



# Telekom Austria Group Annual General Meeting 2012

Vienna, 23 May 2012

## Agenda Item 2:

Report on the forensic investigation and measures taken



# Joining Criminal Proceedings as a Private Party: EUR 28.7 mn

Valora/Hochegger	EUR 9.0 mn
Real Estate	EUR 1.6 mn
Consultants	EUR 2.7 mn
Stock Option	EUR 10.4 mn
Other	EUR 5.0 mn

# Measures

# Catalogue of Measures to Clarify Past Events

2009

- ✓ Order to Revision department for audit on consulting contracts
- ✓ Order to Revision department for audit on business relations to lobbyists
- ✓ Immediate termination of business relationship with Hochegger

2010

- ✓ Establishment of a Group-wide "Compliance-Troika"
- ✓ Extensive amount of files handed over to state attorney
- ✓ Personnel consequences
- ✓ Extensive audit on consultants, M&A, real estate management, stock options, etc.
- ✓ Joining the public prosecutor's proceedings against criminals with one's own claims for damages
- ✓ First guidelines on consulting, sponsoring and lobbying contracts

2011

- ✓ Forensic investigation by Deloitte
- ✓ Results of forensic investigation handed over to investigating authorities
- ✓ Supervisory board initiates repayment of stock option bonuses from 2004
- ✓ Establishment of a committee of control of the supervisory board
- ✓ Hiring of Group Compliance Officer

# Personnel and Organizational Measures

## Personnel Measures

- > None of the involved persons is currently active within the company
- > Claim back of stock option bonuses
- > Initiation of claims for indemnifications in the course of proceedings against criminals with one's own claims for damages
- > All employees and managers are released from confidentiality agreements during interrogations
- > Dissociation from one fixed line board member, 2 division heads and suspension of 2 managers

## Organizational Measures

- > Reorganization of purchasing department
- > Reorganization of real estate department
- > Establishment of a compliance department

# Corporate Governance - Compliance

## Our Goal

Establishment of a modern and sustainable compliance system for a future marked by integrity





# Values of the TA Group Strengthened by “Integrity”

- > Integrity as an additional company value
- > Integrity as the basis for business
- > Integrity is non-negotiable

Quality

Diversity

Innovation

Integrity  
&  
Responsibility

# Our Guiding Behavioral Principals: Results and Ethics

- > Compliance as a strategic topic for the Management Board
- > We are serious about this: no “window dressing”
- > Compliance: from cost factor to competitive advantage

Right Results

AND

Right Way

# Integrity as a Competitive Advantage

- > Increase of brand value
- > Employer attractiveness
- > Shareholder structure (ethical investment)

# „Right Way“

- > Prevention & Reaction are core components of the compliance system
- > Prevention through a combination of rules and values
- > Reaction = whistle-blower system and case management including sanctions

Prevention

AND

Reaction



# Prevention: Sustainable Effect by Combining Rules and Values

- > Intelligent combination of rules and values
- > Rules are important, but there cannot be predetermined rules for every situation
- > Integrity as a central company value



# Components of the System of Rules

Code of Conduct for Suppliers ✓

> Special "Code of Conduct" for large suppliers

Guidelines ✓

> Transparent by being able to be accessed on Intranet & Internet

Training of Employees e-learning ✓

> Obligation for the entire Group

Gifts & Invitations

Consulting & Lobbying

Sponsoring, Donations & Advertising

Positiv Evaluation by Transparency International

# Clear Guidelines for Gifts and Invitations

## Guidelines

- > Clear value limits for gifts: EUR 100 per business partner and quarter
- > No gifts to public-sector employees
- > No invitations to public-sector employees to events that have no business character

## Precondition

- > Independence of decision-making must be guaranteed



# Clear Guidelines for Consulting and Lobbying

## Guidelines

- > Strict examination of all consulting and lobbying contracts as well as of the contract parties
- > Obligation to obtain approval by a member of the Management Board and a authorized signatory for every consulting and lobbying contract; as of EUR 100,000 decision by the entire Management Board
- > Payment made only upon receipt of extensive and transparent performance documentation

## Precondition

- > Must not be a vehicle for inappropriate purposes



# Strategic Communication (Lobbying)

Transparent and Documented Placement of Information in the Decision Process

2011

> Expenses of EUR 327.600

## Key Aspects

- > Strategic communication to national and EU regulators, fiber roll out, information public institutions
- > Sale support for business customers



# Clear Guidelines for Sponsoring, Donations and Advertising

## Guidelines

- > No sponsoring of events organized by political parties, potential exceptions only with approval by the Management Board
- > No donations to political parties
- > No advertising in political party media
- > No special tariffs for journalists

## Precondition

- > Must not be a vehicle for inappropriate purposes

# Sponsoring: Motivation and Principles

## Motivation

- > Corporate social responsibility and integrated brand communication as key pillar
- > Emotionalized marketing platform and integrated communication instrument (brand presence)
- > Image creating factor in respect to a complete brand management

## Principles

- > Representation of brand leadership (1st in Class)
- > Continuity and Sustainability
- > Addressing of a large community and opinion leadership
- > Incorporation of brand principles in sponsoring activities

Exclusively to Support the A1 Brand

# Sponsoring - 2011

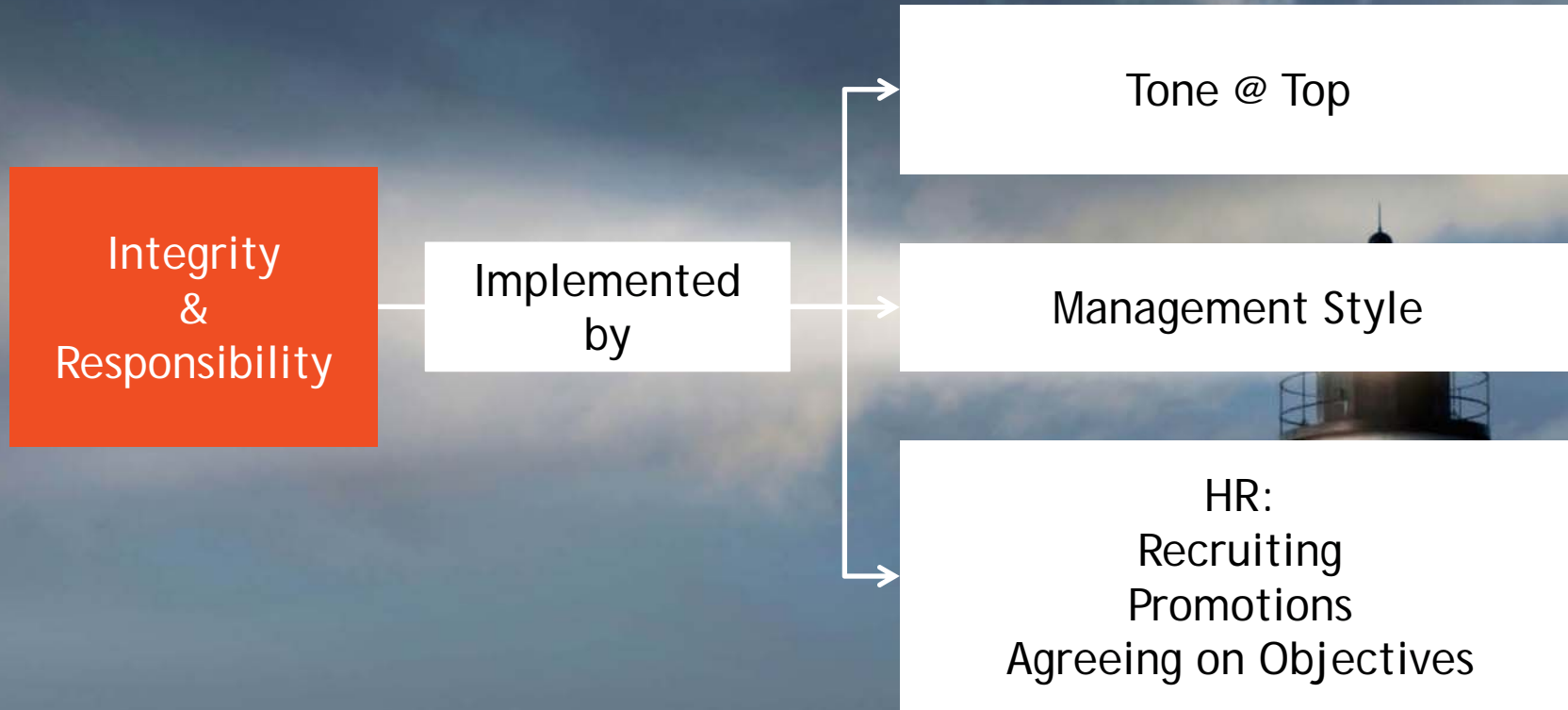
- > Sponsoring expenses in Austria amounted to EUR 12 mn in 2011
- > Compared to 2010 sponsoring declined by 10%
- > In 2012 sponsoring is cut by 25% to less than EUR 9 mn
- > This represents a decline of approximately 40% compared to 2010

## Sponsoring 2011 can be split in

- > Sports (62%)
  - > Ski 69%
  - > Beachvolleyball 15%
  - > Football 8%
  - > Handball 6%
  - > Other 3%

- > Fairs & Promotion, Events (13%)
- > Culture (12%)
  - > Events 59%
  - > Theatre, Music, Movies 27%
  - > Museums 14%
- > Social and Other (12%)

# Anchoring Integrity in the Company



# Setting Goals: External Certification of the Compliance System in 2013

2012

Implementation of Measures

- > Implementation of a Group-wide state-of-the-art compliance system

2013

Certification

- > External certification according to German standards

# Telekom Austria Group - This is what we stand for:

- > We want to regain the trust that we have lost and reestablish the company's reputation.
- > We are establishing a modern and sustainable state-of-the-art compliance management system.
- > Our behavior is honest, fair and transparent.

# Summary and Conclusion

- > Full clarification of the past via an independent forensic examination
- > Extensive reclaim of unrightfully paid moneys und full cooperation with investigating authorities
- > Implementation of learnings by establishing a state-of-the-art compliance system





# *Hauptversammlung 2012*

