ten consecutive quarters. This lasting and continued success is explicitly a result of our commitment to sustainable development of VIVACOM.

Our company provides to customers in Bulgaria more than 4.7 million telecommunication services, which makes us as a key influencer in public life and in business.

We realize our responsibility and the high expectations of the social environment to us. VIVACOM thus understands sustainable development to mean work that makes the company successful and profitable today, without taking away from future generations' development opportunities and resources. We have a clear vision and long-term goals. We have no right to make short-term decisions with uncertain outcomes, which could at a later stage impair consumers' or

our employees' rights, or else cause damage to partners' business or to environment. Every action has its consequences, therefore, today we invest in what consumers will use tomorrow. Our strategy is to maintain the public confidence in us and to prove by our daily work that the customer care comes first.

Our company is the first telecom operator in Bulgaria. Its history starts back in 1879 with the supply of telegraph services. In 1886, fixed telephony was introduced for the first time in the country. Today, 136 years later, VIVACOM is the largest company offering the greatest number of telecom services, with a modern, customer-centric vision – a synonym for innovation in the sector.

The history of telecommunications in Bulgaria bends with the development of VIVACOM and even today they still go hand in hand. The sustainable development of our company is evidenced by the fact that over all these years it has preserved its place on the market, having transformed and modernized in accordance with global trends in the industry and the needs and demands of the Bulgarian customers.

VIVACOM is one of the largest employers in the country. Starting from the early 2014, after a successful integration of part of the Alcatel Lucent Bulgaria employees, the company employs 5,875 people.

We are proud that we not only provide jobs and income to so many professionals, but we also provide them with opportunities for development, growth and self-realization in society. If our customers are the driving force of the company progress, employees are our most valuable asset.

Our sustainable development strategy is reflected on the one hand in the various policies for retention and satisfaction of the best-performing employees, and on the other – in the constant attraction and recruitment of new ones. VIVACOM invests in and cooperates with universities and educational institutions, where we find talented young professionals and provide them with career opportunities in the largest telecom, and respectively – with a motivation to stay in Bulgaria.

The company caters to social needs through numerous initiatives that support important causes in education, culture, and sports. We also contribute to charity programs via the VIVACOM Fund platform.

Development of human capital, along with the construction of a modern, state-of-the-art network, gives us a reason to believe that we have a substantial contribution to the sustainable development of society and the country as a whole.

In this highly competitive, highly regulated yet dynamic market of telecom services, we have established primary work principles spelled out clearly in our corporate values – to be Effective, Inspiring, Innovative, Honest, Dynamic and Responsible. This is what VIVACOM aspires to be.

I hope this Report and the data it contains will help you see us from that perspective.



Atanas Dobrev  
Chief Executive Officer,  
BTC EAD

---

*Ivaylo Moskovski:*

*Our main objective is to create the essential conditions for development of the sector*

---



**IVAYLO MOSKOVSKI**

Minister of Transport, Information Technology and Communications (MTITC)

**What is sustainable development in telecommunications in your opinion?**

The telecommunications industry plays a significant role in social transition towards sustainable development. Electronic communications provide intelligent, environmentally friendly solutions for management of the rapidly growing cities and transport systems. They enhance efficiency in the manufacturing industries and electricity generation. They support innovation in medicine and contribute to health care in remote areas. They offer innovative educational applications for students around the world.

**The telecommunications sector is globally among the fastest growing industries, recognized by its contribution to economic development, modernization and social welfare. This is due to a number of factors; among them, the liberal policies and the effective deregulation are highly prominent. In your opinion, what is the situation in Bulgaria in this regard? And how could the situation be improved?**

In the rapidly growing sector of electronic communications the direct interaction between the MTITC and the European and international institutions gains greater importance. We strive

to encourage active and direct involvement of industry stakeholders in the public consultations on key legislative initiatives organized by the EU institutions or by the Ministry. In recent years, the Ministry has undertaken a number of steps to simplify the rules for construction of modern electronic communications networks. Setting clear rules for building and use of network infrastructure provides legal security for development of existing or construction of new networks in a fair, efficient and environmentally friendly way.

**What is your Ministry's role in the establishment of a suitable environment for the development of the telecommunication industry?**

The main objective of the electronic communications policy of the Republic of Bulgaria is to create the essential conditions for development of the sector by enabling users to derive maximum benefit in terms of choice, price and quality of electronic communications services; to prevent distortion or restriction of competition in the sector, including in content transmission; to provide incentives for investment and innovation; to ensure efficient use and effective management of scarce resources.



**What solutions and opportunities could the telecommunication sector offer to institutions to support them for more efficient management?**

Active involvement in various institutional initiatives and in the development of strategic documentation and legislative activities both national level wise and supporting our participation in the decision-making process in the EU administrative bodies, while jointly defending the national interest, as their extensive experience with legislative enforcement is key to setting appropriate competitiveness and sustainable employment policies.

**How do you see the role of the telecom industry, and VIVACOM as part of it, in the overall economic development of Bulgaria?**

**Education:** The role of telecom companies in the development of a modern digital infrastructure for service provision is indisputable. There is a significant increase in opportunities for remote access to various educational programs offered by leading institutions in the respective areas, including distance learning, professional development courses, etc.

**E-Governance:** E-Governance develops hand in hand with organisational changes and new expertise acquisition needed for improvement of public services, democratic processes and facilitation of state policy development and implementation.

**Smart energy and transport networks:** Estimates of the European Commission show that the existence of a unified emergency call system for motor vehicles shortens the arrival time of rescue teams by 40% in urban areas and by 50% in rural areas. The eCall service, for which all three major mobile operators are preparing their networks, will provide for a faster response in serious road accidents, when every minute is crucial for saving human lives and for reducing the consequences of injuries.

**Equal access to information:** I should mention that VIVACOM is the one provider selected for

universal electronic communications service in the country. As such it has a significant contribution to ensuring equality of all customer groups, including people with special needs or disabilities. This provides an opportunity for social electronic inclusion of all users, by ensuring equal access to information and opportunity for exchange of ideas.

**How would you define the level of Bulgarian telecom companies in comparison with those in other European countries in terms of reliability and quality of service, innovation and development?**

The Bulgarian traditional operators are in the process of moving from being purely mobile or fixed operators to becoming integrated telecom service providers offering mobile services, mobile Internet, fixed telephony and Internet, television broadcasting, thus penetrating with confidence the only market segment, which is growing by double-digit rates recently: the one of the bundled services. Recent years have seen a tendency towards increased use of bundled electronic communications services, evidenced by higher subscription numbers and increased revenues in those accounts. There is also a gradual growth in the investments in next-generation networks, which have exceeded BGN 100 million in the last two years.

**In which areas, in your opinion, should the telecommunication industry invest, so that processes run smoother and transparency is guaranteed?**

Cloud services, which provide opportunities for video conferencing, document sharing, video sharing, etc., have a potential for development. Many business processes have already become reliant on wireless mobile devices and network applications – from electronic commerce to navigation and customer services. These are also areas, in which the telecommunication industry could enable smoother and more efficient processes.

---

## ABOUT THE REPORT

**T**his document is the first Sustainability Report of VIVACOM. The main purpose of its publication is to achieve a high level of transparency by providing the key stakeholders with objective data about the company's development and achievements in 2014.

The Report has been prepared in accordance with the "Core" option of the Global Reporting Initiative guidelines – G4, reflecting the impact of VIVACOM from an economic, social and environmental point of view, as well as the approach in managing the company. All published data are processed, analysed and consolidated in accordance with the official reports.

The Report is instrumental in defining VIVACOM's objectives and priorities

in response to the key stakeholders' expectations. These objectives and priorities will be updated annually in order for the company to constantly improve towards sustainability.

The Report covers all company activities in 2014. The quantitative data refer to the period from 1 January 2013 to 31 December 2014, unless stated otherwise (G4-17).

The first Sustainability Report (G4-22, G4-23) of VIVACOM is elaborated in partnership with the denkstatt consultancy company, and has successfully passed the Materiality Disclosure Service of GRI. No third-party verification has been performed.

---

For more information related to this Report please contact:

**Simona Tcharakchieva**

Senior Corporate Communications Adviser, VIVACOM

Telephone: +3599496559

Mobile: +359878540560

E-mail: [sustainability@vivacom.bg](mailto:sustainability@vivacom.bg)

Website: [www.vivacom.bg](http://www.vivacom.bg)

# OUR COMPANY

---



*The company has already been functioning for more than 135 years. Today, VIVACOM is the operator that offers the widest range of telecommunication solutions on the Bulgarian market.*

---

## OUR COMPANY

# 2.1. WHO WE ARE

**T**he Bulgarian Telecommunications Company EAD (BTC) operates on the Bulgarian market under the VIVACOM. The company has been functioning for more than 135 years and therefore we are proud to see ourselves as Bulgaria's the Bulgaria's historic telecom.

BTC has its roots in the first entity for organizing and facilitating communications right after the Bulgarian national liberation – the Pleven postal, telegraph, telephone, and radio station. The company has gone through various stages of operation – from the long period of state-owned structure to the privatization procedure in 2004, when the Bulgarian government sold 65% of the telecom's capital.

In 2005, BTC acquired a license for a third GSM operator. "BTC Mobile" was established and began offering mobile services under the Vivatel brand.

BTC AD and Vivatel, which operated the fixed and mobile networks respectively, merged in January 2009. In July of the same year, the new VIVACOM brand was born.

Today, VIVACOM is the operator that offers the widest range of telecommunication solutions on the Bulgarian market – mobile and fixed voice services; fiber optic internet and the 3G network with Bulgaria, latest-generation digital HD TV and innovative customized solutions for the needs of our corporate clients.

- 18**79** ✓ — The Pleven Postal, Telegraph, Telephone and Radio Station is established
- 19**81** ✓ — Establishment of the state-owned enterprise **"Bulgarian Posts and Telecommunications"**
- 19**92** ✓ — Founding of the state-owned company **Bulgarian Telecommunication Company AD**
- 19**99** ✓ — BTC commences the **construction of fibre-optic cable lines** for customer use
- 20**04** ✓ — Privatization of **BTC**
- 20**05** ✓ — Acquisition of a license for **3rd GSM operator**
- 20**09** ✓ — The **2be retail chain becomes part of BTC**  
 BTC and Vivatel **merge**  
 VIVACOM starts offering the **first bundle services** on the Bulgarian market
- 20**10** ✓ — Launch of the **satellite TV service**  
 Launch of Operation **Spare Change fundraising campaign**  
 First **Technical Academy**
- 20**11** ✓ — **VIVA Free:** the first pay-as-you-go subscription plan that suit clients' needs  
**VIVACOM Art Hall:** an open space for culture and arts
- 20**12** ✓ — **Launch of the IPTV service** – new-generation TV service featuring multimedia content and interactivity
- 20**13** ✓ — VIVACOM becomes the operator ranking **first in terms of total revenue**  
**VIVA Apps:** the first Bulgarian applications hub
- 20**14** ✓ — VIVACOM, the youngest telecommunication brand, **becomes 5 years old** – years that have seen:
  - the company becoming the market leader
  - reporting the highest amount to total revenues for 2 consecutive years – 2013 and 2014**Viva Cognita:** a web-based platform for interactive education in Mathematics and Informatics

## 2.2. HOW WE ARE ORGANIZED

BTC EAD is managed by two governance bodies with different functions and level of influence over corporate activities.

### SUPERVISORY BOARD

The Supervisory Board does not take part in the company's management – it represents the company in terms of interactions with the Managing Board. Its members are elected by the General Assembly for a term of 5 years and can be re-elected for any number of 5-year periods.

The Supervisory Board approves the decisions of the Managing Board related to concluding deals, which are envisaged to be reported in the Statute stipulations and the provisions of the Law.

### MANAGING BOARD

The Managing Board executes the management of the company. Its members are appointed by the Supervisory Board for a term of 5 years and can be re-elected for any number of 5-year periods.

The Managing Board takes decisions for the appointment of Chief Accountant and Chief Financial Officer of the company, sets the bookkeeping manner, approves employee benefits programs, prepares and presents to the Supervisory Board the Annual Financial Report, as well as proposals for profit distribution; decides on strategic asset management and so on.

241 OWNED STORES 105 ALTERNATIVE POINTS OF SALE

NUMBER OF EMPLOYEES 5 875

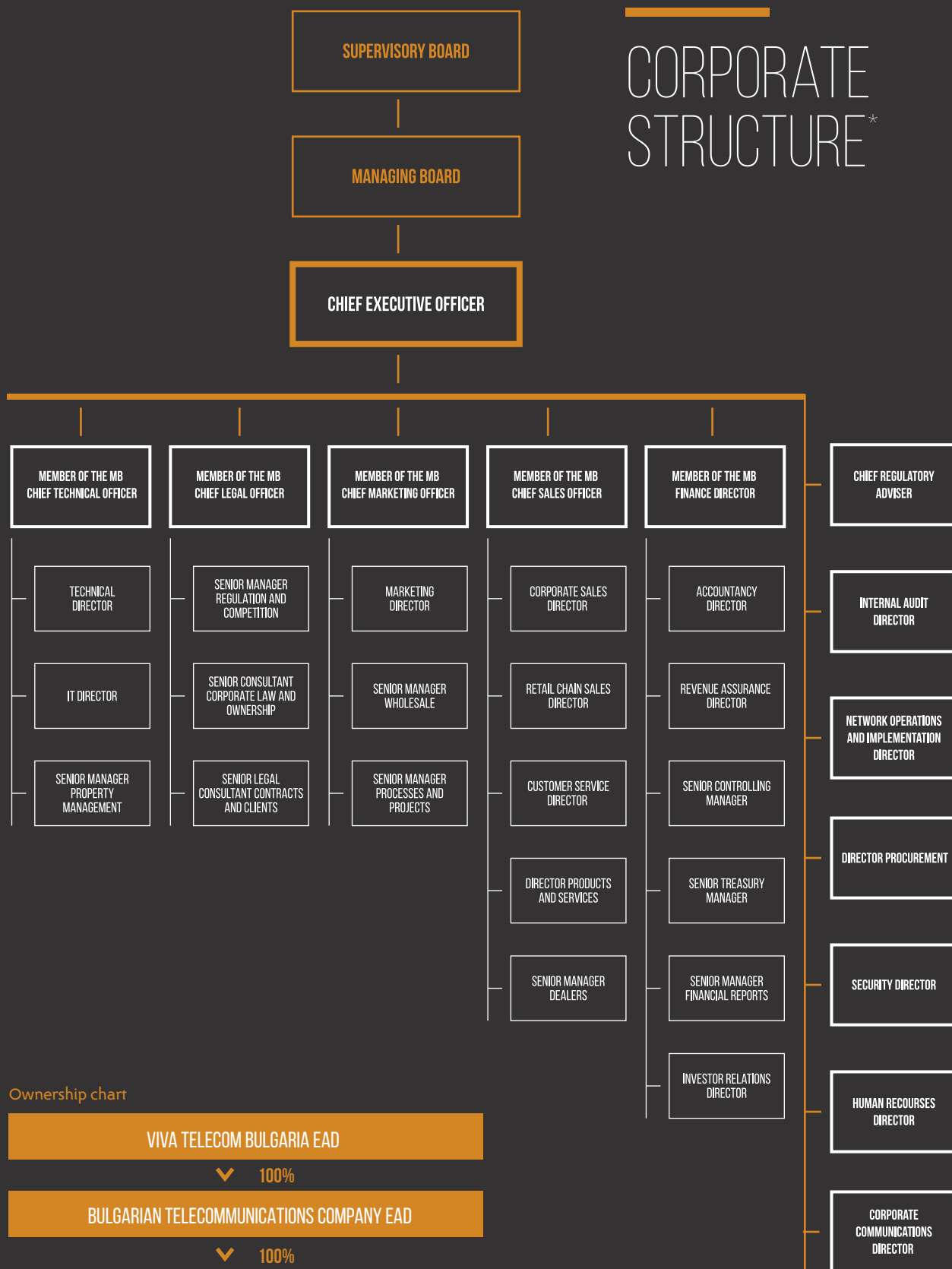
4,7 MILLION SERVICES PROVIDED: MOBILE AND FIXED VOICE SERVICES, INTERNET AND TELEVISION

TOTAL REVENUE 805 912

MARKET BULGARIA

| G4 - 17 |

# CORPORATE STRUCTURE\*



\*As of 31 December 2014

## 2.3. CORPORATE MISSION AND VISION

### MISSION

Our mission is to provide high quality telecom services to our clients and the best customer service on the market. Our focus is the customer!

### VISION

Our vision is to be the preferred telecom service provider in Bulgaria. We achieve high results today and make the right decisions for the future.

### VALUES

It is vital for every organisation to set the leading principles for its operations and functioning. For VIVACOM these are the six corporate values:



**EFFECTIVE** EFFECTIVE  
**INSPIRING** INSPIRING  
**INNOVATIVE** INNOVATIVE  
**HONEST** HONEST  
**DYNAMIC** DYNAMIC  
**RESPONSIBLE** RESPONSIBLE



**O**n the one hand, these values we stand up for express the strategic vision of the company management for our day-to-day business but also for our future development. On the other hand, importantly, these values are associated with the work and attitude of each and every employee. For VIVACOM

the values are not a mere aspiration - they are real rules acknowledged and applied by all in the organisation in their everyday professional practice. Going forward in this report, we have chosen to represent our goals, activities, achievements through the perspective of these corporate values.



In following pages you will find out:

why we believe the good network infrastructure and coverage coupled with the rich portfolio of products and services help us to effectively gain new customers;

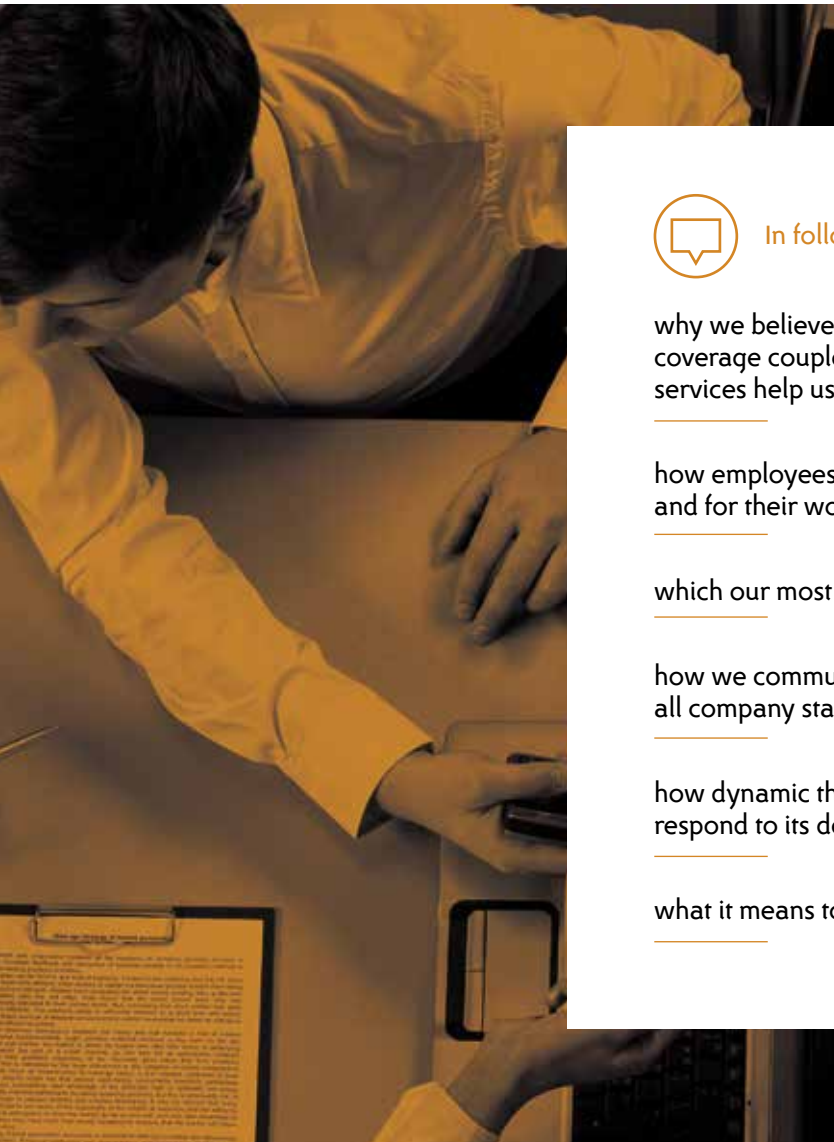
how employees are inspired every day by and for their work;

which our most innovative projects are;

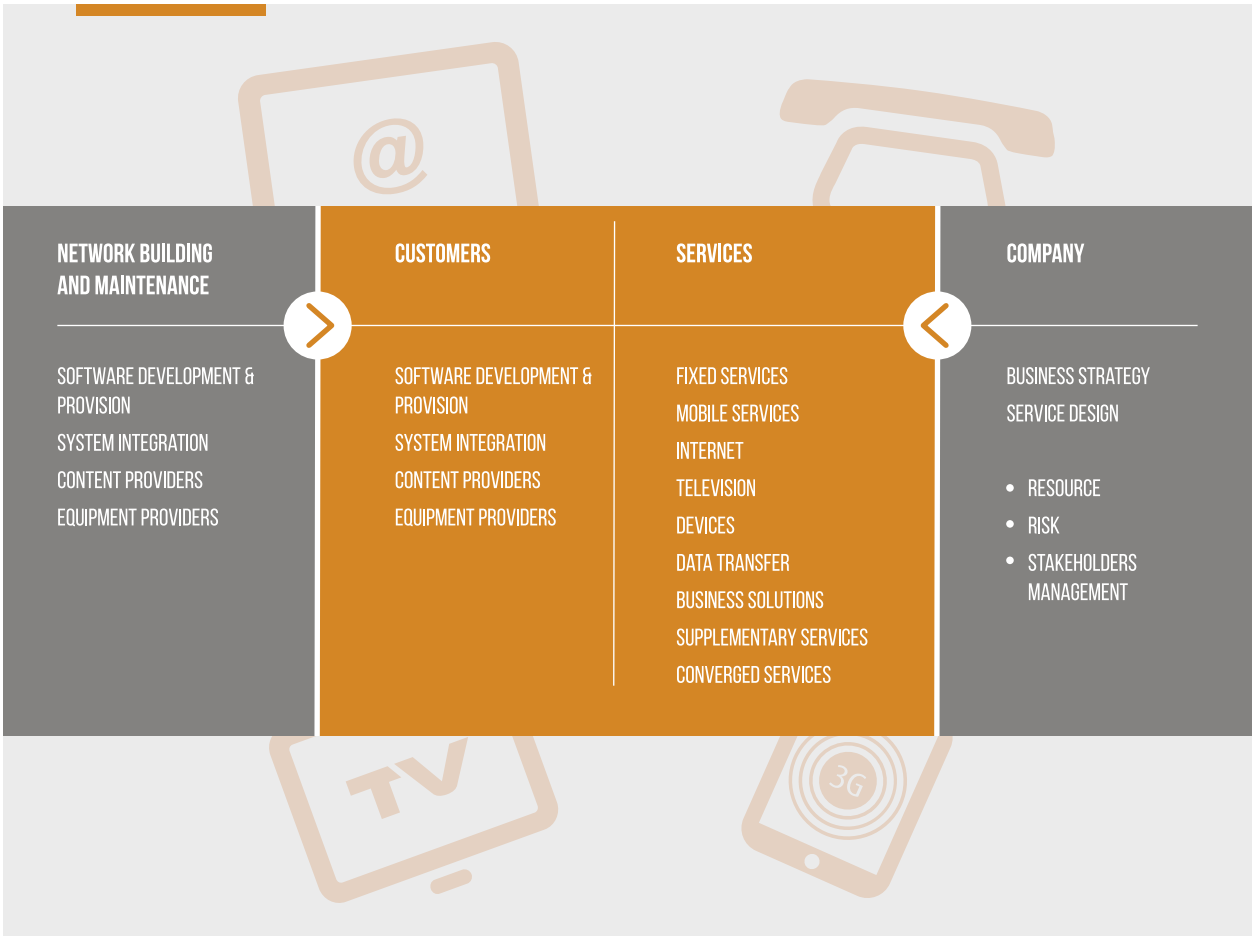
how we communicate openly and honestly with all company stakeholders;

how dynamic the telecom market is and how we respond to its demands;

what it means to be a responsible corporate citizen.



VALUE CREATION CHAIN



**T**he telecommunications industry is primarily customer-centric. The provision of services reflects closely customer needs. New customer expectations are a driving force of development and a serious challenge at the same time. Our business begins with customer needs and ends with customer satisfaction. The quality of our services depends both on well-integrated and structured business processes and on reliable infrastructure. Furthermore, we are a part of a larger system where the role and influence of different stakeholders impacted by our business are becoming increasingly important to the process of value creation in the information society. Our analysis of customer needs, the provision of the latest products and services, the maintenance of trustful customer and supplier relations, the flexibility of our business processes, and the development of networks help us maintain a constant cycle of improvement and innovation.

## 2.4. SUSTAINABLE DEVELOPMENT TO US

**T**oday, responsible companies integrate sustainable development in their management processes. All companies, regardless of their business, employ various production systems, natural and human resources, and generate waste. The overall operation of businesses has a direct impact on environment, economy and society.

Our aim is to pursue sustainable development with the active participation of internal and external stakeholders, taking into account the needs of society.

In the recent years we have seen continuous engineering transformations and new solutions that support the telecom industry in its constant technological progress. In such an environment the business is provoked to adapt and change quickly enough to be able to meet customer requirements. This is no exception for the Bulgarian

market, where VIVACOM operates. Specific expectations of stakeholders are being formed towards more transparency, development according to prominent principles and values, shared information about the business practices of the company and its cooperation with suppliers, reporting of non-financial indicators and upholding of public commitments. We understand sustainable development as a process that adds value to all stakeholders of VIVACOM. We are continually seeking the best solutions for optimization of our business processes, resource reuse, building a strong and committed team and supporting the society according to its needs.

**SUSTAINABLE DEVELOPMENT IS AN IMPORTANT PART OF VIVACOM'S STRATEGIC MANAGING AND IT REFERS NOT ONLY TO THE CORPORATE ACTIVITIES IN THE SHORT TERM, BUT ALSO TO THE COMPANY WELFARE ON THE LONG RUN.**

VIVACOM's management strongly supports the model of long-term management and expansion of the company next to full transparency and interaction with the society.

**SUSTAINABLE DEVELOPMENT IS A FIXED PART OF OUR COMPANY'S PROGRESS AND WE FIND IT IMPORTANT BECAUSE IT HELPS US TO:**



## DEFINING MATERIALITY TOPICS AND STAKEHOLDER ENGAGEMENT

### G4-18 |

In the process of creating this report we were guided by G4 principles for materiality, stakeholder inclusiveness, comprehensiveness and context, as well as G4-suggested

materiality topics for the telecom industry. This approach allowed us to prioritize those topics that are of importance to us and to our stakeholders and stay focused on them.

### Our approach:

- To identify all topics and aspects relevant to the markets, in which the company operates, and to our stakeholders, both inside and outside the organisation.
- To evaluate and prioritize the material topics for the development of the company and the stakeholders' expectations and interests.
- To validate the completeness of the priority aspects and their margins with the management of the company as well as with external stakeholders.

#### G4-18, G4-26 |

We use a variety of approaches to consult with stakeholders. We held a workshop gathering directors and officers of various

corporate departments and a series of interviews as part of the process of creating the report.

#### G4-25 |

The key stakeholder groups were identified based on their levels of "influence" and "interest" via an online questionnaire sent

to employees of various departments of the company.

#### G4-24 |

Key stakeholders groups of for the company are:

**CORPORATE AND PRIVATE CLIENTS**

**INSTITUTIONS AND INDUSTRY ORGANISATIONS**

**MEDIA**

**EMPLOYEES**

**BUSINESS PARTNERS**

**INVESTORS**

**SHAREHOLDERS**

**SUPPLIERS**

#### G4-18 |

To determine and focus on all material topics, key business activities were mapped and analysed with material topics distributed accordingly across the whole value added chain. Company representatives analysed the interrelation key activity-impact-stakeholder in order to interlink material topics with key activities. All 38 topics that came up were prioritized based on their importance to the business success of the company. To ensure the balanced and exhaustive list of topics workshop participants were asked to assume

the role of different stakeholder groups and to try evaluating the importance of the various topics from the viewpoint of each stakeholder group. This enabled us to have a two-sided evaluation of topic materiality incorporating the point of view of both company and stakeholders. The material topics were selected with a level of importance of 70% for both the company and the stakeholders separately. In addition, important topics for the telecom industry as a whole were included.

#### G4-26 |

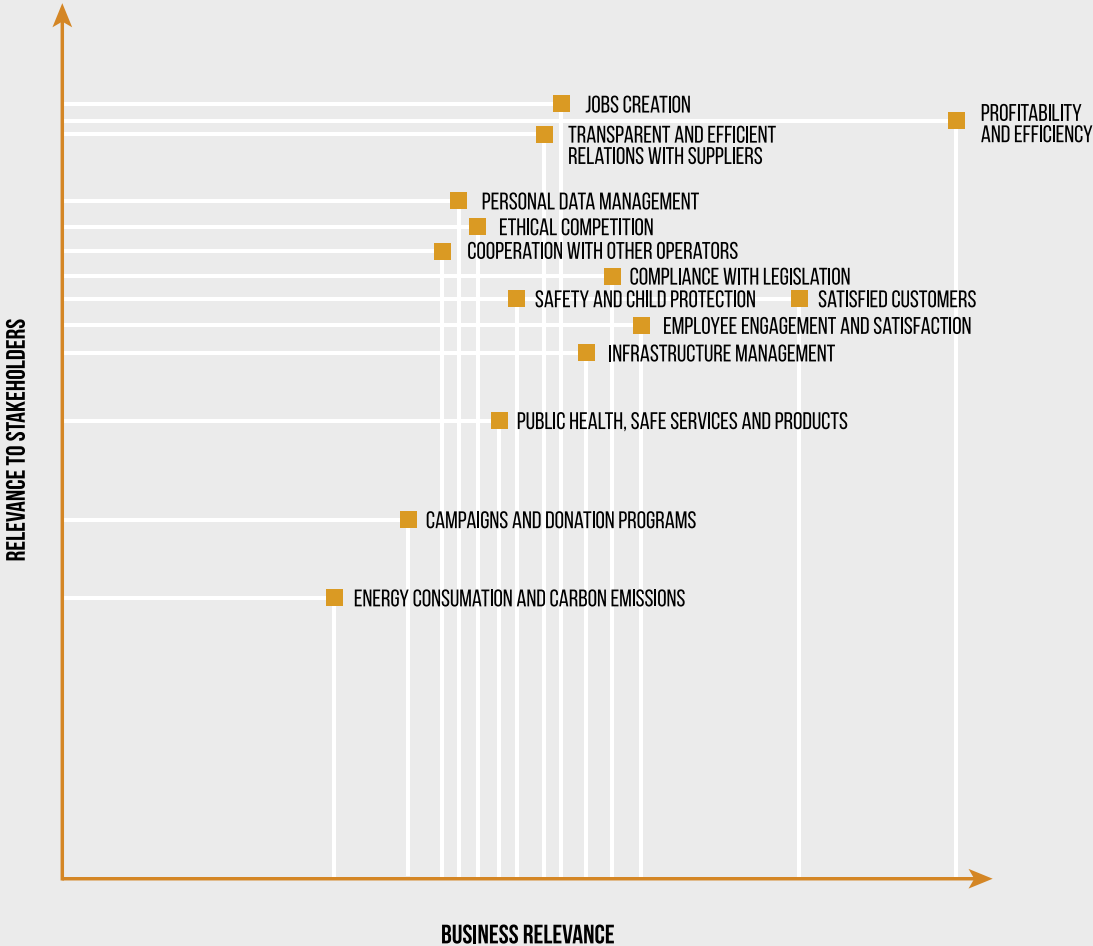
The result was validated against the actual opinion of the stakeholders through a series of meetings with key representatives. As

a final step material aspects for the report were reviewed and approved by company management.

TOPICS OF SIGNIFICANCE MATRIX

G4-19 |

Each material aspect is presented in a matrix and a table according to G4 principles, including management approach, quantitative and qualitative information.



## G4-19, G4-20, G4-21 |

### Topics of significance, margins and management approach

TOPIC OF SIGNIFICANCE	CONTEXT	MANAGEMENT APPROACH
<b>Employees' engagement and satisfaction</b> Equal opportunities for all employees, development and retention of the employees, health and safety at work  Impact: Internal	Employees create the organisation through their collaboration. They expect to have opportunities for development and career advancement, to be properly recognized for their efforts and objectively rewarded, to work in a safe and pleasant environment.	We provide a safe working environment, surpassing legal requirements and in compliance with international standards for health and safety. We ensure the career development of our employees through various programs. We provide opportunities to share, save and build knowledge in our teams by organizing specialized trainings adapted to the needs of the employees. We evaluate our employees' performance on a regular basis to ensure opportunities for development and stimulate them with rewards. We support not only our team but also the families of our employees.
<b>Safety and child protection</b>  Impact: External	Children are among the most vulnerable groups of consumers, which requires special attention and management of the products offered to families and parents respectively, in terms of potential risks these products may entail.	We assess parents' awareness of risks to children. We offer specialized products and services for children and parents.
<b>Satisfied customers</b> Access to telecom services and products; Reliable and quality services; New products and services  Impact: External	The access and availability of our network are a starting point for customer satisfaction. Offering services in remote areas of the country provides access for the local residents to the latest telecommunication services.	We ensure transparency and adequate information when offering our services. We maintain regular communication with our clients. We offer the latest products and services (e.g. IPTV, converged services). We maintain and manage innovative systems for network and data management. We facilitate customer communication by providing a direct contact with our key account technical department.
<b>Profitability and efficiency</b> <b>Financial stability and efficiency of business processes</b>  Impact: Internal	Financial stability is paramount to any company. In today's world, success is not only associated with financial indicators, but it is a fact that introducing sustainable practices in business often leads to better business performance and return on investment.	We follow a long-term successful market strategy that helps us differentiate from the competition via activities such as providing specific services (e.g. Integrated IT systems).
<b>Energy consumption and carbon emissions</b> Carbon emissions from energy consumption and refrigerants, energy efficiency  Impact: Internal and external	Global climate change and the impact of the natural resources extraction are widely disputed problems. Each organisation uses energy and must take responsibility for their actions by seeking ways to develop while reducing their energy footprint.	A certified system for environmental management is introduced. We introduce energy-saving technologies in our network. We offer products and services that lead to energy savings for our customers.
<b>Ethical competition</b> Anti-corruption, Combat grey economy practices, Ethical business relations  Impact: Internal and external	We operate in a country with a higher than average corruption risk according to the 2014 Corruption Perceptions Index. Because of this, ethics is key to our business operations.	We have in place a ratified Code of ethics. We are members of organisations established to combatting the grey economy.



TOPIC OF SIGNIFICANCE	CONTEXT	MANAGEMENT APPROACH
<b>Public health, safe services and products</b> Electromagnetic emissions, Safety certified products  Impact: External	With growing customer requirements to our products and their more common use, our priority is to supply safer products and services.	We optimize the management of impact of our activities and inform society about the effects of EME /Electromagnetic emissions/. We adhere to ratified legal requirements for product safety (CE marking).
<b>Infrastructure Management</b> Infrastructure damage  Impact: Internal	Investments in telecom infrastructure is one of the most significant expenses for a telecom. They are also essential for the delivery of quality service. Damage or lack of infrastructure therefore directly affects customer satisfaction.	We have undertaken the optimization of the copper-based network and are investing in a fibre-optic one. We invest in new-generation mobile networks.
<b>Campaigns and donation programs</b> Sponsorships, Charity initiatives, Donations  Impact: External	While telecoms contribute directly to public progress, supporting certain groups in need is perceived as extension of the scope of responsibility.	We have identified key areas of impact and relevance of our business (such as education, culture and more) and we contribute to them via VIVACOM fund. As a member of society and in partnerships we support people affected by natural disasters. Our employees embrace volunteering as a personal mission and participate in numerous social causes initiated either by the company or by themselves.
<b>Transparent and efficient relations with suppliers</b> Criteria for supplier selection, Tender procedures  Impact: External	The lack of transparency and influence on the suppliers within the supply chain can lead to various problems: from work subcontracted to organisations with low standards of health and safety to companies with poor environmental practices. Better relations with suppliers lead to increased transparency in their business practices.	We put into practice the supply policy rules.
<b>Job Creation</b> Providing job opportunities, especially to young people  Impact: Internal and external	As one of the biggest employers in the country we have an evident contribution to the job creation.	Through the expansion of our business and the provision of services in remote areas, we work with increasing number of suppliers and provide employment in areas where it is difficult to find a job.
<b>Compliance with legislation</b>  Impact: Internal and external	Compliance with legislation is the minimum requirement for taking responsibility.	We keep abreast of the latest legislative changes. We regularly pass audits and inspections by third parties.
<b>Cooperation with other operators</b> Sharing Network  Impact: Internal and external	A partnership is inevitable in a connected world and also desirable when it enables better service and business performance.	We keep abreast of the latest legislative changes. We regularly pass audits and inspections by third parties. Regular meetings and an open dialogue on the development of the industry.
<b>Personal data management</b> Storage and loss of personal data  Impact: Internal and external	Running a client-centric business, we prioritize personal data protection as a key factor in building and maintaining customer trust.	We protect customer data following clear rules and complying with legislation. A certified information safety management system is introduced.



### G4-26, G4-27 |

In order to improve our business performance we strive to push the boundaries of our responsibility and include clearly

defined needs and interests of our key stakeholders into our business management and decision making processes.

STAKEHOLDERS GROUP	COMMUNICATION AND ENGAGEMENT	FREQUENCY	TOPICS OF SIGNIFICANCE	ACTIONS TAKEN AND PLANNED
CORPORATE AND PRIVATE CLIENTS	Satisfaction assessment. Daily contact at shopping/ servicing; Customer care phone line and contact e-mail. VIVACOM website.	Monthly and quarterly surveys. Daily contact with customers.	Reliable and quality services. New products and services. Access to products and services for everyone. Children safety and care; Personal data management. Efficiency of the business processes.	Daily efforts in improving the customer service both in our shops and customer service departments. Trainings for employees and implementation of a Knowledge management system.
EMPLOYEES	Daily dialogue; Multimedia trainings and seminars; Performance, potential and development evaluation of employees; Bonus schemes; Code of Ethics; Maintaining corporate culture and positive atmosphere within the working environment.	Daily contact. Annual performance evaluation. Monthly/ quarterly appraisals.	Terms of payment and working conditions; Professional development opportunities; Health and safety at work; Internal information on the development of the company and its processes.	Sustainability Report; New acquisitions; Improving bonus systems in regards to business needs; Developing partnerships with new schools.
SUPPLIERS	Daily dialogue; Public tenders; Trade negotiations; Regular meetings.	On a daily basis.	Terms of participation in tender procedures; Quality of supplies (products and services); Improvement of business processes; Optimization of decision-making; Transparency and effectiveness of the relations with suppliers.	Increasing the number of electronic tenders.
BUSINESS PARTNERS	Regular meetings. Common initiatives.	On a daily basis.	Compliance with legislation. Corporate responsibility.	Supply policy; Sustainability Report in order to present the corporate business activities in their entirety.
SHAREHOLDERS	Annual Financial Report; Quarterly Interim Financial Reports, statements and presentations.	On a quarterly basis.	Profitability and Efficiency; Ethical competition; Resource efficiency; Campaigns and donation programs; Compliance with legislation.	Sustainability Report in order to present the corporate business activities in their entirety.



STAKEHOLDERS GROUP	COMMUNICATION AND ENGAGEMENT	FREQUENCY	TOPICS OF SIGNIFICANCE	ACTIONS TAKEN AND PLANNED
MEDIA	Press releases; Workshops with media, Participation in public forums; VIVACOM website.	On a daily basis.	Access to products and services to everyone; Customer service; Responsible marketing; Corporate responsibility; Safe Internet and mobile content; Ethical competition; Strategic information about future directions of development and plans for social presence.	Sustainability Report in order to present the corporate business activities in their entirety.
INVESTORS	Annual Financial Report; Interim Financial statements and quarterly presentations; Regular communication and meetings.	On a daily basis.	Profitability and efficiency; Long-term development vision; Corporate governance; Innovation and quality of products and services offered.	Sustainability Report in order to present the corporate business activities in their entirety.
INSTITUTIONS AND INDUSTRY ORGANISATIONS	Regular communications; Joint initiatives.	On a daily basis.	Industry regulations; Combating the grey sector; Initiatives benefiting customers.	Sustainability Report in order to present the corporate business activities in their entirety.

# EFFECTIVE

---

**VIVACOM** Values



*Our success is the success of our customers. We provide practical and affordable solutions and achieve the best results.*

---

### 3. EFFECTIVE

**E**fficiency reveals the extent to which company objectives have been achieved by comparing actual and expected results. In VIVACOM, we

first define feasible goals and then we proceed to achieve them as best as we can. This is demonstrated by the following achievements in 2014:

---

99,99% coverage of our 2G network

99.85% coverage of our 3G network

MAN network with 213 technological nodes in 151 cities

Fibre-optic infrastructure to nearly 900 000 households in 15 cities

Increase in the margin of the adjusted EBITDA to 41.6%

The only telecom with an increasing market share of mobile services - 25%

VIVACOM is the number one telecom operator in terms of total revenue for the last two years - BGN 806 million for 2014

VIVACOM is the number one operator in the fixed broadband services market with 24% market share

23% of tender procedures are conducted via the electronic procurement system since its introduction in October 2014

19% of TV and Internet customer equipment undergo tests and are being reused

1052 new employees



## 3.1. COVERAGE AND NETWORK

**V**IVACOM owns the most advanced network in Bulgaria and is leader in the provision of state-of-the-art telecom services that meet highest professional standards – from

mobile and fixed voice services, high-speed broadband Internet access, data transmission services via mobile and fixed networks to customised telecom solutions.

VIVACOM is the only Bulgarian telecom operator that provides converged solutions via terrestrial, copper and satellite infrastructure, mobile network and public Internet access. The company maintains the only Network Operations Centre in Bulgaria meeting international standards and the largest Real-time Data Storage and Backup Centre.

We have our own PLANA satellite station, which enables connectivity to the most remote points of the Earth.

### THE COMPANY HAS ITS OWN INFRASTRUCTURE, WHICH INCLUDES:

**MOBILE NETWORK OF 3579 BASE STATIONS**, supporting 2G and 3G technologies and covering as much as 99,99% of the population with 236 kbps functionality; 99,85% with 21 Mbps; and 63,35% with 42 Mbps.

#### THE SECOND GENERATION MOBILE NETWORK COVERS:

**99,99 %**

OF THE POPULATION

**99,65 %**

OF THE TERRITORY



**2G**

#### THE THIRD GENERATION MOBILE NETWORK COVERS:

**99,85 %**

OF THE POPULATION

**98,17 %**

OF THE TERRITORY



**3G**

**OWN FIBRE-OPTIC CABLE NETWORK** ensuring high-speed connectivity and HD IPTV interactive television service in more than 883 000 households by the end of 2014

---

**OWN COPPER-CABLE NETWORK** providing fixed telephony to more than 90% of the households

---

**OWN NATIONAL INTELLIGENT IP MPLS<sup>1</sup> NETWORK**, providing customers with the opportunity for hassle-free use of the full range of IP applications

---

**NATIONAL DWDM<sup>2</sup> NETWORK** based on a multi-layered model that ensures guaranteed quality services, effective management and expansion

---

**MAN<sup>3</sup> BROADBAND NETWORK** acting as a connection between the local (LAN) and the global (WAN) data networks

---

**FIXED NETWORK** ensuring the provision of fixed voice and data transfer services

---

**NATIONAL DIGITIZED TELEPHONE PSTN<sup>4</sup> NETWORK** covering the main cities in Bulgaria

---

**NGN<sup>5</sup> NEXT GENERATION TELEPHONE NETWORK** ensuring service independence from the nature and the type of transmission technology

---

## GOALS FOR 2015:

- Network improvements - Increasing the population coverage with 42 Mbps functionality to 69.5%
- Reduction of travel time of the technical network support teams

— 1. MPLS (Multiprotocol Label Switching) 2. DWDM (Dense Wavelength Division Multiplexing) 3. MAN (Metropolitan Area Network),  
4. PSTN (Public Switched Telephone Network) 5. NGN (Next Generation Network)

## 3.2. PRODUCTS AND SERVICES

**A**s an integrated telecom service provider VIVACOM offers its clients the convenience of getting everything they need from a single provider. The company aims to completely satisfy its subscribers' demand by providing

them with various opportunities for combining services upon their individual choice and for custom-made user packages, meeting their needs as well as saving money and efforts.

Undoubtedly VIVACOM could be named the first telecom in Bulgaria - it started with fixed telephony service back in 1886 and today enables its users to choose among all telecom services, divided into four key segments:



**FIXED  
TELEPHONY**



**MOBILE  
SERVICES**



**INTERNET**



**TELEVISION**

**FIXED TELEPHONY** is a service which has proved its reliability during the years. Boasting user convenience, it is a high-quality and highly secure service. Dozens of thousands of subscribers therefore keep using it. Its lower price for international calls is among its top advantages, making it a preferred service for clients whose friends and family live abroad. Our company tries to meet customer needs and thus offers multiple subscription plans featuring calls both within the fixed line network and to mobile and international networks.

VIVACOM pays special attention to the needs of disadvantaged people and people on social support programs by providing them with tailor-made social plans. Our company offers specially to the fixed-line customers a service for home and property protection – VIVACare Home insurance. It is designed to ensure reliable protection in the event of natural disasters such as earthquake, floods, fire, storm, and hail as well as third-party illegal actions such as vandalism, domestic burglary and so on. Thus VIVACOM's users can feel well protected and safe at home.

The fixed telephony service is preferred also by the business. VIVACOM provides to its corporate clients a number of landline options, which ensure not only connectivity within their company, but also continuous

communication with the clients. Examples are the Universal Number (0700) and the Green Number (0800) services, which are most commonly used as consumer lines.

**THE MOBILE VOICE SERVICES** offered by VIVACOM are divided into prepaid and post-paid. In 2014, the share of VIVACOM customers on post-paid tariff plans was 85%, which was 8% higher than the average levels in the market (77%). This is strong evidence that

clients trust our services and offers. In order to completely satisfy the growing customer needs, our company offers various plans, divided into several categories according to the services included:

NET&CALL	fully meet the modern people needs of unlimited Internet access in combination with call minutes. These plans are most suitable for and preferred by the smartphone users
MAXICALL	offer call minutes to all networks in the country - fixed and mobile
VIVA FREE	gives absolute freedom to choose the amount of call minutes within the VIVACOM network, to national or international operators, text messages or unlimited mobile Internet, without fixed-term contracts, penalties and bundle services that the subscriber does not use. Services can be added or removed every month, according to subscriber's current needs
HYBRID	an innovative plan that combines the advantages of a monthly subscription with included call minutes, text messages and Internet traffic, and the possibility of refunding a prepaid voucher when the subscription limits have been used up
BIPPER	a plan developed especially for children and providing parent control functions - safety and location tracking of the child at any time, panic button for emergency calls and cost control

VIVACOM's prepaid mobile services are arranged in several packages, including different amounts of minutes, text messages

and megabytes. They offer users' reliable communication, security of service in addition to cost control.



■ **THE INTERNET SERVICES** of VIVACOM are based on the fibre-optic technology - FTTB (Fibre-to-the-Building) and FTTH (Fibre-to-the-Home). They provide fibre-optic connection to the home, which ensures a disturbance-free signal transfer, reliability and high data protection. The latest generation infrastructure allows for much higher network

stability with no interruptions in adverse weather conditions.

So far VIVACOM has built fibre-optic infrastructure with connectivity to nearly 900 000 households in 15 cities in Bulgaria. Users can choose between various FibreNet plans to suit their needs – with a maximum download/upload speed of 15 up to 100 Mbps.

■ **VIVACOM NET** an ADSL-based service (Asymmetric Digital Subscriber Line), is

a reliable high-speed Internet access via existing copper phone line connectivity.

■ **TOOWAY** is a service providing high-speed Internet access via satellite. The service ensures fast and reliable connection of individual households and small businesses.

The access via satellite secures the connection to the global information network, even in the most remote and sparsely populated areas.

■ **THE MOBILE INTERNET** provides easy and convenient access to information and services on the Internet using a smartphone, tablet or laptop, wherever the user is located. VIVACOM has a 3G network with the best coverage in Bulgaria - 99.85% of the

population at the end of 2014. The telecom's customers can rely on a secure connection when using the Traffic Unlimited plans for tablet and laptop or plans with megabytes of data traffic included in the selected smartphone subscription.

VIVACOM offers **Paid Television** service since 2010. Our company utilizes two technologies to provide TV:

■ via satellite technology DTH Direct-To-Home, which provides television content via satellite directly to the customer's home;

■ via Internet connection and multimedia content protocol IPTV (Internet Protocol Television) - a completely digitalized platform that provides access to numerous television channels, video, applications, and interactive features, such as replay up to 2 hours backwards, pause and archive playback up to 7 days backwards.



Regardless of which of the two technologies the television service is based on, VIVACOM offers its users the opportunity to choose among different packages, including over

160 channels, of which 25 are HD, and a wide variety of genres: sports, movies, animation, music, popular science and much more.

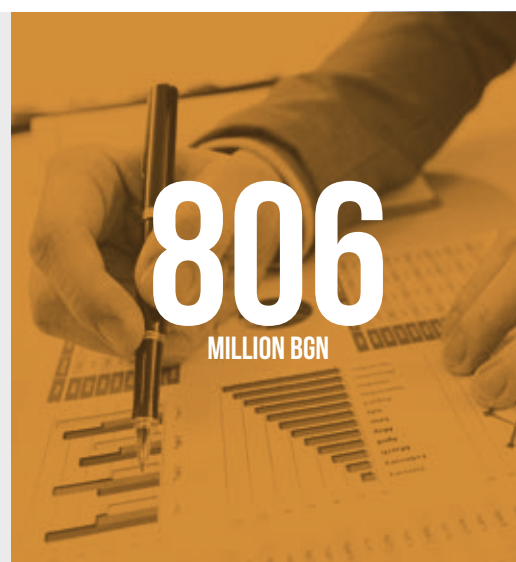
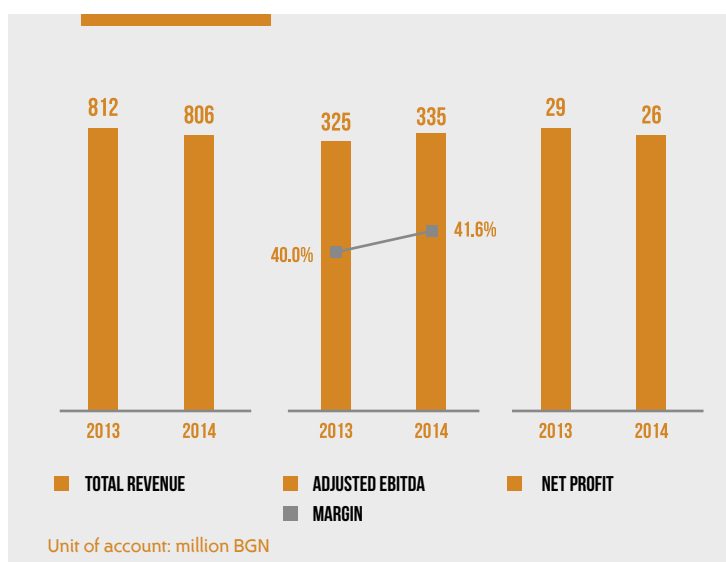
### 3.3. FINANCIAL RESULTS

**W**e are the leading telecommunications operator in Bulgaria, based on the total revenue for two consecutive years – 2013 and 2014<sup>1</sup>. We are a fully integrated operator that provides mobile and fixed telephony, fixed broadband and pay-TV services nationwide to both residential and business clients. As at December 31, 2014, we generated a total revenue of BGN 806 million and an adjusted EBITDA of BGN 335 million. Market competition and fixed-to-mobile substitution have been pressuring revenues, although this has been partially offset by growth in mobile, fixed broadband and pay-TV service subscribers. In 2014, total revenue declined by 0.7% (compared to a decline of 5.3% in 2013), while adjusted EBITDA margins

increased to 41.6% (compared to 40.0% in 2013).

We believe that our well-diversified business model, which offers mobile voice and data transmission, fixed telephony, fixed broadband and pay-TV services within a wide variety of tariff plans with service bundling options, reinforces the stability of our revenue and improves the profitability of our company. Despite the highly competitive environment in the telecom market, VIVACOM keeps its leading position thanks to the strength of our customer value proposition, our strong brand and the breadth of our product and service offerings.

#### FINANCIAL PERFORMANCE INDICATORS



<sup>1</sup>Sources: Corporate Financial Reports of VIVACOM, Telenor and Telekom Austria AG

## NON-FINANCIAL PERFORMANCE INDICATORS

## MOBILE SERVICES



MOBILE SUBSCRIBERS

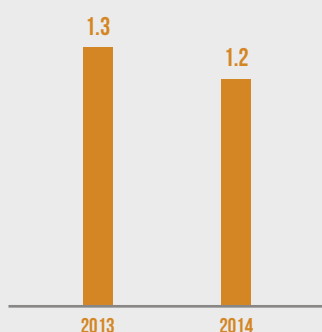
Unit of account: numbers in million



— We are currently the third largest mobile operator in Bulgaria, based on the total number of subscribers, with 2.9 million subscribers as at December 31, 2014, and an increase of 11.6% compared to 2013. Our revenue market share on the mobile market has reached 24% for the year ended December 31, 2014<sup>2</sup>.

— We attribute this sustainable growth to a number of factors, including our superior network quality, bundled service offerings, cross-selling and up-selling to existing customers.

## FIXED VOICE SERVICES



FIXED VOICE SUBSCRIBERS

Unit of account: numbers in million



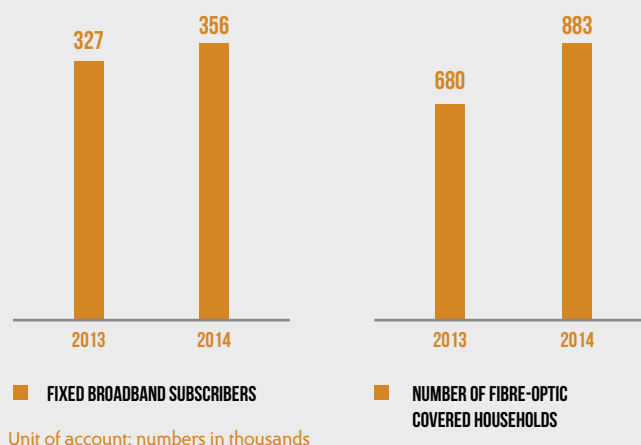
— We are the leader in fixed voice service in Bulgaria with a revenue market share of 71% and subscriber base share of 68% as at December 31, 2014<sup>3</sup>.

— Our total fixed telephony subscriber base decreased by 9.8% to 1.2 million as at December 31, 2014, compared to 1.3 million as at December 31, 2013. This decrease is primarily due to the strong price competition related to fixed telephony services, where such services are being offered as a very low price addition to mobile, fixed broadband and pay TV services, as well as the ongoing trend of fixed-to-mobile substitution.

<sup>2</sup>Sources: Corporate Financial Report of VIVACOM, consolidated financial reports of Telenor and Telekom Austria AG

<sup>3</sup>Source: Analysis Mason's Telecoms Market Matrix and European Core Forecasts

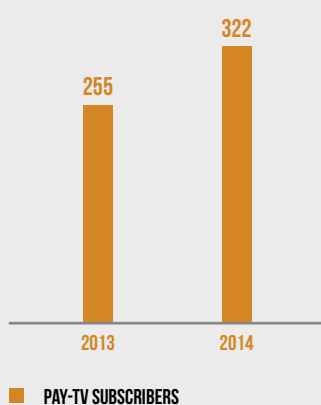
## FIXED BROADBAND INTERNET



— We are the market leader in the fixed broadband Internet market with a 24% subscriber market share as at December 31, 2014. Our total fixed broadband subscribers increased by 8.8% to 355 994 subscribers compared to December 31, 2013. The growth is due to the increase in FTTB/FTTH connections and is driven by the growing demand for reliable high-speed Internet.

— Our ongoing fibre-optic network build-out enables us to benefit from the well-established trend of shifting to fibre-optic high-speed technologies. In 2014, we achieved significant progress in our fibre-optic network expansion, with 883 000 homes covered nationwide as at December 31, 2014.

## PAY-TV



— Our pay-TV subscriber base increased by 26.2% to 322 thousand as at December 31, 2014, from 255 thousand as at December 31, 2013. This was mainly due to the increased demand for high-quality services with superior user experience and rich content to suit customer preferences.

— Detailed information on the financial and non-financial performance indicators, as well as on the risk management, can be found in the public reports available on our corporate website.

## INVESTOR RELATIONS

**W**e believe that regular contact with investors and engaging them in an open dialogue is crucial to sustain a good relationship. — Transparent, reliable and timely information about the company helps investors to gain a greater understanding of the company's business, its governance, financial results and prospects.

For VIVACOM Investor Relations is not just an one-way communication. It is as much about sharing company business direction to the investment community as it is about incorporating their views and feedback. Reflecting the nature of these relations and driven by long-term responsibility and commitment of our company, we maintain a continuous dialogue with all key investors.

Transparent communication with investors is of particular importance in order to articulate

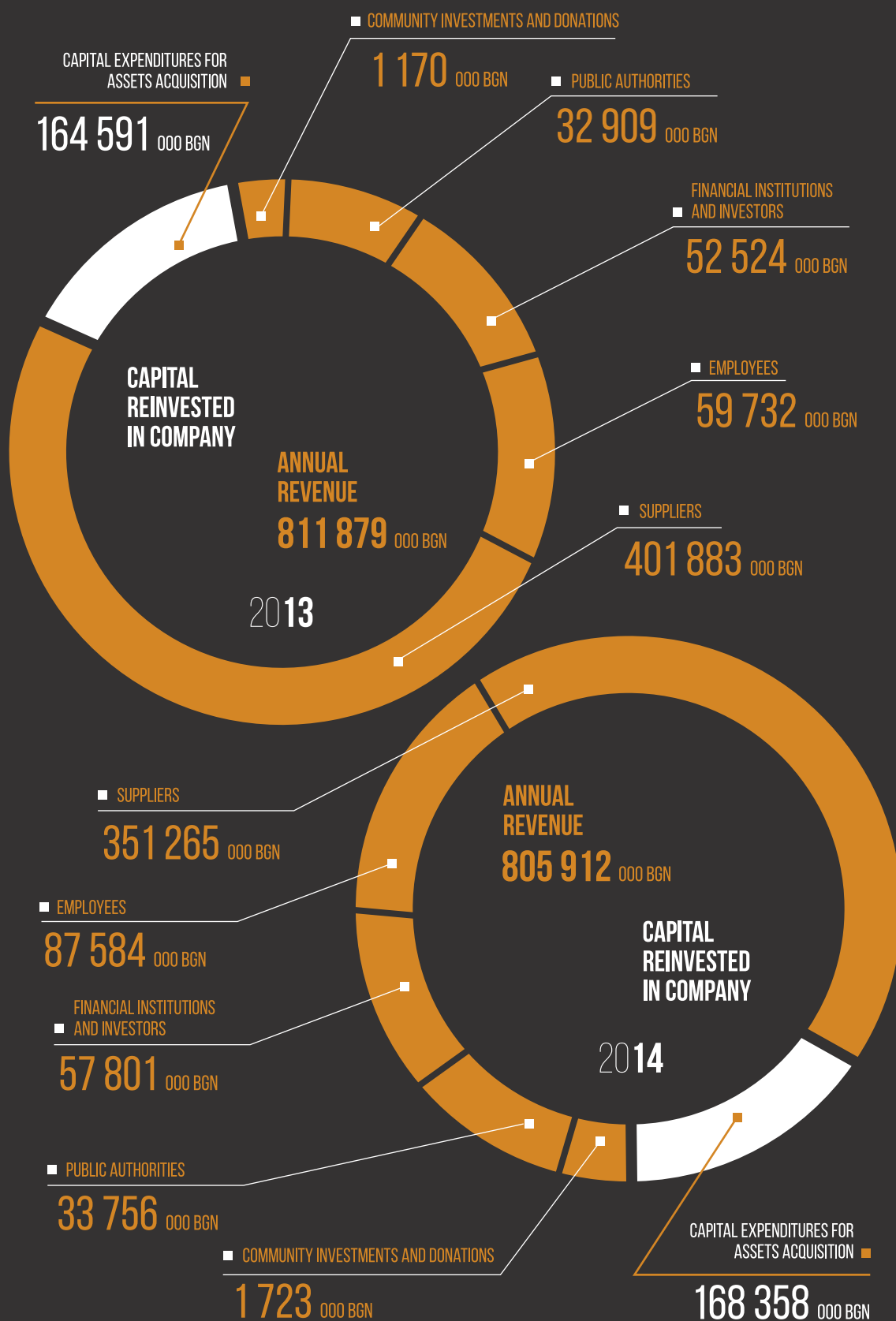
VIVACOM's current status and potential in ways that will enable them to come to a fair valuation. Through our engagement with investors we understand what information could be beneficial for them and we share our strategy for managing materiality topics across the shared-value chain.

We reach out to investors through events, conference calls and one-on-one meetings to keep them well informed and to be fully transparent. VIVACOM also constantly updates its website, which contains information about the financial calendar, financial reports, presentations, key performance indicators, latest news and other relevant data. We try to respond to investors' questions and inquiries sent by e-mail within 24 hours.

## SHARED-VALUE MODEL

**W**e firmly believe that sustainable business development depends on the fair distribution of the generated value between the groups of stakeholders. The shared-value model is based on our understanding that as a leader at the telecom market we create value for

our employees, shareholders, investors and suppliers as well as to society. We are confident that thanks to our core competences and expertise we work in a way that addresses public needs, while supporting social causes and generating benefits for the business.





## 3.4. PROCUREMENT

### SELECTION POLICY AND SUPPLIER RELATIONS

**P**roduction of goods and services inevitably generates environmental impact. VIVACOM maintains business relations with various suppliers, including manufacturers, distributors, and consultants. Our supplied products and services can be divided into various categories, including: cable and wireless network infrastructures, information technologies, devices, consumer and business products and services, software, content, administrative goods and services, vehicle fleet, construction activities.

VIVACOM actively develops and implements various tools for supplier performance evaluation. When choosing suppliers, in addition to the price, various criteria are taken into account, such as profitability, financial stability, health and environmental safety, innovation, production and supply capacity, maintenance capacity, and technical parameters of the products and services. We strive to establish long-term relations with our suppliers and to help them improve in order

to meet technical and functional standards for service provision to VIVACOM. We perform regular quality monitoring, including visiting and inspecting production sites before signing an agreement, commissioning contract performance audits to independent experts, and creating competitive environment for high-standard execution of signed contracts. As a result of our dedication and the motivation of VIVACOM's suppliers to preserve their contractual relations with our company, more and more of them successfully meet the requirements of the international standardization organisations, such as ISO, British Standard, ANSI.

We provide equal opportunities to all participants in supplier tenders and auctions. The selection procedures for new suppliers are carried out in the most transparent manner and in accordance with the procurement procedure approved by the Managing Board of the company.

#### CONFLICT MATERIALS WITHIN THE SUPPLY CHAIN

Mineral resources are widely used in the production of smartphones and tablets, such as tin, tantalum, tungsten, gold and other metals, which are often extracted in conflict-affected parts of the world, especially in the Democratic Republic of Congo and adjoining countries. The profits from the sale of these minerals finance ongoing armed conflicts, hence the name „conflict minerals“. One of VIVACOM's suppliers is Huawei – a telecommunication equipment manufacturer ranked among the top three smartphone manufacturers in the world in 2014. Huawei's policy prohibits knowingly purchasing or supporting the use of conflict minerals, and this requirement is extended also to the numerous suppliers of the company. The implementation of this policy is monitored by inspections of suppliers.

For more information: [2013, Sustainability Report of Huawei](#)



Optimized timing and procedures for supplier selection and cooperation are essential aspects of the procurement process. The delay at certain stages often leads to financial losses both for suppliers and for VIVACOM. In order to optimize the process, our company introduced an electronic supply system in November 2014. The system significantly

facilitates the process, provides full visibility and traceability, integrates all stages stipulated in the supplier selection procedure and automatically calculates and compares the proposals. Electronic procurement is one of the most modern and effective practices for process optimization and reduction of procurement costs for companies.

### MAIN ADVANTAGES OF THE ELECTRONIC PROCUREMENT SYSTEM:

- Electronic tenders lead to saving significant amounts of paper, which are otherwise used by suppliers for preparation of tender documentation and contracts in the traditional way. This results in cost reduction and optimization of the procurement process and has a very direct effect on the environment;
- Automatic comparison and assessment of offers;
- Digital signing and archiving of all documents related to the purchase;
- Features for electronic management of the whole documentation and correspondence;
- Regular assessment of suppliers (ISO 9001) - information about the rating of their company indicates their potentials for development and improvement. As a result of ongoing supplier tenders and assessments, most of VIVACOM's suppliers proactively seek and receive our feedback.
- Automatic data recording in the SAP system.

In November and December 2014, the company completed 23% of its tenders via its electronic procurement system. The results translate into significant savings of time, materials, and

resources. There is also a financial impact related to the goods and services supplied that benefits both ourselves and participating suppliers.

### GOALS FOR 2015:

- Strict adherence to the annual budget and making the maximum possible use of cost-cutting opportunities through renegotiation in key supplier accounts
- Reuse of equipment in order to optimize procurement costs. Goal: savings by a minimum of BGN 10 million
- Increase in the number of electronic tenders to 50% of the total held per year.

## 3.5. ENERGY AND RESOURCE EFFICIENCY

The extensive development of 3G networks and the growth of data traffic lead to an inevitable increase of energy consumption. Energy efficiency is gradually turning into a key factor for telecoms' competitiveness.

In 2014, VIVACOM consumed 124 GWh of energy in the form of electricity, heating, and fuels. The main energy consumers were the core and fixed networks and base stations (68%), followed by the fuels consumed by the company vehicle fleet (18%).

In comparison to 2013 there was an increase of ca. 10%, which was due to the fact that the entire fleet for network maintenance has been returned to BTC EAD. For that reason, the motor fleet fuel consumption has risen from 753 000 to 2 225 000 litres. On the other hand, a decrease of 7% was registered in electricity consumption by the fixed network and 24% in diesel fuel consumption by the base stations. In 2014, the energy consumed by VIVACOM generated 59.6 thousand tons of carbon emissions (direct and indirect), which marked a decrease of approximately 4.3% on an annual basis; to a greatest extent this was due to the wider inclusion of renewable energy sources within the country's energy mix.

The electricity consumption of the mobile network is being limited mainly by DTX and Power Control features that are enabled in 100% of the network. There is a function activated in the mobile network that based

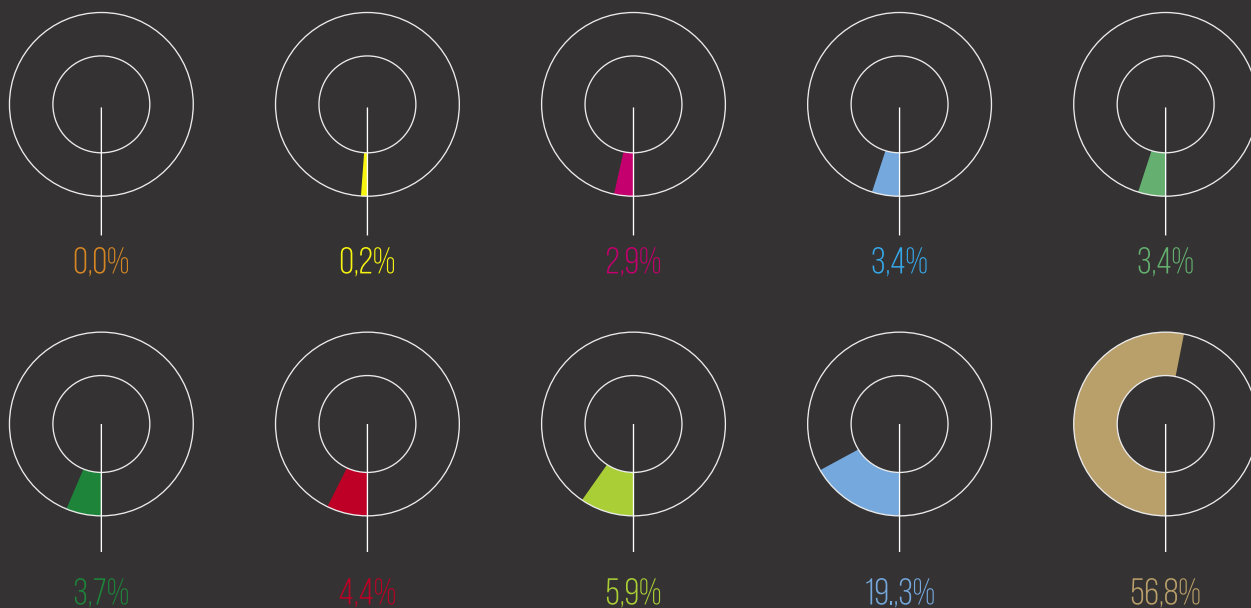
on real-time calculations and at times with no traffic reduces the cell capacity by switching-off part of the transmitters.

Another large consumer of electricity is cooling. It is most efficient in the base stations for outdoor installation, which are cooled by fans; this type of cooling, however, is a possible solution for only 25% of the base stations. In the case of internal cooling, most efficient are the so-called free cooling systems - hybrid systems of fans, which provide cooling by driving in air from outside (when the outside temperature is low enough) and air conditioning for the rest of the time; these are mounted in 16% of the base stations with internal cooling. The system is applicable to base stations mounted in technological containers. The remaining part of the base stations, for indoor installation in technological premises, rely on split systems of energy class A/A+ (61%) or lower.

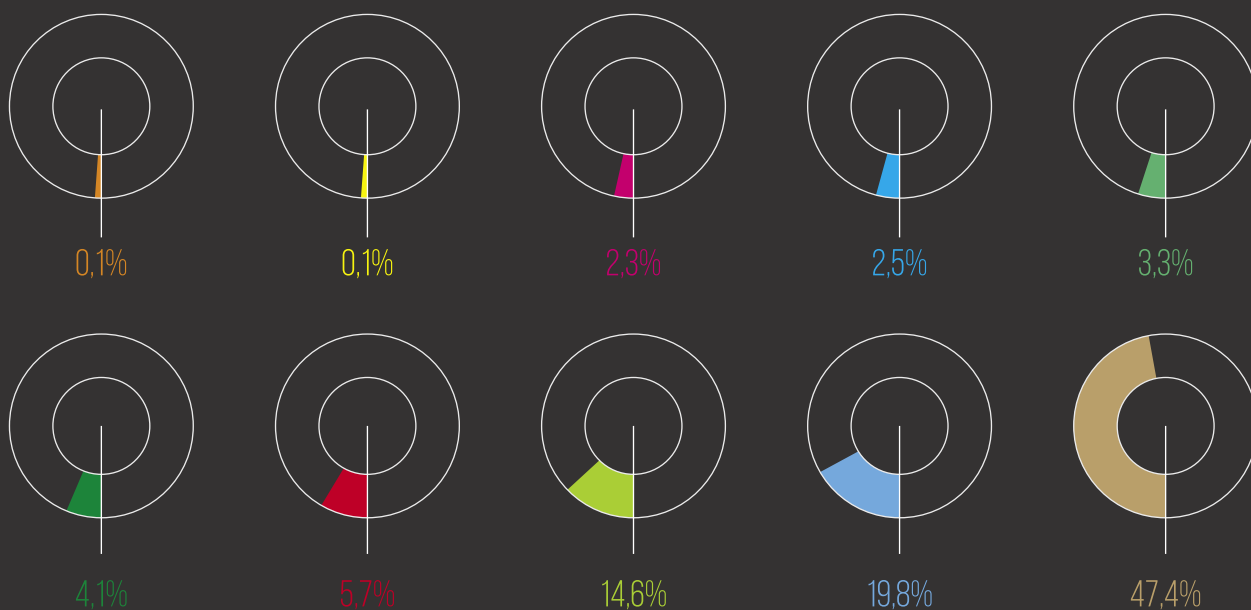
VIVACOM uses RES (PV panels in combination with a diesel generator and batteries) only where it is impossible to provide a permanent electrical power supply (EPS), i.e. in base stations located at a great distance from the grid. At the moment there are only 9 base stations powered by diesel generators, one is using RES as of mid-2014, and it is planned that another 4 will be powered by RES in 2015, while the remaining 5 will be connected to the EPS.

## ENERGY CONSUMPTION

2013



2014



HEATING - OFFICES

DIESEL HEATING

DIESEL FOR ELECTRICITY GENERATION

HEATING - STORES

PETROL VEHICLE FLEET

ELECTRICITY - OFFICES

ELECTRICITY - STORES

DIESEL VEHICLE FLEET

ELECTRICITY - BASE STATIONS

ELECTRICITY - CORE AND FIXED NETWORKS

## CARBON EMISSIONS IN TOTAL (T)



The number of subscribers that have opted out of receiving paper invoices has risen to reach 20% by the end of 2014 vs. 13,9% as of 31 December 2013, and the tendency for electronic invoice opt-in will continue in the coming years.

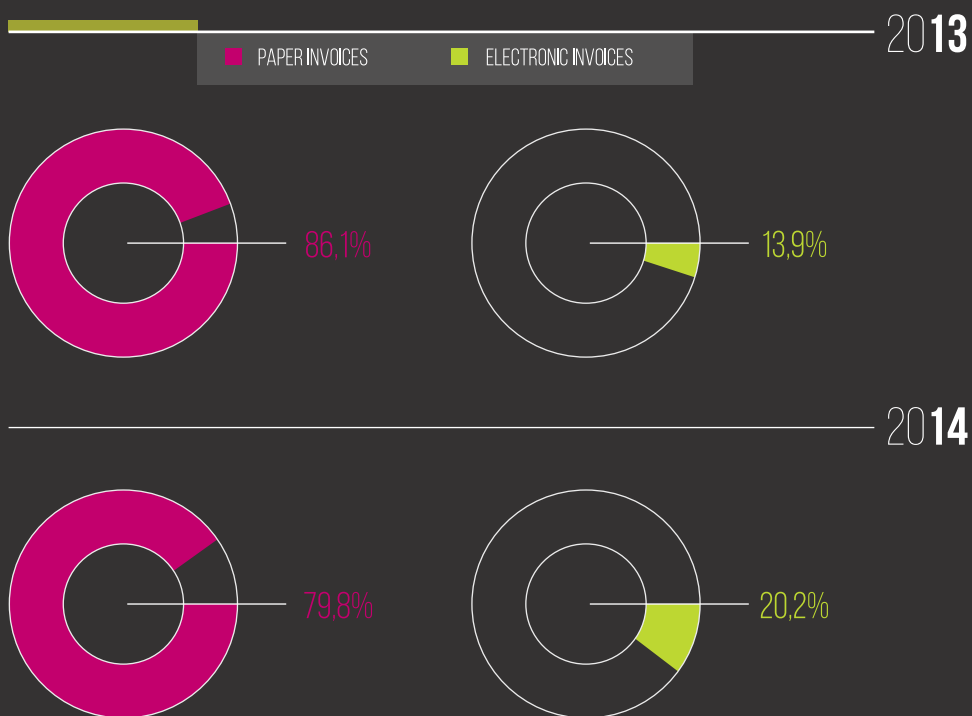
The maintenance and continual upgrade of the fixed and mobile networks require recurrent replacement of equipment. The company repairs and puts into reuse approximately 40% of this equipment. Nevertheless, large amounts of waste are generated, which VIVACOM sells and/or forwards for recycling.

The great increase in the amount of cables forwarded for recycling in 2014 was a result of

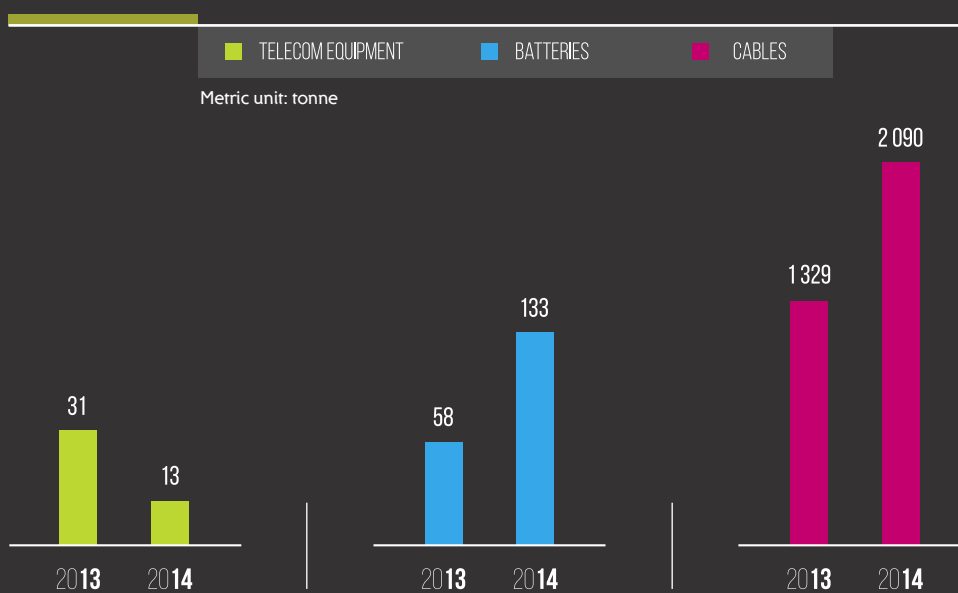
scrapping and removal of all inactive copper cables from the cable network, the aim being to eliminate the preconditions for cable thefts.

The network development results in improved services, which requires a more extensive portfolio of end network devices for consumers. Devices for DTH TV, IPTV TV and Internet, which are no longer used because of switch to a new service, suspension of service, etc., are tested and returned to the network for reuse. Thus, end devices that are in perfect order and fit for use are not disposed of, but are optimized, which results in an overall enhancement of the energy and resource efficiency of VIVACOM and consequently in less harmful environmental impacts.




### ACTIVE ELECTRONIC INVOICES BY THE END OF THE PERIOD (IN %)



### WASTE GENERATED BY NETWORKS

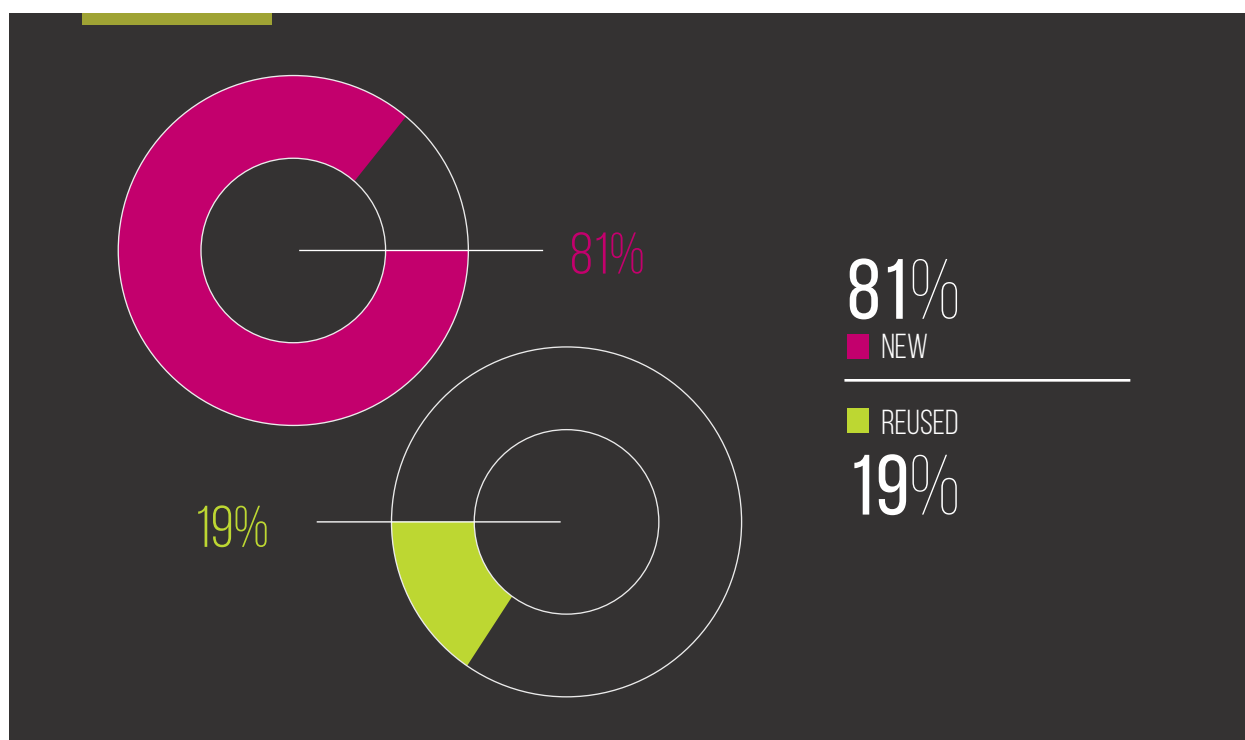


## AMOUNT OF SCRAPPED CABLES BY METALS:

		2013	2014
LEAD		300.760	638.642
ALUMINIUM		17.930	11.523
COPPER		486.764	802.403

Metric unit: tonne

## 2014 – DEVICES AND SMART CARDS FOR DTH TV, IPTV AND INTERNET RECEIVED



## GOALS FOR 2015:

- Improve our Environmental management system and environmental impact data

# INSPIRING

---

**VIVACOM** Values



---

*We have the courage to do things in a new way, with a positive and professional attitude. Challenges stimulate and motivate us.*

---

## 4. INSPIRING

Inspiration is that ingredient in our company's activity, which truly makes us known in the marketplace. It stimulates employees to give their

best and the company - to support unconventional and challenging projects:

---

More than 75% of employees are satisfied with their line manager

417 employees are promoted to a higher position with more responsibilities

Some BGN 2 million are invested in employees' training

34% of interns are employed permanently

Over 300 people participated in the StartUP Weekend Mobile

30 mobile applications were supported by the telecom in their creation and promotion

115 events, 17 major exhibitions with 5 000 visitors in total were held in the VIVACOM Art Hall





## 4.1. EMPLOYEES

**V**IVACOM employees are key to our company's success. We go forward driven by employee commitment, professionalism and expertise,

in addition to sharing common values. Our employees are our most precious capital.

### GENERAL INFORMATION ABOUT COMPANY EMPLOYEES IN 2014



NUMBER OF EMPLOYEES: **5 875**



MEAN AGE **37**

**67%** OF THE EMPLOYEES HAVE HIGHER EDUCATION



NUMBER OF NEW HIRES: **1 052**

(EXCLUDING THE 1 154 EMPLOYEES TRANSFERRED FROM ALCATEL LUCENT)

MEN **55%** WOMEN **45%**



NUMBER OF PROMOTED EMPLOYEES **417**

FLUCTUATION OF MANPOWER **13.21%**





## 4.2. RECRUITMENT, DEVELOPMENT AND RETENTION

**E**ach year the company gives its employees various opportunities for realization, thus ensuring VIVACOM's long term development.

About 200 hiring procedures are carried out every month. We hire most frequently in our sales and customer service departments following new store openings, service range expansions and efforts to improve customer service.

Due to the nature of our business and the complexity of our operations, there are

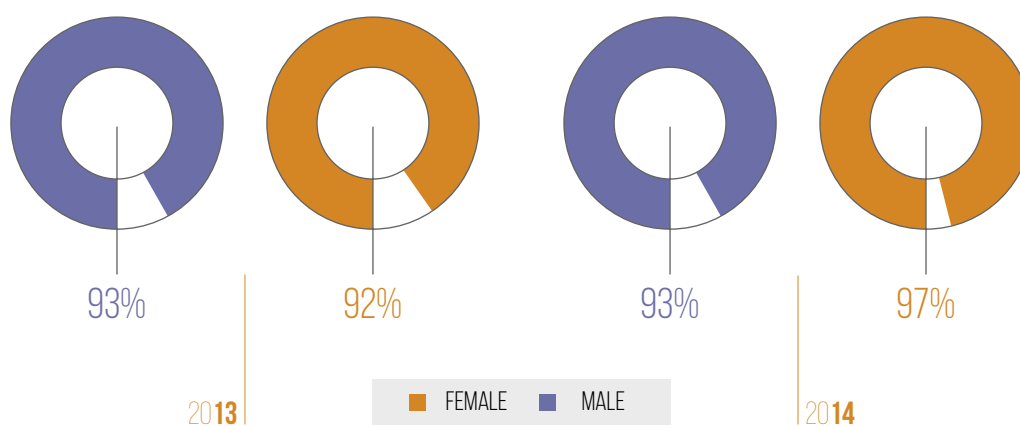
more than 100 positions for developers and software architects and more than 700 engineering positions in the company. Hiring in our technical departments is focused on software programmers, IT administrators and skilled mobile network professionals. These employees work on the development and maintenance of service platforms, maintenance of technical infrastructure and equipment, as well as for teams involved in the provision and installation of new services and troubleshooting. **As many as 1 052 new employees were hired in 2014.**

VIVACOM ranks among the largest employers in Bulgaria. Our team grew from 3 541 to 5 875 people, including employees that joined the company on January 1, 2014 that had been part of the Alcatel-Lucent Bulgaria Ltd. team for four years based on an outsourcing and re-insourcing contract between

the two companies related to the network maintenance work. Over the last year we focused our attention on the reintegration of these employees into our company, aiming to improve the quality of services in the entire value chain, to optimize business processes and to achieve competitive advantage.

		2013	2014
TOTAL NUMBER OF EMPLOYEES		3 541	5 875
PART-TIME EMPLOYEES		16	17
EMPLOYEES ON COLLECTIVE LABOUR AGREEMENTS		40 %	61 %

#### EMPLOYEES WITH PERMANENT EMPLOYMENT CONTRACT BY GENDER



## SOCIAL BENEFITS

SUPPLEMENTARY HEALTH INSURANCE  
FOR EMPLOYEES AND THEIR FAMILIES

FOOD VOUCHERS, MOBILE HANDSET  
OR TABLET OF THEIR CHOICE PLUS  
MONTHLY SERVICE PACKAGE



PREFERENTIAL BUYING TERMS AT MORE  
THAN 100 AFFILIATE COMPANIES IN THE  
TRAVEL, SPORTS AND ENTERTAINMENT  
SECTORS, FINANCE AND INSURANCE,  
CLOTHING AND ACCESSORIES STORES,  
AND MANY MORE

TELECOMMUNICATION SERVICES AT  
PREFERENTIAL TERMS, SUCH AS ADD-  
ON MOBILE CARDS, INTERNET, TV AND  
OTHERS

## VIVA PEOPLE

In modern society working people face an increasing challenge – to balance between professional development and personal life. VIVA People is a program offering to the company's employees various initiatives related to sports, healthy lifestyle and nutrition, events and theme gatherings after work, and entertainment activities for their families and children.

Employee teams in various sports are put together as part of the program. These teams

often participate in numerous fundraising sports events such as the tournaments held by Holiday Heroes under the motto "Sport with a Mission".

The company also provides tickets for many theatre plays, music events and other cultural activities, enabling its employees and their families enjoy their leisure time.

## CORPORATE CULTURE

We believe that corporate culture has a significant impact on employee engagement. Constant effort in this direction makes VIVACOM a good place to work and a field for employee self-development. The company organizes various activities for team building and for creation of a positive working environment, such as workshops, an Employee of the year competition based on the corporate values, a Christmas party, games with attractive prizes for employees, sports tournaments and more. Casual Fridays are also part of our corporate culture.

The work subject matter, team relationships and line manager interactions are among the most important factors for our employees' satisfaction. In 2014, for a second consecutive year, we launched a survey among our employees about their managers. The results indicate that more than 75% of employees feel satisfied with their line manager. There is no proven case of discrimination in the reported period.

## DEVELOPMENT OPPORTUNITIES

Career development within the company can be both vertical - to a higher position in the hierarchy (promotion), and horizontal - to a position at the same hierarchical level but with different responsibilities. Since 2011, these processes have been governed by a policy within the largest organizational structure – the Sales Department, where career paths have been introduced and followed. The result in 2014 was that 417 employees were

promoted to higher and more responsible positions.

In addition to career development, the company has special programs for development and motivation of the most successful employees at their current positions. There are three programs for Key Employees:



— **KEY EMPLOYEES** – the best experts and line managers, who manage strategic projects and have acquired critical knowledge about our business. 66 key employees are involved in this program and 12 newly selected have joined them since 2014.



— **TOP SALES** – a program created specifically for sales executives, who work with the largest and most strategically important clients of the company. In 2014, three new members joined the club of most successful corporate sales executives, thus raising the total number to 24.



— **SALES EXPERT** – the largest program with 300 of the most successful employees in the telecom's network of stores.

The people participating in these programs receive a special package of additional training and development opportunities, attractive benefits, financial incentive, meetings with top management, as well as recognition of the results achieved at the company's intranet.

## PERFORMANCE EVALUATION IS ONE OF THE MOST IMPORTANT METHODS TO STIMULATE EMPLOYEE PROFESSIONAL DEVELOPMENT.

The remuneration system of VIVACOM ensures just and competitive remuneration to employees. It is defined by the successful performance and individual contribution of each employee, the skills invested and the position occupied. In the Sales departments, as well as the Customer Service and Troubleshooting departments, there are

quarterly bonus schemes developed and customized to the targets of each department. The remaining employees that are subject to an annual attestation receive a bonus depending on the individual annual target achievement appraisal and the competences exposed.

### ALL COMPANY EMPLOYEES ARE SUBJECT TO PERFORMANCE EVALUATION, WHERE:

**1/3** OF THE  
EMPLOYEES ARE  
SUBJECT TO ANNUAL  
EVALUATION



**1 503** EMPLOYEES HAVE  
BEEN SUBJECT TO MONTHLY  
PERFORMANCE EVALUATION

**2 305** EMPLOYEES  
HAVE BEEN SUBJECT TO  
QUARTERLY EVALUATION

EVALUATION RESULTS ARE USED FOR REMUNERATION REVIEW, FOR BONUSES DISTRIBUTION (QUARTERLY AND ANNUAL) AND COMMISSIONS, AND FOR DETERMINING TRAINING NEEDS AND POSITION ADVANCEMENTS.

## 4.3. KNOWLEDGE MANAGEMENT

In 2014, VIVACOM invested some BGN 2 million in employee training to ensure the skills and knowledge needed for achieving the business objectives of the company and the vision for long-term development.

VIVACOM supports the development of a well-trained managing staff, with outstanding leadership skills and strategic thinking, capable of developing good business sense and sharing knowledge within the team. The company also encourages the promotion and retention of staff with high progress potential. For that reason, we have developed various training programs related to the particular target groups, such as Induction for New Employees, Sales Programs, Management Programs, Mentoring Programs, etc. The

company's goal is to provide the employees with specific personal development solutions geared to actual business needs.

As a result, employee training effectiveness within the company has been almost doubled. Through a combination of the best global practices, such as e-learning, on-line trainings, webinar and live trainings aimed at various needs, a larger number of employees was trained compared to 2013. The majority of them participated in shorter training sessions consistent with the specifics of their work.

Compared to 2013, in 2014, due to staff insourcing and the increased number of training initiatives, we achieved:

<b>x3</b>	The number of people trained was tripled and the number of training hours for both managers and specialists was substantially increased
<b>x2</b>	The number of women trained doubled - from <b>834</b> in 2013 to <b>1 600</b> in 2014. The number of training hours went up from <b>28 048</b> in 2013 to <b>45 672</b> in 2014
<b>x4</b>	The number of men trained grew four times - from <b>757</b> in 2013 to <b>2 813</b> in 2014. The number of training hours increased from <b>29 952</b> in 2013 to <b>66 968</b> in 2014
<b>x2</b>	Approximately two times more managers trained - from <b>194</b> in 2013 to <b>357</b> in 2014. The number of training hours increased from <b>9 080</b> hours in 2013 to <b>17 448</b> hours in 2014
<b>x3</b>	Approximately three times more employees trained - from <b>1 397</b> in 2013 to <b>4 056</b> in 2014. The number of training hours went up from <b>48 920</b> hours in 2013 to <b>95 192</b> hours in 2014.

The key challenge for our company is retention and knowledge enrichment. As is customary for companies that have store chains and large customer service departments, the staff fluctuation is relatively high. Thanks to our

employee retention programs, such as the Sales Expert Program, in the last 2 years we have managed to reduce the manpower turnover in the store chain by 20%.



## 4.4. A ROBUST YOUNG PROFESSIONALS HEAD START

### INTERNSHIP PROGRAMS

The VIVACOM summer internship program is among the largest internship programs in Bulgaria. It was held for the 11th consecutive year in the summer of 2014, when 120 trainees were hired in all key departments for a period of 3 or 4 months. The interns participate in trainings and have the opportunity to work on real projects and tasks, thus acquiring

valuable practical experience in a real working environment. In 2014, 34% of the interns were permanently hired in different company departments.

We are also developing a year-round internship campaign implemented primarily in the technical departments.

### ADVANTAGES FOR PARTICIPANTS:



OPPORTUNITY FOR SUCCESSFUL  
YOUNG PEOPLE TO MAKE A  
START IN ONE OF THE MOST  
INTERESTING BUSINESSES –  
TELECOMMUNICATIONS

ADDITIONAL TRAININGS

REMUNERATION

ACQUISITION OF PRACTICAL  
PROFESSIONAL SKILLS

PARTICIPATION IN VARIOUS INTERNAL  
COMPANY INITIATIVES

OPPORTUNITY TO BE HIRED FOR A  
PERMANENT POSITION



## TECHNICAL ACADEMY

The Technical Academy was launched in 2010, in partnership with the Faculty of Telecommunications at the Technical University of Sofia. The program aims to reinforce the theoretical knowledge of students by means of practical courses which are not included in the regular curriculum. In 2014, 30 senior students from the Technical University majoring in Telecommunications,

Computer Systems and Technologies, and Electronics took part in the program and worked with 16 VIVACOM experts on various case studies. The course topics are in the field of technology, project management, technical English, product and service development, legal framework and regulation of telecommunications, business communications.

### ADVANTAGES FOR PARTICIPANTS:



EXTRA POINTS SCORED IN THE ENTRANCE COMPETITION FOR A MASTER'S DEGREE AT THE FACULTY OF TELECOMMUNICATIONS

GAINING NEW KNOWLEDGE AND PRACTICAL EXPERIENCE FROM RENOWNED EXPERTS IN THE FIELD

HEADWAY IN THE SELECTION PROCESS FOR THE SUMMER INTERNSHIP PROGRAM OF THE COMPANY

## COOPERATION WITH EDUCATIONAL INSTITUTIONS

In addition to the Technical University of Sofia, we are working in cooperation with the Software University, the Technical University of Gabrovo, the College of Telecommunications and Postal Services, the Sofia University St. Kliment Ohridski, the Higher School of Insurance and Finance, the D. A. Tsenov Academy of Economics - Svishnov, the Todor Kableshkov University of Transport, and the New Bulgarian University. Along with our participation in career forums,

our contractual relations with educational institutions include activities such as mentoring and consultations for case studies. The cooperation with educational institutions provides an opportunity for convergence between our company's objectives and university curricula, and also for an enhanced practical training of students and an additional tool for selection of successful and motivated young professionals.

## 4.5. COLLABORATION WITH THE STARTUP COMMUNITY

**V**IVACOM started its partnership with the Bulgarian Startup community at the end of 2012. The aim of this cooperation is to promote the generation and implementation of innovative ideas and to encourage the development of starting businesses in the field of new technologies in Bulgaria. The company supports important entrepreneurship events in the country and is a partner of many successful startups in the telecommunications sector.

In 2013, VIVACOM launched its #newbornideas contest in search for

distinguishing new ideas for mobile applications. The company offers more than 80 mobile applications in its VIVA Apps platform (the largest hub for Android apps in Bulgaria), and has supported the realization of 30 of them.

In 2014, more than 300 young entrepreneurs took part in the two editions of the StartUP Weekend for mobile applications. The event participants were able to present their ideas, to develop them and to form a team for their realization.

### ADVANTAGES FOR PARTICIPANTS:



## 4.6. VIVACOM ART HALL

**V**IVACOM is one of the few companies committed to investing in culture and arts. We believe that a successful society should consist of well-educated people with practical skills and mature spiritual values.

VIVACOM Art Hall is the largest and long-term project of VIVACOM in the field of culture. The Hall is located in the symbolic Telephone Palace building in the centre of Sofia. At the end of 2011, the company managed to transform a commercial space into a contemporary art centre looking to contribute to the development of cultural life in Bulgaria. It soon turned into one of the most active and

popular locations in the capital, where young Bulgarian and foreign talents are presented to Bulgarian audience. The access to VIVACOM Art Hall is free for visitors and the space is provided to artists and organizers of events free of charge.

The space has hosted exhibitions and festivals of Bulgarian and world art, design, architecture, fashion, concerts, theatre, competitions and conferences. In 2014, as many as 115 events and 17 large-scale exhibitions welcomed nearly 5 000 fans of contemporary art and culture.

### AMONG THE MOST SIGNIFICANT EXHIBITIONS IN 2014 WERE:



The exposition “Raina Kabaivanska – The Divine One”. Organized on the occasion of the 70th anniversary of the Prima, the exhibition presented stage costumes created especially for some of her most distinguished roles, as well as impressive art photography, kindly provided by Metropolitan Opera, Covent Garden, La Scala, Rome Opera, Teatro Real, Sofia Opera and other big opera theatres, in which the Raina Kabaivanska has sung.



---

The exhibition titled „135 Years of Telecommunications in Bulgaria“ presented a number of photographs, information panels, telecommunication devices and a TV corner. It acquainted the visitors with curios facts from the history of the postal, telegraph, telephone, television, and radio communications.

---

#### GOALS FOR 2015:

- Identification of new staff sourcing channels - analysis, reported efficiency and personality tests for all promoted managers
- Formulation of SMART goals for minimum 90% of all employees
- Enhancement of existing bonus schemes based on business needs
- New benefits for employees – psychological counselling, adjustment of mobile tariffs for employees, additional vouchers
- More new hires /interns coming from university cooperation programs
- At least one more contract for cooperation with an educational institution

# INNOVATIVE

---

**VIVACOM** Values



*We create new opportunities. We turn technology into innovative solutions that make our lives easier and more exciting.*

---

## 5. INNOVATIVE

Innovativeness generates alternative points of view and fosters striving for something new, unique, outside the box. To be innovative means to

be ready for change, to risk a failure and to still believe in what you are doing. Together with our partners we successfully developed:

---

**IPTV** - a new generation TV with multimedia content

**VIVA APPS** – the only Bulgarian hub for mobile applications with  
**100 000** active users and **1 200** different apps

A high-speed Internet platform in support of telemedicine

Novelty online tech columns in the blog **NIXANBAL.COM**



## 5.1. INNOVATIVE PRODUCTS AND SERVICES

### TV - WHENEVER AND WHEREVER YOU WANT IT

VIVACOM always strives for innovation through a strategy of continual service upgrade and new solutions development entirely turned towards the constantly evolving customer needs.

In 2010 the telecom created VIVACOM TV – its latest service of strategic importance to both the company and the market, which turned VIVACOM into the only Bulgarian operator that offers all telecom services as a one-stop

shop. In 2012 the company launched IPTV – a new-generation TV with multimedia content. The service is available via VIVACOM's broadband cable network and offers a variety of interactive features enabling the viewer to enjoy picture and sound of excellent quality and giving access to TV content at any time. IPTV features the most user-friendly functions, which make viewing of any of the 160 channels an exciting experience through:



CATCH UP ON TV SHOWS, SERIES AND/OR FILMS WITH A 7-DAY PLAY BACK VIEWING OPTION

A PAUSE OPTION



A REWIND OPTION UP TO 2 HOURS

A SPLIT-SCREEN OPTION



A RECORDING OPTION FOR WEB CONTENT, A VIDEO LIBRARY WITH 6 000 TITLES AND ACCESS TO CONTENT ON YOUTUBE, VBOX AND NOVA TV.

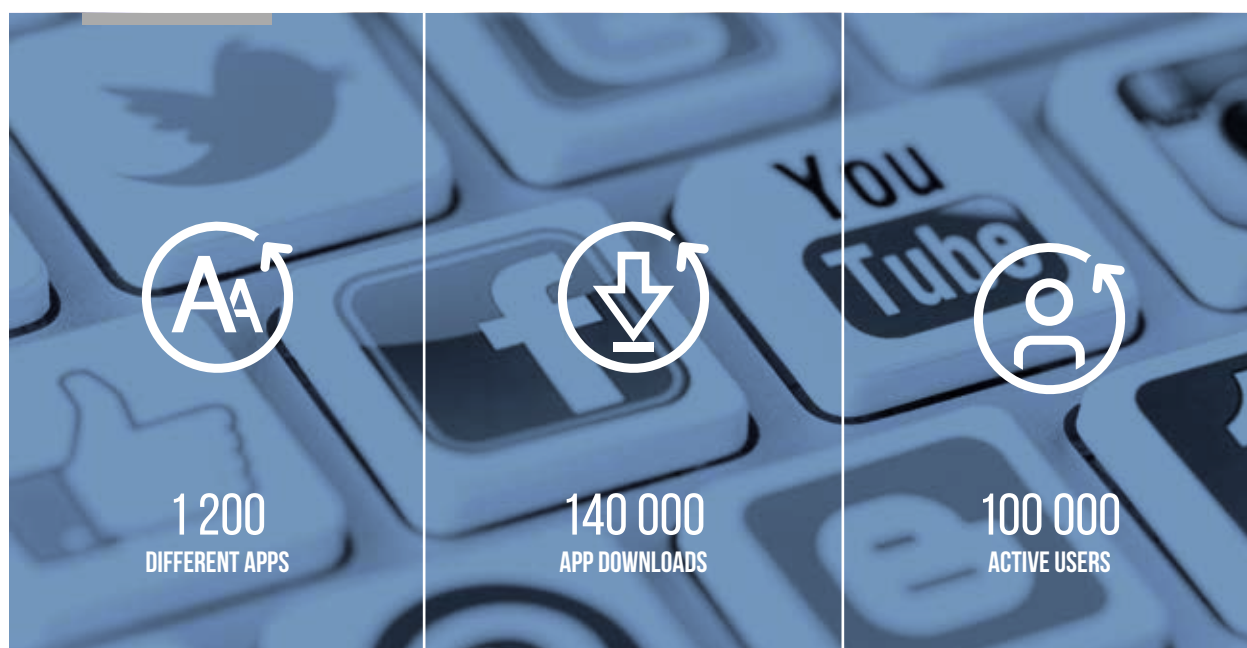


## VIVA APPS - THE BULGARIAN APPLICATIONS PLATFORM

In 2012, VIVACOM created and launched another innovative product unique for the Bulgarian market - the VIVA Apps platform for mobile applications. VIVA Apps is a free applications hub proposed by VIVACOM and developed in partnership with leading Bulgarian content providers. Applications are organized by category, which makes browsing easy. The content of VIVA Apps

is constantly updated and offers some of the best and most diverse Android apps in Bulgaria, developed to span a variety of user interest: news, sports, lifestyle, games, shopping, radio, books and more. One of our major innovations of the year is the option to include paid applications in the VIVACOM monthly invoice, which discarded the need for registration and credit card use.

### AS OF THE END OF 2014, THE PLATFORM HAS:



### GOALS FOR 2015:

To enhance content by adding three new features:

- VIVA Apps newsstand: a one-stop-shop for various on-line magazines at a discount
- VIVA Books: adding new titles to the collection
- VIVA Online: an option for clients to check bill status, tariff plans, minutes used and remaining, as well as any information on the services used



## 5.2. INNOVATIVE PROJECTS WITH CORPORATE SUPPLIERS

**V**IVACOM has a diverse pool of suppliers among which the company looks for reliable partners prone to innovation for joint development and provision of highly customized services to its clients. Such partners are Huawei and Ericsson, two of VIVACOM's largest equipment suppliers. One of our key successful joint projects is interactive TV (IPTV) developed over 11

months by the technical teams of the two companies. The project is an example of a successful business model replicable on a global scale. The interactive TV joint venture model attracted the attention of business executives from Romania, Serbia, Russia, Switzerland and others, who came to explore the experience of the two companies in the implementation of IPTV.

**DIMITAR ALEXIEV, ACCOUNT MANAGER HUAWEI:**

„VIVACOM is our largest client in Bulgaria. They have highly qualified technical experts interested in industry innovations and demanding them, which contributes not only to the dynamic development of VIVACOM, but also to the development of their partners such as Huawei. IPTV is one such good example of a joint venture. From our professional experience perspective, the product that we put on the market is unique and ranks among top 5 in Europe in terms of quality performance.“

**TELELINK** is one of the major system and network integrators in Bulgaria and the largest Bulgarian provider of VIVACOM. The collaboration between our two companies started 10 years ago. In the course of these years we became partners in the development and implementation of innovative solutions

for the Bulgarian consumers. We typically involve the supplier in the full process of project development. In addition to project development Telelink provides VIVACOM with network audit and inspection, with preventive tests on devices and with troubleshooting and optimization.

An innovative joint venture for the two companies was a 2013 pilot project of a telemedicine link between hospitals. The telebridge took place in 2013 during a breast cancer surgery performed at the „St. Sofia“ OB-GYN hospital. From first to last, the link allowed expert teams from the Sofia Military Medical Academy and „St. Marina“ University Hospital in Varna to observe and consult the

operating surgeons. The connection was established by means of an uninterrupted high-speed Internet platform developed jointly by VIVACOM and Telelink. The project is a landmark innovation in the sector and allowing consultations by leading Bulgarian specialists irrespective of where they are located in Bulgaria.

**MARIAN KARADIMITROV, SYSTEM INTEGRATION BUSINESS  
DEPARTMENT MANAGER AT TELELINK:**



„BTC was once an unassailable fortress, full of people that had no vision for the future. Things changed after the privatization, especially after the merger of BTC and Vivatel. The company gave way to young experts in emerging technologies. We can say that VIVACOM jumped over several generations of technology. It became a leader thanks to the huge investments made in technology and innovation.“

## 5.3. COOPERATION WITH NIXANBAL

In the world of technology success is a matter of both innovation and precision. The long-term partnership of VIVACOM and the most famous tech blogger in Bulgaria, Nikola Balov, is based on an unconventional approach to modern technology. Nikola's captivating approach to technology motivated VIVACOM to offer him a joint project in 2014. The result was the launch of two monthly columns in nixanbal.com – **NEXTREND** and **OFFlimits** sponsored by the telecom.

**NEXTREND** aims at exploring consumer attitudes towards new technologies. Every month a new topic for discussion is introduced and readers are polled with several questions. On average 3 000 readers participate in

a poll. The blogger then summarizes and analyses the opinions shared on respective topic. Poll questions always refer to a topical technology or theme such as wearables - smart watches and bands; attitudes to brands; expectations for the future of smartphones; display size preferences, etc.

**OFFlimits**, the other joint blog column, reflects Nikola Balov's ambition to go beyond standard presentation of mobile devices and to offer an alternative outlook on technology. For example, the blog has footage of a Sony Xperia Z3 in flames as if cooked burger-style; smartphones shooting videos attached to a drone in flight; mobile technology seen through the eyes of children and others.

### NIKOLA BALOV, BLOGGER:



„The joint projects with VIVACOM give me the opportunity to realize ideas that I could not have the chance to put into action previously. The prizes we give stimulate readers to participate in the NexTrend polls. The production of OFFlimits episodes requires serious resources - scripts, filming, editing. I appreciate that VIVACOM is a partner who gives me freedom to put in practice crazy ideas. I develop the concept and we discuss and implement them jointly. I highly value their courage to stand up for unconventional ideas and to break the somewhat dull image of a telecom, which sells products and services.“

## 5.4. VIVA COGNITA FOR INNOVATION IN EDUCATION

**E**ducation has become a main focus of VIVACOM's corporate social responsibility. With the rapid development of new technology the need for innovations in knowledge sharing is growing. Therefore, the contribution of telecom companies to the development of new educational systems and programs can be significant. For that reason, in 2014 VIVACOM launched the largest project in this area - the VIVA Cognita free on-line platform for interactive teaching of mathematics and computer science at school. The main purpose of the platform

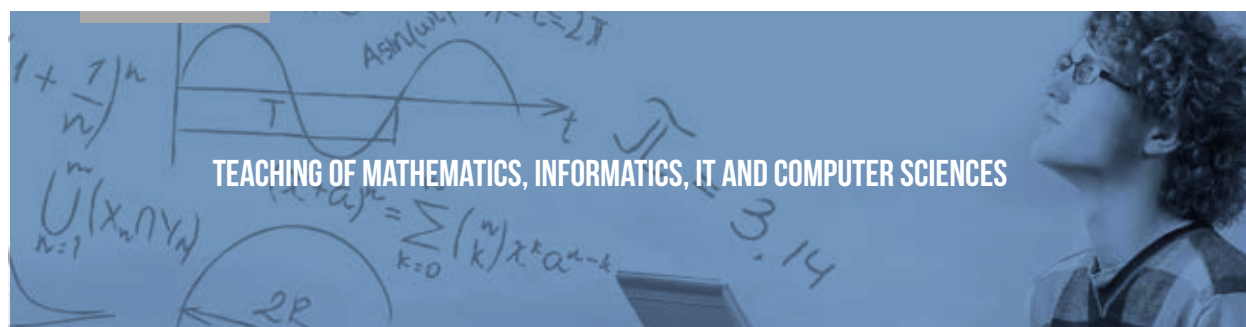
is to encourage student interest in science in addition to facilitating learning through computers and new technologies. VIVA Cognita is a convenient tool for teachers as well. It can be used for the application of innovative teaching approaches and for extracurricular activities. The project was developed in collaboration with the Institute of Mathematics and Informatics at the Bulgarian Academy of Sciences and the Union of Mathematicians in Bulgaria. The platform was officially launched in November 2014 and has 3 500 active users.

**viva**cognita+





## VIVA COGNITA FACILITATES:



TEACHING OF MATHEMATICS, INFORMATICS, IT AND COMPUTER SCIENCES



IDEAS AND PROJECTS WITH APPLIED SCIENCE FOCUS THAT CAN BE IMPLEMENTED IN THE INDUSTRY AND BUSINESS OF BULGARIA AS WELL AS OF OTHER EU COUNTRIES



ORGANIZING OF EVENTS, CONTESTS AND COMPETITIONS THAT INCREASE THE NUMBER OF PLATFORM USERS



SHARING OF IDEAS AND PROBLEMS, THE SOLUTIONS OF WHICH CAN BE FOUND IN MENTORING AND OTHER FORMS OF PLATFORM COMMUNITY SUPPORT

## GOALS FOR 2015:

- To organize four on-line competitions
- To create an on-line course for students
- To create an on-line course for teachers
- To provide teachers with live trainings for work with the platform
- To enrich the content with problems suitable for various age groups

## 5.5. THE DEVELOPMENT OF THE QUESTIONNAIRE APPLICATION

In early 2014, the application Questionnaire won the first prize among 35 applications submitted in the NewBornIdeas: GoMobile contest. It is a quiz game app with a common theme running through all the questions - „I love Bulgaria“.

VIVACOM financed the development of the application, included it into the VIVA Apps Android platform and ran a marketing campaign for its promotion.

Blagovest Dimitrov, author of the Questionnaire app: „When I saw that the only telecom in Bulgaria, which actively supports the Startup ecosystem, organized a competition for innovative mobile

applications, I could not but fill in the application form and participate. And when I won the first #newbornideas contest, I was extremely happy, because I knew that the best mobile operator in the country would be my partner.“

VIVACOM pushes forward young people and this grabbed me right from my first meeting with them. Together with the VIVACOM team we managed to run successful marketing campaigns related to the Questionnaire and turned it into one of the preferred educational applications in Bulgaria. I definitely had a partner, who was directly involved in the development of my project. A partner, consisting of many professionals.“



# HONEST

---

**VIVACOM** Values



---

*We communicate clearly and openly. We share our experience and knowledge. We say what we do and we do what we say.*

---

## 6. HONEST

**O**pen communication with external stakeholders is an indicator of transparency. It helps maintain fair and equal relationships. Regular

dialogue with stakeholders is vital in order to meet their expectations for the company's operations and achievements.

---

In more than **90%** of the cases, clients that call Customer Service receive all information and assistance they need on the issues so there is no need for further assistance

The company achieved an average annual rating "very good" on an external evaluation of its customer service performance. The evaluation was done through four rounds of "Secret client" surveys

We managed to beat the time required for solving written customer complaints - 4 work days on average (the required maximum by law is 30 days)

A decrease in customer dissatisfaction by **15%** compared to 2013

A decrease in the number of written complaints by **36%**

VIVACOM is the first Bulgarian telecom to voluntarily drop automatic subscription renewal from its fixed-term contracts

VIVACOM is the only telecom to reduce the amount of the penalty for early contract termination by customers





## 6.1. CUSTOMER RELATIONS

**V**IVACOM has the largest portfolio on the Bulgarian market providing 4.7 million services to its subscribers. It is our priority to deliver high-quality customer service, providing clients with clear and accurate information as promptly as possible. We strive

for constant feedback from the customer, which helps us anticipate and meet user expectations.

VIVACOM customer service consists of 590 experts housed in six specialized teams.

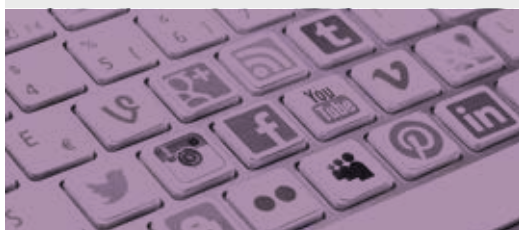
**WE BELIEVE OUR CUSTOMERS SHOULD BE ABLE TO CHOOSE AMONG TO A NUMBER OF ACCESSIBLE, EASY AND USER-FRIENDLY CUSTOMER SERVICE CHANNELS:**

**CALL CENTRE AT TWO LOCATIONS THAT ENSURES UNINTERRUPTED SERVICE IN THE EVENT OF DISTURBANCE**









**VIVAONLINE – A WEB-BASED CUSTOMER SELF-SERVICE**

**WEB-BASED CHANNEL FOR FILING OF INQUIRIES**



**ACCESS THROUGH SOCIAL NETWORKS**

**THROUGH OUR VARIOUS CUSTOMER SERVICE CHANNELS VIVACOM CUSTOMERS  
CAN RECEIVE UP-TO-DATE INFORMATION ON:**

	ACCOUNT USE, TERMS AND CONDITIONS UNDER THEIR CONTRACTS
	CURRENT PROMOTIONS
	CLARIFICATIONS REGARDING THEIR BILLS
	TECHNICAL ASSISTANCE IN CASES OF SERVICE INTERRUPTIONS OR IN CASES OF ACCOUNT CHANGE REQUESTS
	ACTIVATE/DEACTIVATE ADDITIONAL SERVICES
	MONITOR CURRENT USAGE PARAMETERS OF THEIR WHOLE CUSTOMER PACKAGE

**OUR OPERATIONAL EFFICIENCY EXCEEDS THE INDUSTRY STANDARDS:**

KPI CALL CENTER FRONT OFFICES	TARGET	ACHIEVEMENT 2014
<b>SL (SERVICE LEVEL)</b> PERCENT OF CALLS OFFERED THAT ARE ANSWERED BY CSR WITHIN X SECONDS	80% : 30 SEC	78% : 30 SEC.
<b>ABR (ABANDONED RATE)</b> PERCENT OF CALLS OFFERED THAT ABANDONED IN CSR QUEUE BEFORE SPEAKING WITH A CSR	<10%	9%
<b>AWT (AVERAGE WAIT TIME)</b> THE AVERAGE TIME CALL WAITS IN CSR QUEUE BEFORE BEING SERVED	<30 SCDS	20 SCDS

---

## WE MAKE NO COMPROMISES IN THE WAY WE RESPOND TO OUR CUSTOMER EXPECTATIONS FOR QUALITY, SPEED AND COMPETENT CUSTOMER SERVICE, AS WE INVEST ALL OUR ENTHUSIASM AND RESOURCES IN:

- Continuous training and development programs for our employees
- Providing paths for internal career development
- Work environment and relationships based on respect, shared corporate values, care, joint efforts to reduce stress, and through eliminating unnecessary hierarchy detachment

1200 employees attended more than 100 training sessions on different topics.

More than 300 tests were given to measure our employees' competencies. The average annual success rate achieved was higher than 88% of the maximum test score.

In more than 90% of the cases clients calling Customer Service received all the information and assistance they needed on frequently asked questions.

- Through timely control combined with a sophisticated performance evaluation and real-time monitoring of customer service

3% of all customer calls in 2014 were monitored. The average annual evaluation was - 90% of the maximum score.

External evaluation of our Customer service quality through four rounds of a survey called Secret Client - more than 80% of the points were gathered.

— Through processes and systems that enable proactiveness, diagnostics during conversations with clients and fast troubleshooting of technical problems

About 70% of our customer call complaints related to interruptions in the Internet and TV services are resolved while the customer is still on the phone.

— Through an individual approach to customer complaints and problem solving

We have the fastest turnaround time for addressing written complaints - 4 work days on average (the required maximum by law is 30 days).

The level of customer dissatisfaction registered through different channels dropped by 15% relative to 2013; the number of written complaints has dropped by 36%.

Only 0,5% of VIVACOM customers expressed some form of dissatisfaction in 2014; only 17% of them had a real basis for that.

#### GOALS FOR 2015:

- Introduction of a Knowledge management system
- Introduction of a new communication channel with customers – CHAT channel
- Optimization of monthly bills outlay in an effort to make it easier to read and analyse
- Optimization of the process for requesting and receiving electronic bills
- Additional enhancements in the VIVAONLINE customer service platform with a simplified account activation process, navigation optimization, an option for on-line bill payment and online service activation function

## 6.2. COOPERATION WITH INSTITUTIONS AND PROFESSIONAL ORGANISATIONS

**T**he fast development of new technologies in recent years brings forth the need for constant communication with customers, as well as all state institutions, the companies in the sector and the professional organisations.

VIVACOM is a member of the Bulgarian

Association of Cable Communication Operators (BACCO) since 2011. We take part in various initiatives of the Association in an effort to bring more transparency and fair regulations to the Bulgarian telecom market, and to also restrict the shadow sector in the industry.

### DIMITAR RADEV, CHAIRMAN OF BACCO:

„Because of the diversity of services offered and the high qualification of experts hired, VIVACOM is a leader in identifying important issues and a catalyst in the discussions of BACCO. One of our major achievements in the past year was the negotiation with Musicautor Collecting Society of a syndication rate for rerunning of music content through paid TV platforms. This is the largest scale collective agreement in the industry so far, which regulates rights to music re-broadcasting through paid TV platforms and an important step forward in terms of transparency, fairness and equal treatment of all market players.“

BACCO (Bulgarian Association of Cable Communication Operators) was established at the end of 2010 as a direct successor of the first professional organisations in the industry - the Association of Bulgarian Cable Operators (ABCO) and TV Club 2000. The main goal of the organisation is to represent telecom industry interests before various stakeholders such as government institutions and regulators, media and other industries. BACCO has 18 full company members.

## WE ANTICIPATE TRENDS IN FAVOUR OF CUSTOMERS

The satisfaction of our customers is a top priority for the company. We strive to exceed customer needs and expectations thus continue being their preferred operator.

Although our achievements in customer service are impressive, sometimes we make mistakes and that affects our customer. When we are unable to stop unfair practices on our own, we turn to our regulators and draw the necessary conclusions.

VIVACOM is therefore in a constant dialogue with regulatory authorities, and in particular, with the Commission for Consumer Protection, in order to ensure that our company operates in line with the client's best interest. We comply with all rules and

regulations for customer service. In addition, we take independent and proactive actions to improve the terms of use for our services. On 1 March 2011 VIVACOM became the first operator to drop at its own initiative the clause for automatic renewal of fixed-term customer contracts. Since then, expired fixed-term contracts automatically convert to an unlimited term agreements, which enables us to keep our client commitment and to introduce new and more customer-oriented rules for amendment of contract clauses. In 2014, VIVACOM was again the first company to reduce penalties for pro-term customer contract termination. This amendment is a result of the collaboration between the telecom and the Commission for Consumer Protection.

## 6.3. INFORMATION FLOW TO GENERAL PUBLIC – MEDIA RELATIONS

**A**s a company that provides utility services to a large group of users, VIVACOM is under constant examination by media. Our honest and open dialogue with journalists is of utmost importance to our public image and helps us maintain customer trust and cooperation with government institutions.

VIVACOM proactively informs media outlets about its activities through press releases that are also available in the News section of our corporate website [www.vivacom.bg](http://www.vivacom.bg). Our company calls regular meetings with the media on important occasions, such as the presentation of our corporate social responsibility policy, the launch of long-

awaited mobile devices on the local market and other significant to the telecom industry events.

Besides being a main source of information about the company's activities, VIVACOM strives to partner with media in various initiatives of public interest. A good example of this is the Darik radio "40 under 40" campaign that was launched in 2013 with the aim to distinguish 40 young Bulgarians aged under 40 with significant achievements in their individual professional fields. VIVACOM recognised the great potential of the project and became the general sponsor of its second edition in 2014.

**KONSTANTIN VALKOV, PROGRAM DIRECTOR OF DARIK RADIO  
ABOUT THE PARTNERSHIP WITH VIVACOM:**



„I've always sought partners willing to join us in projects and to participate actively in the concept development, in the implementation and in every stage of the process. That's why I call them partners, not sponsors. VIVACOM is not a typical sponsor, whose commitment ends with providing the funding and placing its logo. They have ideas, they share them, they seek the opinion of others - this is the way to develop really successful and meaningful projects.

We have worked together for many years so I know what they like to participate in, what is in line with their policy. Thus often there are projects that I propose explicitly to VIVACOM so that it takes just the first meeting to know that we are going to work together.”

**WE FOLLOW THESE MAIN PRINCIPLES OF WORKING WITH THE MEDIA:**

**KEEPING AN OPEN DIALOGUE**

---

**EQUAL TREATMENT OF ALL MEDIA AND JOURNALISTS**

---

**REGULAR RELEASE OF INFORMATION**

---

**PROMPT AND STRAIGHTFORWARD ANSWERS TO MEDIA  
INQUIRIES**

---

**COOPERATION WITH AND ASSISTANCE TO JOURNALISTS IN  
THE PERFORMANCE OF THEIR DUTY TO INFORM THE PUBLIC**

---

**PARTNERSHIP**



6.4. FUNDAMENTAL PRINCIPLE FOR  
SUPPLIER SELECTION AND  
COLLABORATION - TRANSPARENCY

Responsible procurement is a priority of VIVACOM's policy for sustainable development. It comprises structured predefined processes that ensure objectivity, equal access and transparency in supplier relations as well as in the company's financial

results publication and social responsibility activities. Reliable procurement requires strong commitment and close cooperation between our various departments and our suppliers.

CLEAR RULES AND PROCEDURES

Established for every stage of the procurement process

CLEAR OBJECTIVES AND RESULTS  
EVALUATION

Objectives are clearly defined and based on actual transactions to-date

CONFIDENTIALITY

Data about each VIVACOM transaction is confidential. Information about prices, discounts and payment methods is not disclosed to persons inside BTC EAD before completion of the tendering procedure, and to external parties under no circumstances.

SELECTION OF SUPPLIERS

One of the principles of the Procurement Department is transparent selection of suppliers. VIVACOM adheres to the principle of competitiveness by giving a chance to its

partners to offer their goods and services in competition with at least 3 other reliable suppliers. This rule is applicable to all transactions exceeding BGN 10 000.



## SELECTION CRITERIA

### TECHNICAL COMPATIBILITY/QUALITY



### CAPACITY TO PRODUCE/DELIVER AND PROVIDE SERVICE SUPPORT/MAINTENANCE



### PRICE



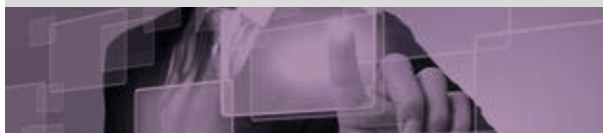
### LEGAL COMPLIANCE WITH APPLICABLE REGULATIONS



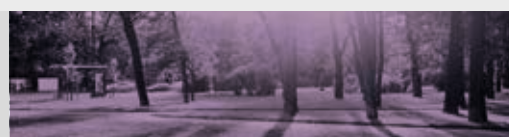
### FINANCIAL STABILITY OF THE SUPPLIER



### INNOVATIVENESS



### REQUIREMENTS REGARDING WORKPLACE HEALTH, ENVIRONMENT AND SAFETY



## EQUALITY

Our relationships with suppliers are based on mutual respect, strict observance of corporate codes of ethics and integrity. VIVACOM treats all suppliers equally and impartially by using tendering procedures that subject all suppliers to equal selection criteria and contracting

rules. Meanwhile, we strive to build long-term relationships with suppliers and continually monitor their market performance to ensure the stability and sustainability of our supplies and suppliers.

## EXPERTISE OF THE PROCUREMENT DEPARTMENT PERSONNEL

The work in the department is distributed between three core teams, formed according to the specifics of deliveries and the narrow expertise and experience of staff members:

Processes and Projects Team, General Administrative and Sales Team, and Technical Team.



### SEPARATION OF DUTIES AND RESPONSIBILITIES

Each team member is responsible for a specific procurement area. The purpose is to build certain expertise and knowledge about the market and supplier specifics.

### DISTRIBUTION OF RIGHTS

The Procurement Department is responsible for bidding price evaluation, quality of the product offered and its compliance with the bid requirements. Procedures associated with product purchase and disbursements are the domain of other company departments.



### "THE FOUR EYES" PRINCIPLE OF CONTROL

- suppliers shall not be selected by only one person
- procurement bids or contract signing shall not be done by only one person
- supplier performance shall not be evaluated by only one person



## IMPROVEMENT OF THE PROCUREMENT PROCESS

- optimizing the number of framework agreements
- enhancing requirements standardization
- efficient utilization of the system for company resource planning
- facilitating and updating the existing procedures
- ensuring transparency and high ethical standards
- prioritization of deliveries according to project importance
- information exchange and teamwork

## PERSONNEL DEVELOPMENT

- regular analysis of the training needs
- performance evaluation
- completion of trainings and enhancement of expertise



## 6.5. CORPORATE CULTURE - CODE OF ETHICS

In 2010, VIVACOM developed and introduced a company Code of Ethics, in which we clearly declare our commitment to work ethically in accordance with highest international standards. We are responsible to our customers, shareholders, colleagues, suppliers, partners, competitors and to the society as a whole.

All our employees are familiarized with the Code and have embraced it in their work so as to observe VIVACOM's principles.

Our ethical standards apply to all VIVACOM employees in their workplace behaviour as well as in their personal and social behaviours in the following situations:

### RELATIONSHIPS BETWEEN:

- EMPLOYEES AND CUSTOMERS, SHAREHOLDERS, SUPPLIERS AND COMPETITORS
- PEER EMPLOYEES AND BETWEEN EMPLOYEE AND HIS/HER LINE MANAGER
- EMPLOYEES AND THE COMPANY
- EMPLOYEES AND APPLICABLE RULES AND REGULATIONS
- EMPLOYEES AND SOCIETY AS A WHOLE

### CODE PROMOTION CAMPAIGN:



# DYNAMIC

---

**VIVACOM** values



---

*We anticipate our customer needs and are committed to delivering on them. We achieve results quickly and in high quality within competitive environment.*

---

## 7. DYNAMIC

**T**he telecom sector is one of the fastest progressing worldwide. The rapid development of technology opens up many new opportunities for the industry, but also requires that companies continuously

keep pace with general trends and anticipate them to the extent possible in order to stay competitive. Hence, being dynamic is a key factor for our very good market positioning:

---

VIVACOM is the leading operator in 2014 based on revenue

VIVACOM is the leading operator in 2014 based on fixed broadband subscriptions

With our **2 853 000** mobile subscribers we are the only company with a growing revenue share in this market segment

We are the leader in fixed telephony

We are the leading supplier of IPTV

We provide discounts in over **1500** retail stores as part of the VIVA Club loyalty program



## 7.1. THE MARKET: VIVACOM'S POSITIONING

**T**he telecom market in Bulgaria is highly competitive and this is particularly valid for the mobile and fixed broadband Internet segments. VIVACOM is a provider of converged services and integrated telecom solutions for residential and business clients, which means that users can receive all services from a single provider. This service bundling practice is a global trend with a great potential, since it ensures maximum convenience and financial

benefits to end consumers. Although VIVACOM competes with different providers in the various market segments, in 2014, based on revenue we set ourselves apart as the leading telecom.

Our competitors in the field of mobile services are Mtel (part of Telecom Austria) and Telenor Bulgaria (part of Telenor Group). Unlike the other two operators, VIVACOM is an independent telecom

operating only on the Bulgarian market and is not part of an international structure. We acquired a license for mobile voice services in 2005 and became the third mobile operator in the country. Over the past eight years toward the end of 2014 VIVACOM managed to catch up with both its competitors who had enjoyed headway to us. We reached a customer base of 2 853 000 mobile subscribers and we are the only company with growing revenue in this market segment.

In the fixed telephony VIVACOM has retained a

leading position vis-à-vis the other two market players that also offer the service.

The fixed Internet and TV service segment that consist of mainly residential accounts is a complex market with many suppliers. In addition to the three telecom operators, fixed Internet is also supplied by a number of small service-oriented local providers with strong positions in certain regions and often with no growth business objectives. Despite the specifics of the market, VIVACOM is the leading provider of this service in 2014.

The market of TV services has similar characteristics, only that among the three telecoms Telenor Bulgaria is absent as a supplier on it. For 2014, the leader in this segment is Bulsatcom - a provider with national coverage, which operates only satellite TV. At the end

of 2014, VIVACOM was positioned between the third and second place in the overall television segment ranking first among the providers of IPTV – the latest available technology for TV content.

Data for Bulgaria in the last several years indicates that the revenue from telecom services is decreasing, while the high-tech industry requires significant ongoing investment in order to keep pace with global progress.

**ONE OF THE MAIN REVENUE GENERATING DRIVERS IN THE SECTOR IS BUNDLING MOBILE DEVICES WITH SUBSCRIPTION PLANS. THIS IS A WIDELY ENDORSED EUROPEAN AND GLOBAL PRACTICE THAT CUSTOMERS HIGHLY APPRECIATE.**



## 7.2. MARKETING RESEARCH

**T**he development of the telecom market is very much driven by customer satisfaction. Understanding consumer attitudes and expectations is important to VIVACOM and enables us to develop products and services

that meet current and future customer needs as best as we can. To that end we conduct various qualitative and quantitative market research, which measure:

TELECOM SERVICES USAGE THROUGHOUT THE COUNTRY AND MARKET SHARE OF OPERATORS

PERCEPTION OF THE VIVACOM BRAND, CORPORATE SLOGAN RECOGNITION OF "EVERYTHING THAT CONNECTS US", AND ADVERTISING EFFECTIVENESS OF TELECOM OPERATORS

LEVEL OF CUSTOMER SATISFACTION WITH OPERATORS AND LEVEL OF SATISFACTION WITH THE SERVICES OF VIVACOM

In 2014, VIVACOM carried out a survey on the functionality and utility of the corporate website [www.vivacom.bg](http://www.vivacom.bg), which is one of the main sources of information for customers. The survey results were implemented with the launch of the new corporate website of

VIVACOM, built in line with modern design and functionality trends.

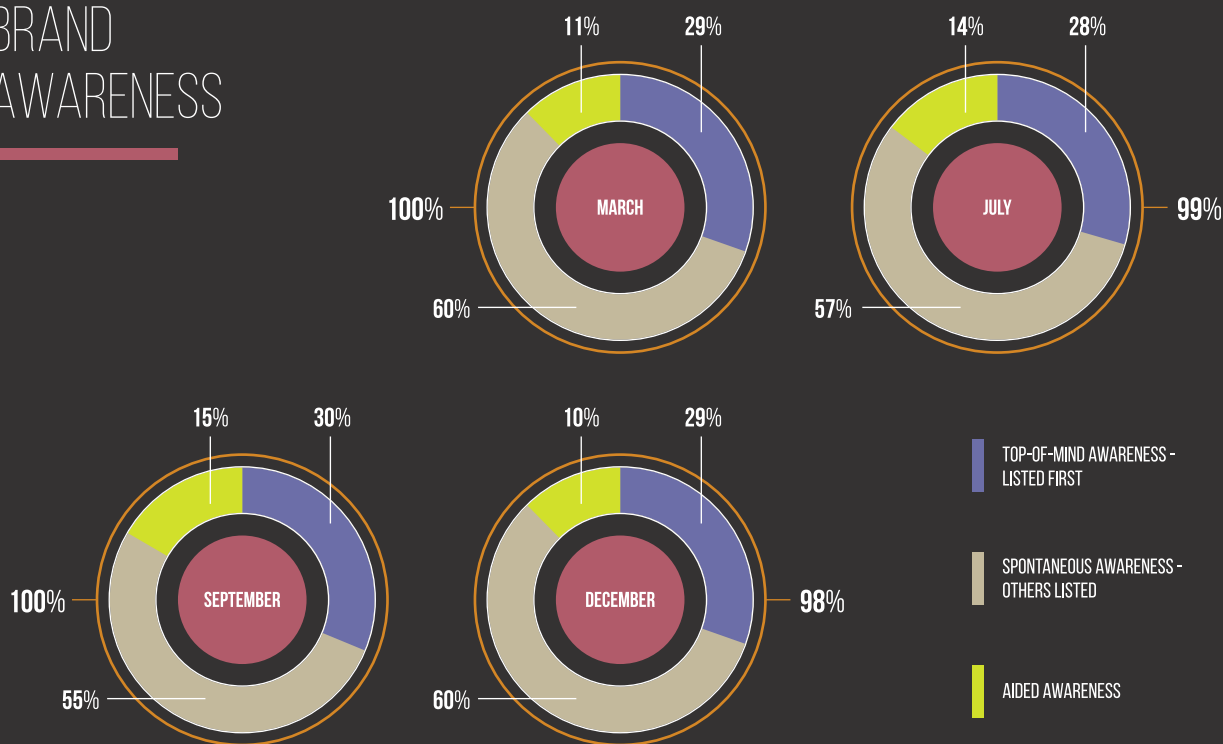
Based on survey results we monitor market dynamics and plan our overall development strategy.

### METHODOLOGY:

- Type of survey: quantitative
- Samples: representative for the Bulgarian population aged 15+
- Method: in-person interview
- Sample size: 1 006 respondents
- Period: March - December 2014



## BRAND AWARENESS

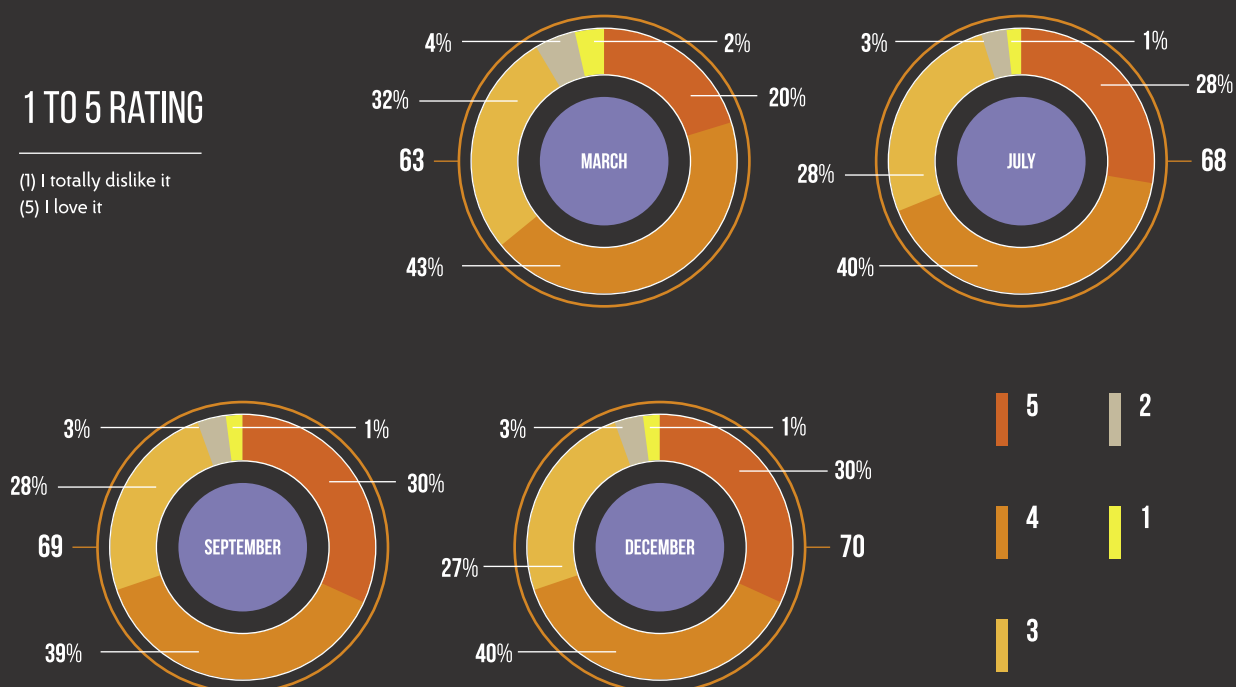


## CORPORATE SLOGAN ASSESSMENT

### "EVERYTHING THAT CONNECTS US"

#### 1 TO 5 RATING

(1) I totally dislike it  
(5) I love it



---

## 7.3. DYNAMIC SOLUTIONS FOR CORPORATE CLIENTS

**BILLA** Bulgaria is part of the German REWE Group and has 91 stores across the country. Together with the commitment to offering the best quality to customers, there is a growing need for professional, high-quality telecom environment that ensures real-time access to general information, in-stock quantities, corporate applications and more.

The IP VPN service (IP Virtual Private Network) that we offer provides BILLA Bulgaria with quality, high-speed medium for data transmission between all stores at different locations in the country. The product is a complete solution for direct LAN-to-LAN connectivity guaranteeing security of the transmitted information and

allowing QoS (Quality of Service), which prioritizes traffic types according to levels of importance. Service reliability is ensured by own Network and Service Management Centre and Real-time Data Storage and Backup Centre (Disaster Recovery Centre) compliant with the international telecom standards, as well as a fully-functioning own Monitoring and HelpDesk System. As a result of various mobile applications and efficient business services in 2014 we implemented a complete customer solution for management of Billa's vehicle fleet - VIVAFleet. The service package includes a tracking device, mobile data transmission connectivity and web-based platform for monitoring and control of BILLA's vehicles.

## THE SOLUTION PACKAGE PROVIDES CLIENT WITH FULL INFORMATION ABOUT:

MAXIMUM, AVERAGE AND CURRENT  
DRIVING VEHICLE SPEED



REAL-TIME SIGNALIZATION IN CASE OF  
PRELIMINARY SET RULES VIOLATION

REAL-TIME LOCALIZATION AND VISUALIZATION  
OF COVERED ROUTES



BILLA SITES MARKED ON THE MAP

ADMINISTRATIVE FUEL CONTROL



## IVAN MINDILIKOV, IT MANAGER OF BILLA BULGARIA:



„One of the big advantages of our cooperation are standardized work procedures. From the very start we have a Key Account Manager, whom we can rely on at any time. When a new site is being opened, everything is prepared 10 days in advance. This is extremely important. We also have a dedicated engineer, who knows the BILLA system very well. The launch of the VIP Help Desk service is a great leap forward in corporate client services, it works very well and we are satisfied.“

---

**ASP LTD.** is the successor of ASO-PIRELLI EOOD established in 1993. ASP is an entirely Bulgarian-owned company with long experience in the field of security provision offering a full spectrum of services. ASP covers the entire territory of the country and actively develops a network of regional branches and offices in Sofia, Varna, Burgas, Stara Zagora, Pleven, Plovdiv, Blagoevgrad, Vratsa and Razlog. The company has used VIVACOM's fixed voice services for a long time and has a universal line 0700 11 112, which provides customers from the whole country a hassle-free

connection to ASP emergency teams at the price of a local phone call. At the end of 2014, ASP started using our mobile voice and data transmission service. The latter is also used in the GPS systems of the ASP vehicles, as well as for signal transmission from the client's panic button. VIVACOM offers the best 3G coverage in Bulgaria in addition to 25% better indoors coverage. Today the telecom is proud to provide the best indoor coverage in all major cities and resorts with a high mean permeability and strength of the signal, as proven by test results.

**ENCHO ENCHEV, DEPUTY MANAGER OF ASP LTD.:**



„Thanks to VIVACOM's innovative processes and services we migrated from radio transmitters to GPRS traffic, which provides complete network and data transmission security. Both companies are dynamic and forward looking with a high regard for the needs of the customer. In the near future we can develop new projects to support our video monitoring center in Pavlovo and as well as innovative SMART Home security service solutions.“

## 7.4. DEALING WITH NETWORK INFRASTRUCTURE THEFT PROBLEM

**N**etwork infrastructure and fuel theft are among the main challenges to telecom service providers in Bulgaria. VIVACOM's infrastructure is subject to theft of mainly copper cables, but also of feeder devices, diesel, generators, batteries, air conditioners, parts of sites.

In some areas of the country malicious encroachment on infrastructure are quite frequent and repeated periodically, which causes prolonged service failures and serious inconvenience to customers. Theft of copper cables is most frequent. Therefore, in an area where that is technically possible we use technology for Optimization of the Analogue Network to provide home phone service. This technology allows transfer of fixed lines to the network of mobile voice services, which eliminates risk of theft and service interruptions. Another way we deal with copper cable theft is through technology and more specifically the fibre optic network. Its construction started in 2011, but the process is long and requires serious technical and financial resources. Until it is completed, we

will support consumer ability to use seamless and high-quality services in the existing infrastructure of VIVACOM.

The peak of cable theft was in 2010 and 2011, when costs to recover damaged infrastructure went up to BGN 5.5 million a year. Since then, we systematically invest in various solutions to the problem and in 2014 damage decreased three-fold, followed by a similar decrease in the number of malicious damage of the mobile network.

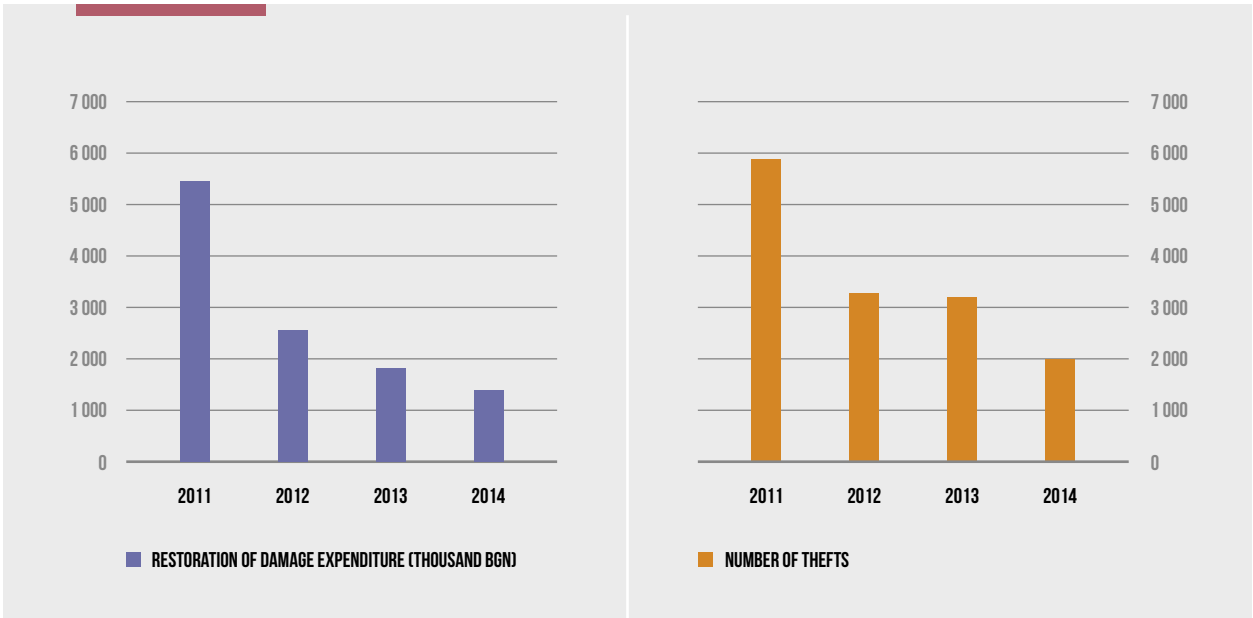
**WE USE SEVERAL KEY METHODS TO DEAL WITH THEFT, WHICH AFFECT MAINLY OUR FIXED SERVICES. MOST IMPORTANTLY, WE TRY TO DO PREVENTIVE COLLABORATION WITH STATE INSTITUTIONS.**

One of the most efficient solutions that VIVACOM implemented in order to deal with infrastructure theft was the collaboration with 3S SOT (VIP Security) JSC, started at the end of 2013. The company provides security services in two major directions. The first one is standard guarding of physical sites such as shops, base stations, and technical sites. More labour-intensive yet crucial is the reliable security of cable networks. Professional attitude and joint efforts in combatting theft on the part of our companies within a year and a half resulted in a two-fold drop in expenditure for stolen equipment and resources recovery.

— To achieve these results we developed a Security and Access Control System (SACS) on the Cable Channel Network (CCN), covering over 13 900 access points to cable shafts in 7 residential locations; implemented a Mondis D+ system for control and protection of cable

lines (which includes 550 cable lines in eight districts); constructed and installed technical security system in base stations of vital importance for the mobile network, and other base stations with recurring theft (272 sites are currently covered).

#### NETWORK INFRASTRUCTURE THEFT



#### GOALS FOR 2015:

- Construction of 1 500 new access points of the CCN with SACS 2
- Inclusion of another 260 cable routes to the Mondis D+ security system
- Provision of another 60 base stations with technical security

## 7.5. VIVA CLUB LOYALTY PROGRAM

**T**he great number of competitive products and services next to various sales promotions offered to customers every day in today's market cause people to be careful in making their choices. VIVACOM has created and developed a special loyalty program which provides loyal customers with maximum

shopping options and benefits. VIVA Club offers not only better prices and shopping terms within the store network of VIVACOM, but also discounts at more than 1 500 partner stores in a variety of areas – travel, finance, health care, home and office goods and services, fashion and others.

# RESPONSIBLE

---

**VIVACOM** values



---

*We work together and stand by the decisions and actions we take. We are responsible for our results.*

---

## 8. RESPONSIBLE

**A**s a company that provides more than 4.7 million telecom services we consider it of great importance to establish and strengthen our image

as a responsible organization. We therefore strictly follow legal regulations in every aspect of our work:

---

We ensure the Universal access to fixed telephony service to every citizen and especially to people with disabilities to whom we provide the service at preferential prices

We have a corporate health and safety policy since 2007

We provide annual health exams to all employees

311 of our employees participated in 39 volunteer initiatives

We donated telecom services amounting to BGN 52 000 to the people of Mizia

121 of our employees were trained in first aid delivery by the Bulgarian Red Cross

We granted scholarships to children of deceased employees in the amount of BGN

62 265 in 2014

We built 3 000 free wi-fi hotspots across the country by the end of 2014





## 8.1. REGULATION AND COOPERATION WITH GOVERNMENT AUTHORITIES

**V**IVACOM is an infrastructure communications company that provides converged services to residential and business customers, state and municipal administrations. In Bulgaria VIVACOM is the oldest, “historical” operator and therefore with a number of social responsibilities and regulatory requirements not applicable to other market players. VIVACOM is the only telecom committed to universal access to fixed phone for every citizen and of fixed phone at a discount to persons with disabilities.

The provision of services to millions of users is a responsibility that sets requirements for quality and variety as well as for strict enforcement of procedures for protection

of personal data. VIVACOM was audited several times by the Commission for Personal Data Protection, which concluded that the procedures and measures that we apply provide sufficient security to consumers.

As part of our business we routinely interact with regulatory authorities, particularly with the Communications Regulation Commission, the Commission for Consumer Protection, the Commission for Personal Data Protection and the Commission for Protection of Competition. A key principle of operations that we follow is keeping an open dialogue with regulatory authorities and seeking best solution for consumers in addition to practicing fair competition.



## 8.2. BASE STATIONS – ELECTROMAGNETIC EMISSIONS

**E**lectromagnetic emissions are an important issue in our business. They affect the living creatures and the mediums, through which they pass by increasing temperature. Measurements indicate that the electromagnetic emissions of mobile phones raise human body temperature by 0.1 degrees Celsius, which is negligibly low.

Over the past 30 years, the World Health Organisation has reviewed more than 25 000 publications regarding the health risks electromagnetic waves pose and has concluded that there is no firm evidence of a direct link between damages to the human body and the waves emitted by base stations and mobile phones.

The base stations are subject to building permission issued by the respective municipality and exploitation authorisation by state authorisation

commission and the National Construction Control Directorate. An additional two-stage control is applied for protection of the population from electromagnetic fields. The first stage is before the issuance of the building permit. The so-called preliminary health control that calculates the protection zone and evaluates the availability of existing populated areas within range is being executed. The calculations are based on maximum capacity and load of the base station, type and

orientation of the antennas. If there are no populated areas within the protected zone, the Ministry of Health approves the project and its authorisation is a mandatory part in the building permission acquisition documents kit. The next stage includes assessment of operations conditions after putting the base station into exploitation. Inspections are made by the Regional Health Inspectorate either periodically or upon citizen signals. It

is important to highlight that in the measuring of electromagnetic fields emitted by base stations the actual field is actually the sum total of the emissions of all mobile operators' base stations in addition to all other sources of electromagnetic radiation, taxi and police radio stations, radios, televisions and more at the point of measurement.

The emissions levels set

by Regulation No 9 are 40 to 100 times more stringent than those set by the International Commission on Non-Ionizing Radiation Protection of the World Health Organisation (ICNIRP). The construction of a base station takes between 6 to 24 months and involves consultations with 15 different authorities. Assessment of base station electromagnetic fields is done at the beginning and at the end of the construction process, i.e. control is exerted at two stages.

**THE INTERNATIONAL COMMISSION ON NON-IONIZING RADIATION PROTECTION (ICNIRP) HAS SET EMISSION LIMIT VALUES, TO WHICH WE ADHERE WHEN BUILDING AND OPERATING OUR BASE STATIONS.**

---

## 8.3. PERSONAL DATA PROTECTION MANAGEMENT

In our capacity of a personal data administrator we apply and strictly monitor the observance of the mandatory organisational and technical requirements set for the protection of our client's personal data. This is done in accordance with the provisions of the Personal Data Protection Act and Ordinance No 1 of 30.01.2013 on

the minimum level of technical and organisational requirements and the acceptable methods of personal data protection. In this respect the level of protection guaranteed by VIVACOM is "extremely high". No penalties have been imposed on the company by the Commission for Personal Data Protection for the reported period.



## 8.4. HEALTH AND SAFETY AT WORK

**V**IVACOM is highly committed to providing safe and healthy working conditions to its workforces. We apply efficient measures to provide the best working environment to our employees. The corporate policy on health and safety at work was developed and implemented already in 2007.

VIVACOM was certified under Occupational Health and Safety Management Systems OHSAS 18001:2007 in August 2013. In 2014, we

successfully passed an external OHSAS audit. There were no fatal events in the reported period, and the number of reportable incidents (led to over 3 days absence at work) was 10 in 2013 and 16 in 2014.

All employees, for whom occupational safety hazards have been identified, are provided with the necessary training, personal protective equipment and special clothing.

IN 2014, PERSONAL PROTECTIVE EQUIPMENT AND SPECIAL CLOTHING WERE PROVIDED TO OVER 2 100 EMPLOYEES, WHILE THE OCCUPATIONAL SAFETY TRAINING ORGANIZED AND COMPLETED RESULTED IN:

**121** employees trained in first aid by the Bulgarian Red Cross

**2 209** employees trained in electrical and fire safety

**118** employees trained for working at height

**713** employees trained to ensure healthy and safe working conditions

**47** emergency evacuation training sessions completed, **9** of them including practical firefighting training under 'real fire' conditions

More than **5 000** employees passed through general health exams, organized in **46** towns across the country

## 8.5. CORPORATE SOCIAL RESPONSIBILITY

**A**t VIVACOM we handle issues that are key for Bulgarian society at the moment. Every year the company commits to and invests in major projects in the fields of education, professional realization, sports, charity, arts and culture. In 2014, the main focus of our corporate social responsibility activities was

the support of education in Bulgaria. All of our major projects and programs are united in the VIVACOM Fund ([www.vivacomfund.bg](http://www.vivacomfund.bg)). The platform was launched in 2009 to communicate our engagement in the important issues of our society.

**KRASIMIRA VELIKOVA, DIRECTOR OF THE BULGARIAN DONORS' FORUM:**



"VIVACOM is a member of the Management Board and an active participant in the Bulgarian Donors' Forum. The aim of our partnership is to find the best solutions for problems of disadvantaged groups. This indeed boosts the positive effect of our activity and resources.

VIVACOM is one of the few donor companies that have turned their attention to investment in culture and art. We believe that along with cultivating well-educated, capable and informed people, culture and art play an important role in personality development, promote positive changes in the behaviour of individuals and society as a whole, and unlock the creativity and the need for progress."

## TOGETHER FOR MIZIA

VIVACOM is one of the largest employers in Bulgaria. Owing to our employees, our contribution to the development of society is significant. In 2010 we established the VIVACOM Cares volunteers' club in which all company employees can participate. Every month they commit time and attention to causes of their concern: environmental volunteering, looking after children without parents, animal care, etc. To ensure long-term sustainability we structure the volunteering activities of VIVACOM Cares in partnership with the Sofia Municipality, the State Agency for Child Protection, the Green Balkans Federation, the Sofia Zoo, the Animal Rescue Foundation - Sofia and the Bulgarian Charities Aid Foundation.

The largest number of volunteers participated in our activities organized after the flood

in town of Mizia. More than 60 people from around the country volunteered their weekends in August. They helped flood victims with house cleaning, debris removal and sorting of construction materials. We organized also an internal campaign to raise funds and basic necessities. The company doubled employee personal donations and contributed a total of BGN 15 000 to the Bulgarian Charities Aid Foundation in favour of flood victims.

### 311 EMPLOYEES PARTICIPATED IN 39 VOLUNTEERING ACTIVITIES IN 2014

As an additional sign of empathy VIVACOM gave free telecom services to all its residential clients in Mizia for a total of BGN 52 000. For a period of three months they used free mobile and fixed telephone, Internet and TV services. In addition, we replaced all damaged service devices free of charge.

## SCHOLARSHIPS FOR CHILDREN OF DECEASED EMPLOYEES

People are the most valuable capital of our company. We support not only our employees when they experience hardship but also their families. Our donation policy includes monthly support up to BGN 400 to all children

of deceased employees up to age 25. Thus, we help families financially to afford fair living conditions and education. In 2014 we donated to this cause BGN 62 265.

## OPERATION SPARE CHANGE

Operation **Spare Change** is a national fundraising campaign, launched by VIVACOM in 2011. The purpose of the initiative is to raise funds for a cause that the company feels strongly about. Donations are raised in the VIVACOM's and in our partners' stores. The campaign is built around the idea of collaboration with companies and media to ensure maximum public visibility and outreach to incentivize an active involvement and fund donation by peers and citizens. At the end of the campaign the funds collected are doubled by the company.

In the last 3 years Operation **Spare Change** has been dedicated to abandoned babies and children. The purpose was to establish Little Houses – family residential care centres - and to ensure warm care and shelter for the children until they are adopted or placed in foster families. For this period, the initiative raised a total of BGN 237 000, which were used to establish and maintain two Little Houses in Sofia and helped 46 children find a family. Partner of the initiative was Foundation Hope for the Little Ones.

Our 2014 campaign was dedicated to orphaned children who did not have the option of adoption or foster family care. We dedicated our charity efforts to the House of Opportunities initiative of the Foundation for Social Change and Inclusion. Their protective homes provide temporary accommodation to young people aged 18 and above, who have already left abandoned child care homes. There, young people acquire social skills and are supported in finding employment and in successful integration in society. In 2014 there are five protective homes throughout the country providing shelter and support to 27 young people. The most recent one was established in Sofia.

Operation **Spare Change** managed to attract 30 business partners and raised total of BGN 105 000. The money will be used to establish a second shelter home in Sofia, which will accommodate young people dropped out of social institutions. Besides financial support, we also offer help with paid internships, trainings and potential employment. Following the initiative three young people were hired by large companies at the end of the 2014.







### INTERNET FOR ALL

Today's life is indivisibly linked to technology. To facilitate access to information for everyone in recent years VIVACOM set the trend "Internet at any time and any place" with a strategy for universal wireless coverage in public areas. As of 2014 VIVACOM built more

than 3 000 free Wi-Fi hotspots nationwide in public locations such as parks, railways stations, airports, stores, and bus lines. As many as 259 were provided by our company, while the rest were constructed in cooperation with business partners.

### RESPECT TO OUR HISTORY

As a Bulgarian telecom VIVACOM supports patriotic causes and projects in various public spheres: education, culture, sports and arts. Since 2014 we are the main partner and support a number of initiatives of the Bulgarian History Association established and developed by several energetic young patriots. The partnership gave birth to the Association's first professional documentary called „The Swiss Man with a Bulgarian Heart“ in memoriam of Louis-Emil Eyer. The film showed in 20 cities and attracted 3 500 visitors. „Let's Tour Bulgarian Schools“ was another joint initiative, which included teaching lessons in national awareness. In 2014, these young people presented 38 lessons to 2 800 students in different cities. VIVACOM supported the Association in yet another initiative - „Legends Back to Life“ - a series of 12 videos, dedicated to forgotten Bulgarian places and stories.





---

## MEMBERSHIPS

- AMCHAM** - American Chamber of Commerce
- KRIB** - Confederation of Employers and Industrialists in Bulgaria
- BCCI** - Bulgarian Chamber of Commerce and Industry
- ICC** - International Chamber of Commerce
- BDF** - Bulgarian Donors' Forum
- BAPM** - Bulgarian Association for People Management
- ASTEL** - Telecommunications Association
- BACCO** - Bulgarian Association of Cable Communication Operators
- ETNO** - European Telecommunications Network Operators' Association
- BAIT** - Bulgarian Association of Information Technologies

## CERTIFICATES AND STANDARDS

---

**ISO 9001:2008** Quality Management Systems;

**ISO 14001:2004** Environmental Management Systems;

**BS OHSAS 18001:2007** Occupational Health and Safety Management Systems with scope of certification:

Provision of electronic communications services, including fixed voice service, mobile voice service compliant with GSM and UMTS standards, TV, Internet access, data transfer and transmission, provision of transmission network, collocation and complex technical solutions;

**ISO/IEC 27001:2013** Information security management systems with scope: Headquarters, Data Center – Haydushka Polyana and Data Center – Kaspichan;

**ISO/IEC 20000-1:2011** Informational services management systems with scope of certification:

Provision of electronic communications services and IT services in accordance with the business services catalogue.

**COMPANY PROFILE DESCRIPTION UNDER GRI TABLE IN COMPLIANCE WITH THE “CORE” OPTION**

INDICATOR	DESCRIPTION	CHAPTER	PAGE	VERIFICATION
<b>STRATEGY AND ANALYSIS</b>				
G4-1	Statement by the Chief Executive Officer		4-5	No
G4-3	Name of the organisation	Our company	10	No
G4-4	Products, services and brand	Our company, Effective	11, 29, 30, 31	No
G4-5	Headquarters	Our company	10	No
G4-6	Countries where the organization operates	Our company	12	No
G4-7	Ownership	Our company	13	No
G4-8	Markets	Our company, Dynamic	12, 85	No
G4-9	Scope of organisation	Our company	12	No
G4-10	Human resources	Our company, Inspiring, Indicators by materiality topics	12, 47, 107	No
G4-11	Employees on collective labour agreements	Inspiring, Indicators by materiality topics	49, 107	No
G4-12	Description of supply chain	Our company	16	No
G4-13	Description of significant changes during the reported period	Inspiring	49	No
G4-14	Circumspection principle	Effective	35	No
G4-15	Charters, principles or other initiatives the organisation has adopted or supports	Honest, Responsible	82, 103	No
G4-16	Memberships	Responsible	103	No
G4-17	To report on all organisational structures included in the consolidated financial reports of the organisation or equivalent documents; as well as on whether there are structures included in the consolidated financial reports of the organisation or equivalent documents that are not covered by the report	About the report, Our company	8, 13	No
G4-18	Process of defining the report contents and the materiality topics margins	Our company	18, 19	No

## COMPANY PROFILE DESCRIPTION UNDER GRI TABLE IN COMPLIANCE WITH THE “CORE” OPTION

INDICATOR	DESCRIPTION	CHAPTER	PAGE	VERIFICATION
STRATEGY AND ANALYSIS				
G4-19	All material aspects, determined in the process of defining the report content	Our company	20, 21, 22	No
G4-20	Boundaries of material aspects inside the organisation	Our company	21, 22	No
G4-21	Boundaries of material aspects outside of the organisation	Our company	21, 22	No
G4-22	Changes resulting from information update compared to earlier reports	About the report	8	No
G4-23	Considerable changes compared to earlier reports in aspects and boundaries	About the report	8	No
G4-24	List of stakeholder groups, engaged by the organisation	Our company	19	No
G4-25	Stakeholder engagement – definition and selection	Our company	19	No
G4-26	Approach for stakeholder engagement, including frequency by groups of stakeholders	Our company	19, 23, 24	No
G4-27	Materiality topics addressed by stakeholders and actions taken by the organisation	Our company	23, 24	No
G4-28	Reported period	About the report	8	No
G4-29	Date of the most recent previous report	About the report	8	No
G4-30	Reporting intervals	About the report	8	No
G4-31	Contact person for more information about this report	About the report	8	No
G4-32	GRI option reported	About the report	8	No
G4-33	Third-party verification	About the report	8	No
G4-34	Management structure of the organisation	Our company	12, 13	No
G4-56	Values, principles, standards and rules of conduct, such as Code of Conduct	Our company, Honest	14, 15, 82	No

INDICATORS BY MATERIALITY TOPICS	UNIT	2013	2014
<b>ECONOMIC</b>			
Total revenue	Thousand BGN	811 879	805 912
Operative costs	Thousand BGN	477 906	495 974
Bank interests	Thousand BGN	52 642	58 355
Dividends	Thousand BGN	0	0
Share of the budget spent on local suppliers in Bulgaria	%	82%	75%
Expenditure on salaries	Thousand BGN	59 732	87 584
Fees, taxes, social security liabilities to the State and municipalities	Thousand BGN	32 909	33 756
Donations and investment in society	Thousand BGN	1 170	1 723
<b>ELECTRICITY CONSUMPTION</b>			
Total	KWh	95 357 696	94 268 200
Base stations	KWh	21 281 357	24 195 794
Core and fixed networks	KWh	62 642 284	58 004 159
Stores	KWh	6 529 331	6 999 366
Offices (including Corporate Sales)	KWh	4 904 725	5 068 880
<b>HEATING</b>			
Offices	MWh	3 749	3 090
Stores	MWh	237	177
<b>FUELS</b>			
Diesel for heating	Litres	4 935	6 604
Diesel for electricity generation	Litres	370 682	280 515
Fuel oils	Tonnes	0	0
Gas	Thousand Litres	0	0
<b>VEHICLE FLEET</b>			
Diesel-powered vehicles	Litres	404 187	1 777 079
Petrol-powered vehicles	Litres	348 916	447 600

INDICATORS BY MATERIALITY TOPICS	UNIT	2013	2014
<b>WASTE</b>			
Batteries	Tonnes	58	133
Cables	Tonnes	1 329	2 090
Telecom equipment	Tonnes	31	13
<b>EMPLOYEES</b>			
Total employees	Number	3 541	5 878
Part-time employees (female)	Number	10	9
Part-time employees (male)	Number	6	8
Full-time employees (female)	Number	2 145	2 646
Full-time employees (male)	Number	1 380	3 215
Employees with permanent employment contract (female)	Number	2 001	2 466
Employees with permanent employment contract (male)	Number	1 270	3 113
Employees with temporary / fixed-term contract (female)	Number	154	189
Employees with temporary / fixed-term contract (male)	Number	116	110
Staff fluctuation	%	17.65	13.21
Fatal incidents	Number	0	0
Reportable incidents (led to over 3 days absence at work)	Number	10	16
Cases of discrimination	Number	0	0
Share of employees undergoing regular performance and development evaluation (female)	%	100	100
Employees on collective labour agreements	%	40	61
Interns employed permanently in the company (% of the total number of interns)	%	37	34

Inspiring Innovative  
Effective Inspiring In  
ative Honest Dynam  
ffective Inspiring Inn  
iring INNOVATIVE  
ve Honest Dynamic R  
ffective Inspiring In  
Innovative Hones  
nic EFFECTIVE In  
ve Honest Dynar  
Dynamic Resp  
ing Innov  
+ Dy  
ive Inspiring Inn  
ive HONEST Dynam  
nsible Inspiring Innovative  
iring Innovative Honest Dy  
est Dynamic RESPONS  
ffective Inspiring Inno  
Dynamic Responsib  
ovative Hones





[www.vivacom.bg](http://www.vivacom.bg)