



CSR
IN FOCUS



HAUSKA & PARTNER GROUP **SUSTAINABILITY** REPORT 2007/2008



Publisher:
Hauska & Partner Group
1010 Wien, Kärntner Straße 21-23/2/7. Stock
Tel: +43 1 513 17 00, Fax: +43 1 513 17 00-99
<http://www.hauska.com/>

Mail contacts:
vienna@hauska.com
zagreb@hauska.com
riga@hauska.com

Editorial Board: Ana Smoljo Josić
Andreja Pavlović
Arnis Marcinkēvičs
Bernhard Wanasek
Daria Mateljak Bartulin
Katarina Rimac
Kristina Klarić Rubčić
Leo Hauska



We would appreciate
your views on our report
and our performance

Please contact:
Andreja Pavlović, Senior Consultant
Hauska & Partner Group CSR Director
andreja.pavlovic@hauska.com

Proofreading: Apostrof
Design: Hand Studio
Print: Cerovski Print Boutique
Photos: Dražen Lapić, page 8, 14, 16, 22, 37, 38, 46, 58, 62 and 64
Petra Spiola, page 5, 10, 21, 24, 34, 54, 56, 66 and 71
Shutterstock, page 4 and 63

All photographs included in our sustainability report are authentic and represent H&P Group employees.

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SUSTAINABILITY IN FOCUS

Beyond reporting



Four years ago, we developed our first code of conduct and declared our mission “*to passionately strive for excellence in responsibility management.*” Two years later, our first CSR report was published, and today you are already reading the second one. We are proud of our progress: Corporate Social Responsibility has been integrated into our Group’s management and our service portfolio.

We are aware that the challenges confronting us still outnumber our achievements. However, in recent years we have successfully installed the “CSR-engine”, and we have learned how to drive it. Now we are on the road and we know it’s the right one, with sustainability as our trajectory.

Many thanks to all of our stakeholders who have joined us on this journey, and to our CSR director, Andreja Pavlović, who has so successfully managed all of these efforts!

Leo Hauska
CEO Hauska & Partner Group

2.9

Among the 17,548 corporate non-financial reports from 42 countries in the Corporate Register, only a single report, listed in the Media & Photography section, partially refers to Public Relations and Public Affairs. Four reports are listed in the Supporting Services section, those of Direct Marketing Association, KPMG, DNV and PWC.

3.1

3.2

3.3

The Hauska & Partner Group, which specializes in strategic communication consulting and stakeholder relations, prepared its second Corporate Responsibility Report for the 2007/2008 reporting period (financial data for 2006 included). The first CSR Report was prepared for the 2005/2006 reporting period (financial data for 2006 not reported). It was issued and presented to stakeholders in March 2007 in the form of a round table discussion under the name *“Surpassing the Confines of Traditional Reporting”*, because we wanted to take the opportunity to initiate discussion on the value of traditional financial reporting and to see whether traditional financial reporting, in its existing form, is sufficient for a complete analysis of the business operations of any given company, which is not only expected to be profitable, but also to responsibly contribute to a sustainable economy and social development.

This is the first time we base our report on a selected number of G3 indicators from all three dimensions required by GRI. In the 2005/2006 reporting period, we reported on selected G3 indicators based on economic and social dimensions and profile disclosures, applying the so-called gradual “phased in” approach. As the scope of our first report was limited, we decided to introduce full disclosure in all dimensions in order to comply with the principle of completeness in our second report.

This report therefore covers fifteen G3 performance indicators based on economic, social and environment dimensions and selected profile disclosures, all needed for Application Level C+. Our CSR Report is also based on selected UN Global Compact principles.



This is the first time we base our report on a selected number of G3 indicators from all three dimensions required by GRI.

Our second CSR report includes Hauska & Partner Group companies in Austria, Croatia, the Czech Republic, Serbia and, for the first time, the company in Latvia, which was integrated into the Group at the beginning of 2007.

This report describes:

- The major challenges and issues of the PR industry and our own issues and challenges, as we see them and as some of our colleagues - PR professionals - see them;
- The issues we identified as the most pertinent to our operations throughout our companies in Austria, Croatia, the Czech Republic, Latvia and Serbia;
- Our corporate strategy and how we incorporate CSR into our daily operations;
- Our performance measured against selected GRI indicators and UN Global Compact principles;
- How we engage in continuous dialogue with our clients, employees, industry and business associations, and even our competition.

We expect our report to be of interest to our employees, clients, fellow colleagues in professional associations and other PR companies. We invite them to continue to discuss the following topics with us:

- The quality of information provided in our CSR report in all three GRI-mandated dimensions and by the Global Compact principles;
- The role of PR in business and society, the impact and contribution of PR to stakeholder relations and more responsible business practices, professional principles and performance-based principles;
- The role of PR companies in building more sustainable communication and business models, raising awareness about different issues and initiating changes in behaviour.

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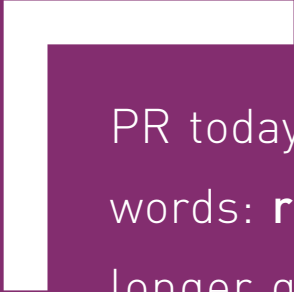
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CHANGE IN FOCUS

What's up



PR today is very much defined with two words: **responsibility and change**. It no longer gauges its success by publicity (advertising) standards, but rather by corporate responsibility and reputation standards. **Modern PR is about stakeholders and issues management.**

An increasingly difficult landscape

1.2

The PR industry functions in an increasingly difficult landscape. It is very much influenced by rapid societal and market changes, associated with the breathtaking pace of development in communication technologies. It is a world in which increasing number of people can afford, access and use the tools and channels of communication.

In this challenging landscape traditional PR practitioners (or, as we call them, 'Old Agents') still struggle with the one-way, mass media oriented approach. This approach is based on experience and intuition, rather than industry-designed methodologies with academic legitimacy and ethical credibility. This is frequently the reason why the PR profession still tends to ignore its negative reputation.

Some PR practitioners sought for different solutions to cope with these challenges: some honed their PR specialties in niche markets; others became more efficient and cheaper with IT support, thus allowing them to provide automated services. Others ended up integrating different specialties by simply gathering them and putting them under a single umbrella.



Nevertheless, the developmental path of the PR industry is influenced by new types of strategic approaches. Many PR practitioners base their work on the constant flow of new and innovative solutions, while continual research and development serves as a basis for the creation of more sophisticated methods. These new methods acknowledge the shifting boundaries between organizations and institutions and re-examine both PR theory and practice in search of new communication knowledge and skills that encompass interdisciplinary capability.

Along the way, strict boundaries vis-à-vis marketing and advertising have been established. Therefore, PR today is very much defined with two words: **responsibility and change**. It no longer gauges its success by publicity (advertising) standards, but rather by corporate responsibility and reputation standards.

Modern PR is about stakeholders and issues management. It means engaging with stakeholders and identifying key issues as ongoing processes that help organizations achieve their objectives, and responsibly pave the way to profound changes.

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The need for change

1.2

The discussions we had with our clients, employees and other stakeholders indicated that PR is generally perceived as a useful component of different management processes, albeit entailing an entire spectrum of expectations and a growing acknowledgement of activities beyond traditional executive PR.

The market survey we conducted in Latvia in 2007, consisting of 56 in-depth interviews with the top managers including CEOs, management board members and communications and marketing managers from the top 500 companies, revealed that for the majority PR plays a management function, while only 17% of those surveyed employ a systematic approach to stakeholder management. Most of the companies would use a PR agency for event management and media relations, and only 32% would require support in their communications strategy.

In Austria, the market survey conducted in the first half of 2008 which included more than 500 members of the Austrian PR Association, indicates that reputation, PR education, the PR industry's strategic competence, and ethics (with emphasis on codes) are the most important issues for the further development of PR in Austria.

However, most of these can be condensed into a very simple view: **“Change is needed and PR is there to create it”**. The latter was in fact reflected in the second transnational European Communication Monitor survey, “Trends in Communication Management and Public Relations - Results and Findings”, conducted in the summer of 2008, which encompassed over 1,500 professionals from 37 countries in determining future trends in communications management and public relations in Europe.



Change is needed and PR is there to create it.

The survey revealed that communication management plays a major role in European organizations: 75 percent of the surveyed PR practitioners influence senior management with their recommendations, while 64 percent of them are involved in decision-making and planning. When predicting development of disciplines in communication, PR practitioners expect rapid growth of internal and change communication as well as sustainability and corporate social responsibility. Corporate communications are expected to succeed current marketing and consumer communication as the most important field of practice. Managing relationships with online channels and social media is gaining dramatic significance, with more than 90 percent of respondents identifying it as the vital method for addressing stakeholders over the next three years. Online videos and social networks are perceived as increasingly relevant communication tools by over 66 percent of the respondents.

PR professionals face three important issues in the near future: linking business strategy and communication (45.5%), dealing with sustainable development and CSR (41.3%), and coping with the digital evolution and the social web (38.5%). The demand for advances in communication in the fields of CSR (+10%) and public affairs (+8%) are juxtaposed with the preceding year's survey results. Three out of four PR professionals in Europe are involved in CSR activities, with 44.8 percent of them in charge of CSR projects. CSR is the most relevant, but also ambiguous, field of practice: 34.6 percent of the PR professionals consider it important today, while 72.8 percent think it will be important in three years. The main drivers of CSR are reputation management (69.8%), business/organizational values (60.4%) and consumer/stakeholder pressure (40.0%). The main focus of CSR communication is enhancing the corporate profile (values and strategy) among 60.8 percent of the respondents, while environmental and social action were specified by over 37 percent.

Assessing issues of importance

Overall, in the 2007/2008 reporting period we invested a great deal of time, resources and knowledge to achieving our vision in an increasingly difficult landscape, which is further complicated by the simple fact that we operate in different countries. Their specifics, with reference to both the market and society, add to the complexity of the relevant issues, with a potentially significant impact on our operations.



The Hauska & Partner Group vision

To become recognized as a regional leader in strategic consulting and stakeholder relations, respected for creating value for clients and business partners and contributing to positive changes in the business community and society as a whole.

In determining which issues we may deem material, we took into account many internal and external factors: our vision and values, the expectations of our employees, the views of our clients and other experts in various fields of expertise, the PR industry standards and business standards with which we voluntarily comply, selected GRI indicators as benchmarks, as well as broader industry and social expectations.

For the first time, we used the AA 1000 Assurance Standard to assess issues and their significance. We tailored a five-part materiality test to our needs in a manner which enabled us to identify the most relevant issues for each company. We then compared the frequency and regularity of the issues identified across the countries, and the level of their impact on the achievement of our business objectives and strategy.

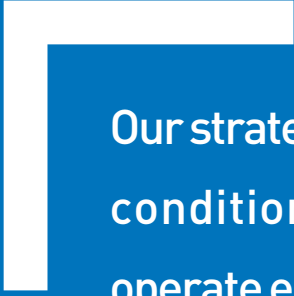
As an outcome, we identified the following issues we consider important enough to be actively managed in order to successfully respond to PR industry and competitive conditions and produce successful bottom-line results.

Trend	Issue
1. Reputation of PR industry	▶ Building positive perceptions and understanding of the PR industry as a responsible creator of change
2. Rapid development of communication industry	▶ Formulating new solutions for continual education and qualification
3. Need for competencies	▶ Implementing an education system tailored to employee needs at all levels
4. War of talents	▶ Retaining experienced employees

A woman with dark, curly hair is smiling and looking upwards and to the right. She is wearing a white, long-sleeved button-down shirt and light-colored trousers. She is sitting in a field of tall, golden-brown grass. The background is a clear blue sky with a few wispy white clouds. The image is framed by a white border with L-shaped corner brackets.

STRATEGY IN FOCUS

Beyond PR



Our strategic response to PR and competitive conditions on the market on which we operate encompassed a number of strategy-supportive practices.

Producing a sustainable competitive edge

1.1

Responding to PR and competitive conditions on the markets on which we operate was the focus of decision-making by the Hauska & Partner Group's management over the course of 2007/2008. Decision-making was organized (masterminded) around the following strategic issues:

1. How to respond to PR industry challenges and maintain competitive edge;
2. How to expand business more rapidly;
3. How to exercise leadership in stakeholder relations;
4. How to integrate ethics more closely into the corporate culture;
5. How to expand the services portfolio and successfully market new products (based on internal assessments of our current core market competencies and market practices);
6. How to develop employee knowledge and skills at all levels and foster the expertise needed to adequately meet the needs of clients;
7. How to further contribute to PR education, and professional and ethical enhancement or reinforcement of overall PR communities in our countries.



We move the focus from traditional executive PR to a new field of stakeholder relations.

We designed the following strategy-supportive practices as our response to changing external and internal conditions:

- We move the focus from traditional executive PR to a new field of stakeholder relations. We formulate new solutions not only in traditional PR (same boundaries, new content) but also in new neighbourhoods, such as corporate governance and CR. In this process, we respect the diversity of territory, culture, traditions, stages of market development, PR development history and the variety of industries we consult in the countries in which we operate.
- We invest a great deal of time, resources and knowledge to contribute to the professionalization of PR. We are actively involved in building more responsible systems in our respective markets. We divide our time equally in our client work and our contribution to PR education and professional and ethical enhancement or reinforcement of overall PR communities in our countries.
- We place particular emphasis on values and culture. In an environment where bigger companies offer generous fringe benefits, we offer distinctive, value-based opportunities for personal growth and professional development. We use selected HR tools and GRI indicators in their social dimension as the basis for determining value-based opportunities for personal growth and professional development.
- We invest great efforts to continually educate our employees at all levels: from the junior to senior levels. Although constrained by time and personnel, we continually develop our knowledge in various businesses and industries to foster a better understanding of issues. Our primary focus is on developing interdisciplinary professionals with the commensurate acuity and the right edge.

Our implementation and execution of the corporate strategy was not restricted to the entire management team; employees were also participants in their areas of competence throughout the system of individual personal development plans.

Matching organization to strategy

2.1
2.2
2.3
2.4

There are five companies in the Hauska & Partner Group. They all carry the same name, share common values and genuine professional principles, but operate in considerably different landscapes. Clients from various industries, such as telecommunications, banking, energy, healthcare, FCMG, infrastructure, etc. seek the professional advice of 42 consultants. Their work ranges from strategic consulting and stakeholder relations to CR consulting, internal and external relations, public affairs and lobbying, risk issues and crisis management, change management, etc.

2.5
2.6
2.7
2.8

Headquartered in Austria, the Group is managed by the Management Board. It consists of ten members: two each from Croatia and the Czech Republic, one each from Austria, Latvia and Serbia, and at the Group level there are four board members, three from Austria and one from Croatia. Since Hauska & Partner is a small, privately owned company, the Chair of the Management Board is also an executive officer. The members of the Management Board from all countries, except Serbia, also own minority shares of the local companies. Over 2007/2008 we have seen the following changes in the Management Board's composition:

- The new Austrian managing director became a member of the Board in September 2007.
- The CSR Director for Hauska & Partner Group became a Board member in January 2008. It was a step forward in closer integration of CSR into the Group's strategy, aimed at achieving a sustainable profitability for the whole group.
- The new Serbian managing director became a member of the Board in September 2008.

4.2
EC7

The Management Board meets regularly, and makes all decisions by a majority vote. The composition of the Board reflects the standard practice of Hauska & Partner Group with reference to local managers/residents of the countries in which we operate.

Living our ethical responsibilities

In addition to the Management Board, there are two formal structures: the CR Working Group, founded in 2006, and the Ethics Committee, which emerged in mid-2007, following the World Café discussions we traditionally organize with our employees. We discussed our market behaviour and the behaviour we sometimes face - in terms of pricing, transparency of tenders, expected results which are sometimes unreasonably defined and/or high and cannot be fulfilled in a reasonable and ethical manner. As a result, we clearly recognized the need to establish a reference point for addressing all issues bearing ethical dilemmas which relate to daily business practices and engagements with different stakeholders.

4.1



A woman with long brown hair, wearing a vibrant red long-sleeved top and matching pants, is crouching on a dark, reflective surface. She is looking towards the camera with a slight smile. The background is a lush, green, out-of-focus outdoor setting. The entire scene is enclosed within a white square frame with L-shaped corner brackets.

COMPETENCIES IN FOCUS

Driving the market




We apply our core competencies responsibly and ethically. Whenever appropriate, we regularly review our practices and establish new standards for more responsible market behaviour. In reviewing our practices and establishing new standards, we consult our clients, employees, and colleagues from professional PR and business associations.

Applying core competencies responsibly and ethically

Hauska & Partner Group applies its core competencies responsibly and ethically. This means that the Group not only adheres to professional and business standards as defined by professional and business associations in the countries of its local companies. It also means that the Group's management, whenever appropriate, and in line with its vision, regularly reviews our practices and establishes new standards for more responsible market behaviour. In reviewing our practices and establishing new standards, we consult our clients, employees, and colleagues from professional PR and business associations.





We continually scrutinize client satisfaction in order to evaluate the value of our consulting services and the relations established with our clients.

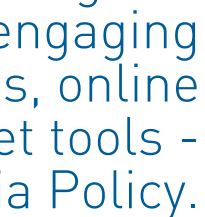
In our work with clients, it means:

- We simultaneously develop and apply an interdisciplinary approach to our client work. We utilise our understanding of political and economic trends, risks and industry specific issues, communities and social groups to provide added value to our (regular) consulting activities.
- We gradually but steadily develop different content for traditional PR activities, and create space for new services. We support the achievement of our clients' business objectives with processes, not tactics (projects). This means that with processes we uphold the establishment and maintenance of lasting relations with stakeholders. It also means that sometimes, if during these processes the ultimate objectives become untenable, we examine whether and how to change them. As a result we take an active part in decision-making as a component of company management.
- We continually scrutinize client satisfaction in order to evaluate the value of our consulting services and the relations established with our clients. We have organized client satisfaction surveys in Croatia, the Czech Republic and Latvia in 2008. The overall results were positive in all three countries. For instance, the best evaluated areas of our work in the survey conducted in Croatia were: the responsibility, ethical behaviour and integrity of our employees; understanding of client companies; being helpful in problem-solving and rapid response time; and assistance and solutions in urgent cases. On the other hand, low ratings from two clients in Latvia prompted immediate action: we urgently made the necessary improvements, which also included a change in client management.

In our market-oriented activities, it means:

- Following World Café discussions dedicated to how to act responsibly on the market organized in May 2007, Hauska & Partner Group founded the Ethics Committee. The Committee serves as a reference point for addressing all ethical dilemmas tied to daily business practices and the engagement with various stakeholders. The members of the Ethics Committee are Annette Märk, Andreja Pavlović, Petr Stoklasa and, as of 2008, Zane Bojāre from Latvia. The Committee principally serves the Management Board in an advisory capacity.
- Hauska & Partner Group, the first among PR agencies in CEE and SEE regions, adopted a policy on engaging in interactive websites, online networks and other internet tools: Social Media Policy. The policy was initiated during discussions at the 2007 Academy. In preparing the Policy, we adhered to the standards set by CIPR and PRSA, because PR industry associations have not yet addressed or prepared any specific guidelines for PR practitioners, especially when acting on behalf of a client. While we were introducing the Social Media Policy, its content was also discussed with our clients - the basic principles were clarified and recommendations were made on how to responsibly engage with social media on a daily basis.

We were the first among PR agencies in CEE and SEE regions which adopted a policy on engaging in interactive websites, online networks and other internet tools - Social Media Policy.



PRINCIPLES OF ENGAGEMENT

In dealing with social media, the management and employees of Hauska & Partner Group are bound by the Code of Conduct and apply the following principles of engagement:

- We use social media to engage with communities and for collaboration.
- We use social media professionally and fairly - we generally engage in social media transparently and openly by following the rules and guidelines for engagement.
- We use social media to verify intellectual property rights before we use copyrighted music, images and quoted materials.
- We never use social media to knowingly mislead our clients, competitors, employees, business partners and fellow professionals.
- We never use social media for defamation, discrimination (we also check carefully before quoting statements from other blogs or websites in order not to repeat libellous information) or dissemination of any content that may be illegal, immoral or offensive on the basis of race, nationality, gender, sexual orientation, religion, convictions or individual ability.
- We never use social media to astroturf or participate in "front group" practices.
- We never disclose privileged/confidential information about our company, clients or competitors unless special permission has been granted by the parties concerned or unless we are required to do so by law.

We play an active role in different professional and business organizations in the countries in which we operate.

Managing partners, managing directors and senior officers from our operating companies play an active role in different professional and business organizations. For instance:

- Leo Hauska, H&P Group president, is the chairman of NGO-Platform Headquarters Austria, etc.
- Daria Mateljak Bartulin, Managing Director and Partner of H&P Croatia, is president of the Supervisory Board of the Croatian Public Relations Association.
- Dubravko Miholić, a partner in H&P Croatia, is vice president of the Croatian Exporters and Europe House Croatia. As one of its co-founders, was elected to the Management Board of the Lobbyist Association.
- Andreja Pavlović, H&P Group CSR Director, is vice president of the CSR Association at the Croatian Chamber of Commerce and a member of the Smart Kolektiv's Assembly and Council, a respected Serbian NGO specialized in CSR and sustainability issues.
- Branka Kuzmanović, Senior Consultant at H&P Croatia, is a board member of the British Croatian Business Network (BCBN).
- Māris Plūme, Managing Director and Partner of H&P Latvia, was unanimously elected as vice-president of the Association of PR Consultancies in Latvia.
- Arnis Marcinkēvičs, Senior Consultant at H&P Latvia, is a board member of the British Chamber of Commerce in Latvia (BCCL).
- Vaclav Pavelka, Managing Director of H&P Czech Republic, is president of the Czech Association of PR agencies.
- Petr Stoklasa is a member of the Ethics and Arbitration Tribunal of the Czech Association of PR agencies.

Hauska & Partner Group companies also individually recognize issues of importance in each country, proactively share expertise and provide assistance in establishing better business practices and mutual understanding between different stakeholders.

Examples include:

- **K21 events** tied to the opening of new offices in Austria. Hauska & Partner used these opening events to discuss PR and CSR trends and developments with PR and CSR experts.
- **Dubrovnik Media Days International Scholarly Seminar.** A representative of Hauska & Partner Croatia participated in the panel discussion on **The Ethical Aspect of Creating Public Opinion** organized in October 2007.
- **The first annual Economist Conference on CSR Challenges and Tendencies in Serbia.** A representative of Hauska & Partner participated in the panel discussion on **CSR and the Public: Public Relations and Media Relations** organized in September 2007.
- **Czech Republic Forum Media 2008.** A representative of Hauska & Partner facilitated the panel discussion on **CSR: Just a Fashionable Trend or a Must for Companies?**
- **Lectures at the Danube, St. Pölten and Joanneum Universities of Applied Sciences in Austria.** A representative of Hauska & Partner delivered lectures on CSR and Crisis Management.
- **Lectures at the Turība and Vidzeme University College in Latvia.** A representative of Hauska & Partner delivered lectures in PR and Public Affairs.
- **Lectures at Studia Croatica (Croatian Studies), Department of Communication Sciences.** A representative of Hauska & Partner is teaching a course in Sectoral PR.

Gaining recognition

At the same time, we received a number of recognitions for our work.

Examples taken from our Intranet news include:

H&P Croatia won the CSR index award

16 December, 2008

Today for the first time, the Croatian Chamber of Commerce and the Croatian Business Council for Sustainable Development conferred the CSR Index awards to the best companies in the field of Corporate Social Responsibility.

All companies which successfully completed the questionnaire received honours, but only those which collected over 75 percent of the total points were conferred a special award for showing an enviable level of integrating CSR into their

business. Dubravko Miholić received the award on behalf of H&P Croatia, and we are very proud to say we are the only company awarded in the small company category. H&P has joined the ranks of large and successful Croatian companies such as Coca-Cola HBC Hrvatska, Ericsson Nikola Tesla and a local client - Dalmacijacement, which makes this accomplishment even more significant.

H&P Croatia is very happy that our efforts in the field of CR have been recognized and that we have received independent confirmation for being a CR company - our result is particularly high where this concerns inclusion of Corporate Social Responsibility in the business strategy and market relations and community. This is a great incentive for us to keep up the good work and demonstrate even more enthusiasm and initiative in doing business responsibly.

Czech PR Award goes to H&P Prague

13 June, 2008

A joint communications team consisting of in-house experts from the petrochemical company Unipetrol and Hauska & Partner Prague consultants were awarded for their long-term success in building the client's investor relations. A project called "From the Target of Criticism to Darling of the Czech Financial Market" placed second in the most competitive category [Corporate Communications] of Czech PR Awards granted recently for



the best 2007 campaigns. It described a complex program of reputation change management and investor relations development which, inside 18 months, helped Unipetrol to transform from a company under media fire and financial market criticism into the one assessed as among the best communicating corporations on the local market.

Unipetrol is among the Czech Republic's largest companies, and since 2006 it has been one of the key clients of our Prague office. At the Czech PR Awards ceremony, the team was represented by Dana Dvoráková, Unipetrol's Corporate Communications Director and Daniela Velová, Senior Account Manager at H&P Prague. Thanks go also to Marie Cachová and Barbora Špulková, who made a major contribution on the consultancy side.

Latvia receives three Baltic PR Awards

5 June, 2008

For all of you wondering what the H&P Latvia team was doing at their computers during the Academy leisure time, we can reveal the secret: they were preparing entries for the Annual Baltic PR Awards. And now we are happy and proud to inform you that three out of five projects were nominated, and the Latvian team has received three Awards for all of them.



The prizes are:

- 3rd place in the Public Policy Campaign Category - "Free Trade Union Confederation vs. the Government: 2008 Budget" (team leader Māris, presented by Arnis).
- 2nd place in the Integrated Communication Category - "BILD to enter the Latvian market" (team leader Andrejs, presented by Zane).
- 1st place in the Crisis Communication Category - "Construction in Old Riga" (lead & presentation by Andrejs).

As you can see - a full Olympic package!

Moreover, many people from the audience, including representatives from IPRA and our competitors, acknowledged our presentation skills.

This year's Grand Prix went to Alfa-Omega Communications (Estonia) for the social campaign "Fish Does good". Overall, 55 projects in 9 categories were submitted. Competition was tough and this year's projects were evaluated by an entirely international jury. Taking into account the number of awards in comparison to the number of employees, H&P Latvia can definitely be considered the most effective communication consultancy in Latvia.

Stable financial performance

New office development in its local companies in Austria, Croatia and Latvia was the main focus of the Hauska & Partner Group's business activities throughout 2007, while in 2008 business activities were geared toward expansion of the service portfolio and maintaining a competitive edge. Overall, as in the preceding period, the Hauska & Partner Group has recorded similar growth and achieved stable financial performance. At the same time, the Group has been contributing to more responsible and sustainable behaviour on the market.

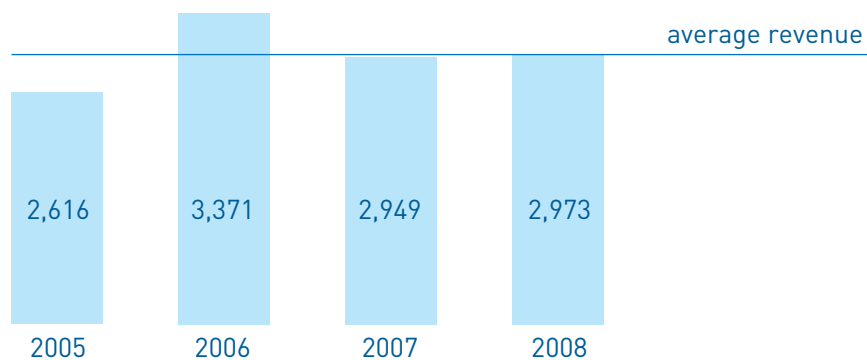
Economic value 2005 - 2008 /in € 1,000/

AMOUNTS IN	▶ 2005	2006	2007	2008
Revenues (net sales plus revenues from financial investment, sale of assets)	▶ 2,616	3,371	2,949	2,973
ECONOMIC VALUE DISTRIBUTED				
Operating costs (accounts payable to vendors, non-strategic investments)	▶ 1,226	1,789	1,537	1,608
Employee wages and benefits (total monetary outlays on the workforce)	▶ 1,040	1,271	1,258	1,237
Payments to providers of capital	▶ 39	174	165	72
Payments to government (gross taxes and royalties)	▶ 75	68	51	59
Community investment	▶ NA*	NA*	164	152

* Data not reported

The Group¹ has seen an increase in revenues from €2.6 million in 2005 to almost €3.4 million in 2006 (+14%). Revenues were almost €3.0 million in 2007 and 2008 respectively.

Revenues and average revenue 2005 - 2008 /in € 1,000/



In the 2007/2008 reporting period, operating costs averaged €1.6 million per annum, accounting for 52% of revenues in 2007 and 54% in 2008. Employee wages and benefits were just above €1.2 million in both years, accounting for 42% of revenues. Payments to capital providers and the government reached €165,000 in 2007 and €72,000 in 2008. At the same time, payments to the government slightly increased from €51,000 in 2007 to €59,000 in 2008.


¹We report economic values as an aggregate of the respective individual amounts in the income statements of the local companies in Austria, Croatia, the Czech Republic, Latvia and Serbia. The effective date for all reported economic values in this report is 31 December 2008. Inter-office services have again been deducted from revenues as well as costs.



Community investments accounted for €164,000 in 2007, and €152,000 in 2008. In 2007, Croatia and Austria led in community investments (€76,000 and €59,000 respectively). In 2008, Austria reported a decrease to €40,000, Croatia maintained the same level of investment, while Latvia reported a significant increase from €2,500 to €13,400.

The beneficiaries were different organizations that received our voluntary support (free of charge) in the form of services. To facilitate reporting on our contributions, we established the following base for calculation: actual time spent multiplied by our internal fee rates, which are approximately half of the commercial fee rate.

In the selection of community-related projects, we sought out projects to which we can contribute our resources and knowledge in the professional and ethical enhancement of PR and business communities, or which may serve as a platform for the engagement of our employees in projects they consider worthwhile. Also, each company management team evaluated projects with due consideration of our vision and developments on local markets and in local communities, following ongoing discussions with some of our key stakeholder groups.



In the selection of community-investment projects, we sought out projects to which we can contribute our resources and knowledge in the professional and ethical enhancement of PR and business communities.

Different examples of community investment activities include:

- CSR management of the Public Relations Verband Austria (PRVA). Hauska & Partner has been supporting the Austrian PR association in CSR management, contributing to professional development of this PR association since 2007. Hauska & Partner recommended the establishment of an internal education unit to PRVA, the so-called “CSRLab”, providing know-how and project management. The result of 1st CSRLab was a report which included Value/Stakeholder and Issues Analysis, with the action plan for the CSR-management of PRVA.
- Foreign Investors Council activities in Serbia. The Task Force’s principal objective of CSR development in Serbia was initiated by Hauska & Partner. During this period, Hauska & Partner also supported preparation of the latest, sixth consecutive White Book, a publication which offers information on the business environment in Serbia, in which suggestions on how to support development of CSR in Serbia were submitted to the Serbian Government.
- CSR Index launch in Croatia. Hauska & Partner has been closely involved in the preparation of methodology and national index for evaluating corporate responsibility and sustainable business operations in Croatia’s most successful companies since early 2007. The CSR Index was officially launched in December 2008.
- 10th Anniversary of the Croatian Business Council for Sustainable Development in 2007. As a member of Croatian Council for Sustainable Development, Hauska & Partner contributed to the conceptualization and execution of communication activities, providing professional support and personnel. Hauska & Partner also contributed to the design of a special brochure which was prepared to present the organization and its activities over the recent period.
- Latvian Association of PR Consultancies (LSAKA). Hauska & Partner has supported LSAKA’s activities in 2008: drafting amendments to the Public Procurement Act, recommendations for the development of higher education standards in PR and formulation of rules for the Baltic PR Award. In addition, Hauska & Partner supported the preparatory activities for the foundation of the PR Student Association La SASA.

Different examples of the active engagement of Hauska & Partner employees in community investment projects:

- Support to Delfin, a non-governmental association in Croatia, whose mission is to ensure education of young people and people with disabilities. Its aim is to empower individuals and raise awareness, thereby engendering active acceptance of all differences, solidarity and cooperation and the inclusion of the disabled. Throughout 2008, Hauska & Partner supported Delfin's activities in strategic consulting, communication program development, stakeholder relations, creating and executing campaigns, strategic planning and education of association members. Work on this project for H&P employees is voluntary and based on personal engagement and beliefs.
- Support to the "Livslust" social rehabilitation centre, a distinct organization in Latvia which provides social rehabilitation combined with practical education for teenagers aged 12 to 18 who have lost their parents. The organization is unique with its well developed sustainable system and success rate - more than 90 percent of the former pupils have moved on with their lives, securing good jobs and starting families. Hauska & Partner supports the centre in media relations, helping it raise awareness and promote good practices, and assisting its staff in communication with important stakeholders. The Hauska & Partner team initiated a special event, on the 90th anniversary of Latvia's independence, in which the president of Latvia met "Livslust" pupils. The event took place before Christmas, on December 23, 2008.



“One of our company values is diversity. Consequently we respect diversity in society and make an effort to understand and accept each stakeholder and group, and we are dedicated to bringing different perspectives together.”

*Daria Mateljak Bartulin
Managing Director and Partner
of H&P Croatia*



EMPLOYEES IN FOCUS

Ensuring strategy execution



One of the most distinguished features of our corporate culture is the continual participation of our employees in decision-making. World Café discussions, Workplace Assessment survey, and the Ethics Committee are some of different methods for engaging with our employees.



We are often confronted with different and contradictory perspectives, since markets, cultures and social settings differ one from another.

Hauska & Partner operates in five countries, three of which are members of the European Union (Austria, the Czech Republic and Latvia), one of which is candidate for the next round of EU enlargement (Croatia), and one in Serbia. It is not easy to operate on these markets and to follow the same, universally applicable business and ethical standards, whether our own or those established by our PR associations, business associations, GRI and UN Global Compact.

We are often confronted with different and contradictory perspectives, since markets, cultures and social settings differ one from another. For instance, although corruption is not equally recognized as a vital issue in all societies, we assessed the risks related to corruption in all Hauska & Partner companies.

At the same time, we sought the right balance between what we consider decent work conditions as a minimum standard that we can offer to our full-time employees and the market situation, and the expectations of our employees, which are thoroughly evaluated following the Workplace Assessment surveys.

We managed to reduce the rate of employee turnover, but we see room for improvement in meeting the educational needs of our employees and retaining talented people, especially through the high potential program and more intense education.

Empowering employees in decision-making

One of the most distinguished features of our corporate culture is the continual participation of our employees in decision-making. We apply different methods for engaging with our employees, for example:

- **World Café 2007.** We organized the World Café discussion dedicated to our market behaviour and reputation, unlike in 2006 when the World Café discussion topics were oriented toward strategy and quality of employment. Hauska & Partner employees and managers jointly discussed and agreed that we do behave responsibly, but when and if we are confronted with unprofessional behaviour, we all agreed we need to support the PR industry in setting up a benchmark for the responsible behaviour of PR agencies in line with the local situation.
- **Workplace Assessment Survey.** The Group's commitment to conducting the WA survey in all of its local companies was fulfilled in 2008. As all five companies conducted the survey, we were able to evaluate and compare the results on workplace conditions, level of employee satisfaction and overall workplace quality, and status of internal communications. The WA survey is composed of three main sections: in the first, employees are asked to evaluate 56 different statements and questions on a scale of 1 to 6 (1 - strongly agree, 6 - strongly disagree); in the second, employees evaluate their personal priorities in specific areas such as educational opportunities, pay raises, possibilities for professional promotion, etc.; and in the third, employees provide their additional comments to the same areas. Generally employees are highly satisfied with Hauska & Partner as an employer. They rated the following statements highly: "I am proud to work for H&P"; while two other statements, "I enjoy working for H&P" and "I am generally satisfied working at H&P" were highly rated in all counties, except in the Czech Republic, where employees gave comparatively lower marks. The average result of all questions and statements is 2.2. Employees generally ranked openness and respect highly, with relatively lower ratings in the Czech Republic when it comes to management being interested in employee well-being (2.8 as opposed to 1.3 in Austria), and Croatia when



One of the most distinguished features of our corporate culture is the continual participation of our employees in decision-making.

it comes to openness of communications (2.7 and 2.8 as opposed to 1.5 in Latvia). Employees also gave high ratings to the reputation H&P enjoys among its stakeholders, their daily work (especially reliability and stability of employment, importance of work and independence given to perform jobs well), while fulfilment of prospects were ranked lowest in the Czech Republic, as opposed to other countries. The results of the WA survey indicate that in general Hauska & Partner has room for improvement in retaining talented people and offering better opportunities than the competition, in management sensitivity to the individual professional abilities and needs of employees, sound training opportunities, salaries, technology levels, fringe benefits and workload. At the Hauska & Partner group level, the following priorities were recognized: team-building, openness, and salary.

- **Intranet.** Upgraded to become a reference point for the steady flow of internal news and communication with employees. Hauska & Partner launched its updated intranet in 2008, with the goal of optimizing the knowledge database and transfer between the Group companies across borders. With a special personal account, each employee of the international network, including both H&P associate partners and the H&P Group members, can enter the system and enjoy its new features. Besides the working protocol used on a daily basis, this includes employee profiles, the document database and the continuously updated client and office database. A very useful tool on the intranet is the news section, updated on a daily basis. The news feed is an area where every team member is encouraged to contribute. Local input is to the intranet technician who then adapts and uploads them, adding graphics if available. So far the new intranet has been received very positively by employees, thereby creating motivation for constantly improving the system. In 2008, we also went one step further in developing an internal platform to exchange knowledge within the Hauska & Partner Group: we launched an internal Wikipedia in the final phase of intranet development. It is a dynamic, easy-to-use and editable platform which aims at providing a basis for generating and exchanging knowledge within the Hauska & Partner Group.

- **Ethics Committee.** Established to become a reference point for all ethically related issues and dilemmas. The Committee drafted the procedure for ascertaining ethical dilemmas, which briefly explains the ethical dilemma, how to recognize it and how to handle it: quite simply, the procedure for dealing with ethical dilemmas. It also describes the role and responsibilities of the Ethics Committee.

Excerpt from the procedure for dealing with ethical dilemmas

WHEN AND HOW MAY CONCERNS AND QUESTIONS BE ADDRESSED TO THE ETHICS COMMITTEE?

In dealing with social media, the management and employees of Hauska & Partner Group are bound by the Code of Conduct and apply the following principles of engagement:

WARNING SIGNS

You might be unsure whether an activity or a situation is unethical or unprofessional. There are words or phrases that raise “red flags” about potential problems, and should be seen as warning signals. The following are some of examples of such words and phrases (this list will be regularly updated):

“Well, everyone does it”.

“No one will ever know”.

“No one will get hurt”.

If you hear comments like these or you begin to say things like this, then the following quiz questions may be helpful as a guide to what you should do next:

“Does this violate the law, Code of Conduct and internal policies?”

“How do I feel about myself now and how will I feel about myself later?”

“What would my colleagues, clients, business partners and friends think?”

“How would this look if it were published in the newspapers tomorrow?”

Education at the core of strategy execution

LA12

We consider employee education a matter of strategic importance in our efforts to create a sound foundation for securing a sustainable competitive advantage. We continuously fine-tune and recalibrate their competencies and abilities to match increasingly demanding client expectations, market conditions and new strategic requirements.

Since we recognized the need to implement an education system tailored to the needs of all employees at all levels, we use our Personal Development Plans to identify these needs, review them against our strategic requirements and client expectations. In combination with 360° and the WA survey, it provides a foundation for regular performance and career development reviews.

In the 2007/2008 reporting period, as in the preceding one, we reviewed the performance and career development of all our employees.

In addition, for the first time in Croatia, we enhanced monitoring of employee performance by introducing a new approach to personal and professional development. We applied positive psychology to establish a stronger personal connection with True Professional principles and corporate values. Essentially, we introduced a new approach to personal development by eliminating concentration on overcoming weaknesses and moving toward recognition and encouragement of the strengths of each team member. Each employee completed a comprehensive online test from Gallup's Strength Finder. This resulted in the identification of five dominant strengths for each team member and the common strength of the entire Hauska & Partner team.

In order to increase the knowledge base of our employees and build interdisciplinary professionals we provide different opportunities for professional development within the group, combining various types of internal and external education, like training and seminars.

We continuously fine-tune and recalibrate employee competencies and abilities to match increasingly demanding client expectations, market conditions and new strategic requirements.

Our employees and management board members received training in the following areas: business administration, project management, Web 2.0 (two-way web for internal and external communication), CSR as a USP, auditing, PR, CSR, EA&P-Tools (Evaluation, Planning & Analytic tools), etc. Consultants and Junior Consultants underwent education on PR and True Professional principles, Strategic Planning, etc.

Throughout the 2007/2008 reporting period, Hauska & Partner Group invested an average of 71 and 33 hours of training per employee in all employment categories in 2007 and 2008 respectively. The average training hours per each employee category per years were distributed as follows:

Average training hours per employee category

	2007	2008
Management Board	114	47
Office	63	25
Senior Consultants	76	29
Consultants	55	31
Junior Consultants	53	37
Assistants	43	19

In overall terms, all companies in Hauska & Partner Group recorded a decrease in total hours of training provided. The difference in average hours of training provided was mainly caused by the different market and internal situation in 2008 in comparison to 2007.



In 2007, we recorded high employee turnover when 12 people, mostly at lower and mid-level positions, left Hauska & Partner Group. Building the knowledge base of our new employees required a considerable investment. For instance, the company in Latvia, as a newcomer to the Group, had to cope with the high employee turnover. At the same time, it made a considerable investment in the education of all employees to acquaint them with our methods for different aspects of client work.

Additionally, at the management board level, we had one member of the board who was attending an MBA course in 2007, which generated significant number of training hours. In Austria, the decline in the number of training hours provided was mainly due to fact that the person who was responsible for HR was absent from work for an extended period, which had a significant impact on the level of educational opportunities being ensured to employees in the Austrian company.

On the whole, as the situation with employee turnover stabilized in 2008, we focused more intensively on expanding our business more rapidly.

We want the CSR Competencies Program to enable our employees to provide our clients with the highest quality consulting in the area of CSR.

Nevertheless, we will use the training results as a valuable indicator, together with the Group's first WA survey results, as a basis for further development of education at the Group level in the coming years.

HR3

An example of how we organized CSR education:

- A three-phase project, called CSR competencies 1, 2 and 3, is aimed at improving the knowledge and skills of senior level consultants in the area of corporate responsibility and sustainability. During the second half of 2007, the CSR Learning Module - the so-called CSR Handbook - was developed. In the Handbook, we encompassed all segments of CSR, starting with a brief history of new trends, the definition of CSR, arguments against it, stakeholder relations, CSR instruments, standards, the reporting framework, corruption, human rights, sustainability issues, case studies, etc. We want the CSR Competencies Program to enable our employees to provide our clients with the highest quality consulting in the area of CSR and help them to better understand and implement CSR practices in their daily operations.

In 2008, as a part of internal CSR education, 41% of senior managers and members of the Management Board discussed the results of the corruption-related risk assessment. Upon consideration of the results, they discussed the area of greatest exposure to bribery and corruption, our business practices, and whether or not we need special corruption-related policies. Participants also learned the basics about corruption: definitions and misconceptions, "grey zones" of business corruption, the results of the Corruption Perception Index for countries in which the Group operates, etc.

We also planned to organise human rights training on policies and procedures concerning aspects that are relevant to our operations, based on a previously prepared brief presentation of human rights and their relevance to our business operations, but we decided to postpone employee training for the next internal CSR education.

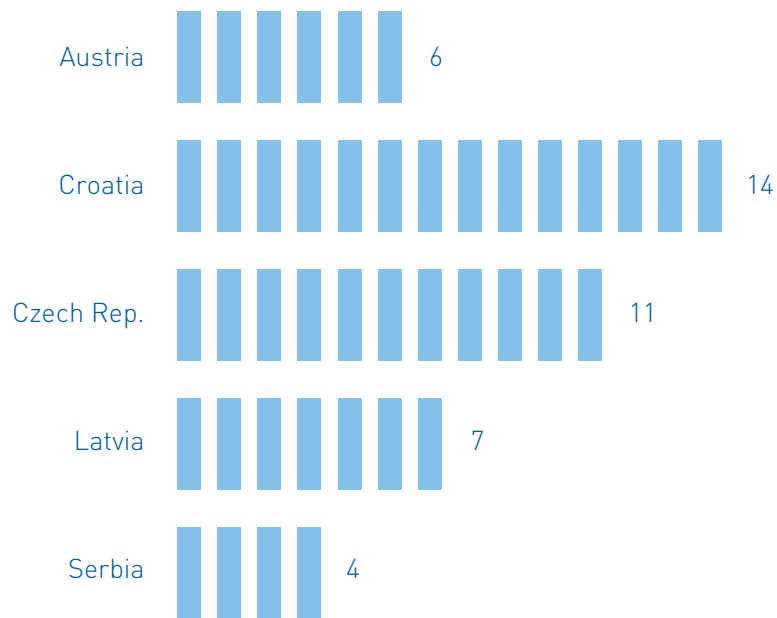
Being a Hauska & Partner employee



“There were many good reasons for joining Hauska & Partner Latvia, but the crucial point for my decision turned out to be CSR. Hauska & Partner practice what they preach - they apply the same principles they recommend to clients. Recycling, energy saving, contributions to professional fields, collaboration with different NGOs to name just a few of the activities conducted by the Riga office. Moreover, the possibility of consulting clients not only on media relations, but also on stakeholder engagement and CSR principles matched my own expectations and ethics.”

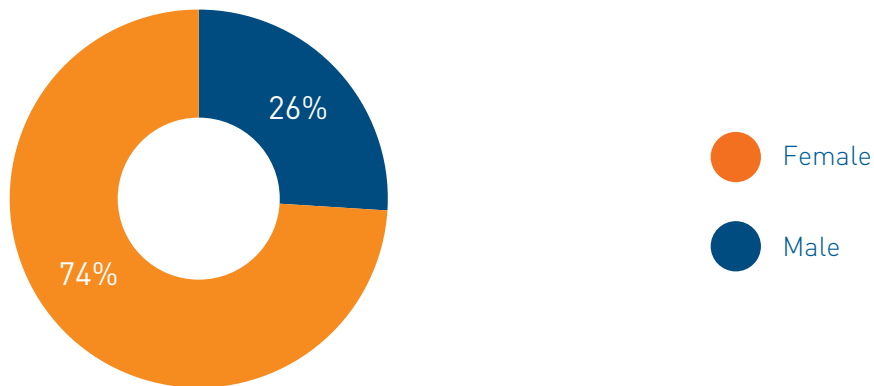
Zane Bojāre
Consultant at Hauska & Partner Latvia

Number of employees in 2008



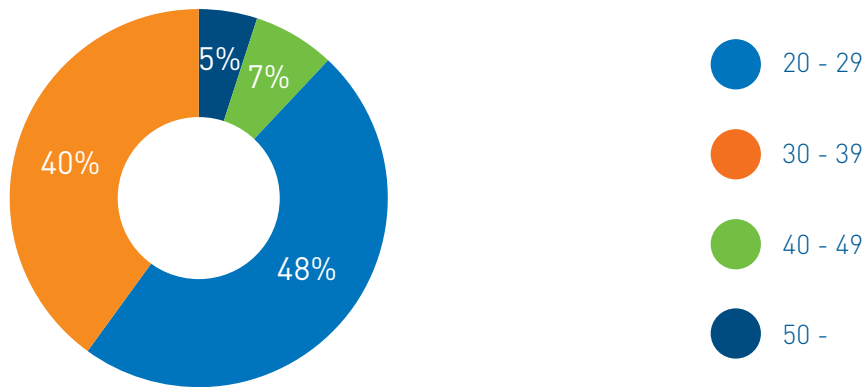
The Group team in 2007 and 2008 consisted of 42 employees in five countries, which is an increase of two employees in relation to the previous reporting period. At the same time, another company joined the group. From 1 January 2007 to 31 December 2008, we had six full-time employees (seven in 2007) in Austria, fourteen (fifteen in 2007) in Croatia, seven (six in 2007) in our newest member company in Latvia, eleven people in the Czech Republic and four people in Serbia (three in 2007).

Gender of employees in 2008



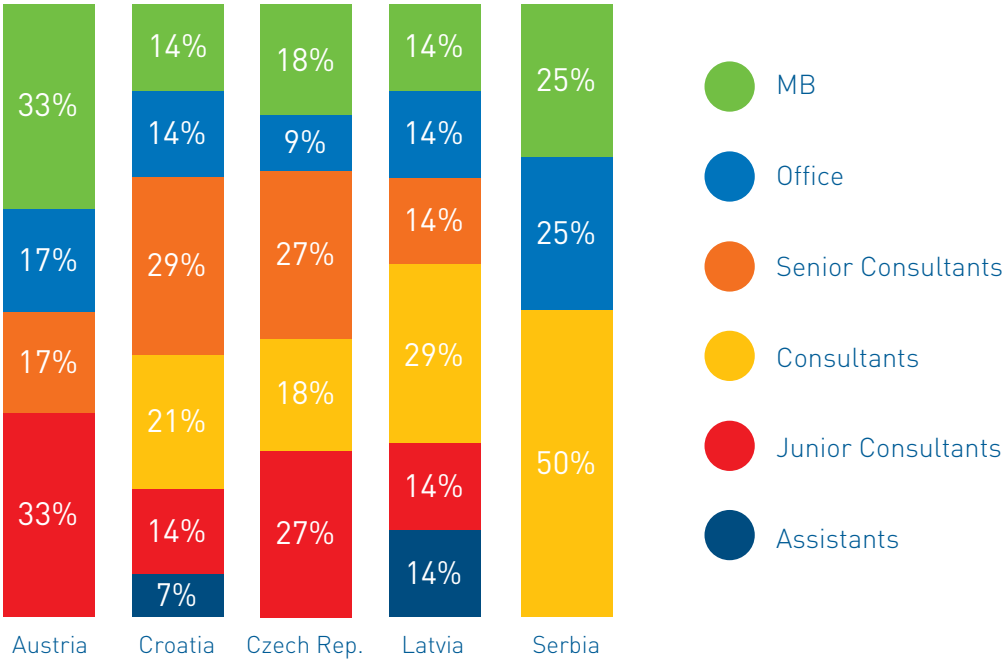
With 74 percent women in our Group at the close of this reporting period, we can say that we are encompassed by the statement that PR is a women's industry. We are also quite a young team, with half of our team between the ages of 20 and 29.


Age of employees in 2008



The companies in the Hauska & Partner Group do not employ children or minors. In 2008, we employed 7 students at Hauska & Partner in Croatia on a temporary basis as trainees/part-time employees. Although we don't provide them the same benefits as our full-time employees, we accord them the same respect.

Total workforce by employment contract and region in 2008





We offer the possibility of flexible working hours, and senior employees can occasionally work from home.

Benefits provided to full-time employees

The Group pays all standard contributions to full-time employees in all local companies.

Hauska & Partner Group offers the possibility of flexible working hours, and senior employees can occasionally work from home. Vacation days and other absences are regulated in accordance with local laws and regulations, and are uniform for all employees in the company.

In addition, in Croatia we introduced one additional day of vacation for every three years spent with the company. In Latvia, employees receive additional free days for the completion of exemplary projects, while in the Czech Republic additional days of vacation are allowed in the period between Christmas and New Year's Day.

In Austria employees are given additional retirement pension insurance, in the Czech Republic they receive pension insurance, while in Latvia health insurance is provided.

In 2006, we introduced annual health examinations for our employees in Croatia, and continued this practice in 2007 and 2008. One novelty introduced in Croatia in 2007 is the "short Friday" for groups of employees, which allows each employee to leave early at least one Friday in a given month. This is a way for us to contribute to the balanced personal and professional lives of our employees.

We continued providing all employees of Hauska & Partner Group membership in local Public Relations Associations.

Employee turnover

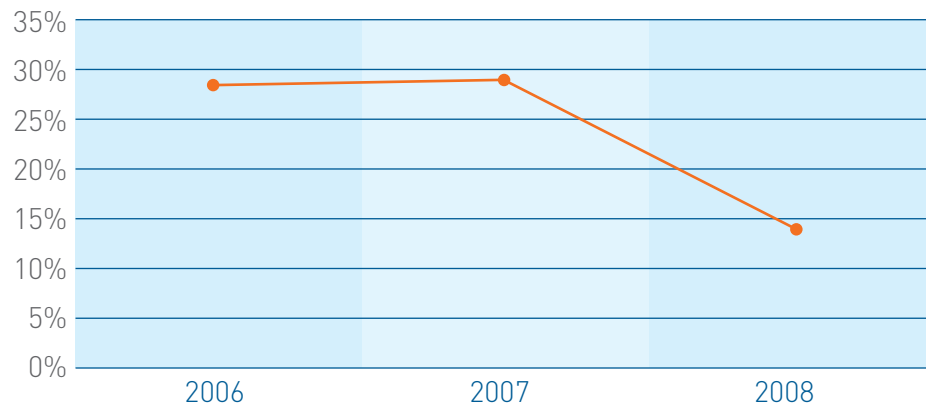
Employee turnover mostly depends on market development, the economic climate and changing employment preferences, which is proved by various turnover rates in Hauska & Partner Group companies.

We recorded our highest employee turnover at lower and mid-level positions, which can be expected due to the desire of faster advancement and/or experiencing new challenges. Additionally, some employees could not fully align themselves with our values, corporate culture and our understanding of PR, especially on some markets. Examples of such markets are the Czech Republic and Serbia.

Overall employee turnover from January to December 31, 2007, was 29 percent, i.e. 12 people left Hauska & Partner Group companies in four countries. This is a 1 percent increase in comparison to the previous reporting period. Eight of the people who left the company were women, five aged 20 to 28, and seven 30 to 39. They were mostly employed at junior and mid-level posts (assistants, junior consultants and consultants).

We managed to improve the situation in 2008, decreasing employee turnover in the Group to only 14 percent. Out of six people who left the company, three were male and three female, four of them were aged between 20 and 29 while two each were from Croatia and the Czech Republic and one each were from Austria and Serbia. They held mostly junior positions as in 2007.

Rate of employee turnover



If we compare employee turnover rates with employee retention, at the end of our reporting period we had 15 employees and management board members (six board members, six senior consultants, one consultant and two office staff) who have been employed in Hauska & Partner Group for more than five years. Hauska & Partner Group maintained the highest retention of employees at the senior level, in which we have five employees who have been employed for over seven years.

Freedom of association and collective bargaining

We endorse the freedom of association and the effective right of collective bargaining. In Croatia we have stipulated in our By-laws that we respect the right of employees to joining trade unions and to engage in collective bargaining. Overall, the group has an “open door” policy (which enables direct communication with the management and regular performance and career development reviews). As at the end of 2008, employees did not form any type of association.





We have an “open door” policy which enables direct communication with the management and regular performance and career development reviews.

Occupational health & safety

All companies have a senior management representative responsible for the health and safety of all employees.

The Group offers health and safety standards, information on hazardous materials and safety instructions, and first aid kits. Additional health coverage is provided to employees in Croatia, exceeding the legal minimum.

Our employees are supplied with ergonomic chairs which enable greater comfort and alleviate the potentially negative impact of long periods spent sitting, such as spinal problems. This is indeed important, since we do in fact spend a great deal of time sitting and working on our personal computers. We also acquired modern IT equipment which reduces electromagnetic radiation and - quite importantly - eases eyestrain. Our company in Croatia organized an online seminar on safe work with IT equipment in 2008! Following the seminar, employees were required to take an examination, which all of them passed successfully.

No employees were injured during 2007 and 2008, comparing favourably with 2006, when one injury was reported. When it comes to occupational diseases, again no employee suffered from any work-related ailments or due to work-related injuries. As a result, the Group has not reported any lost days. When it comes to absenteeism, 224 working days were registered in 2007, and 228 in 2008 for employees absent from work due of incapacity, in comparison to the preceding period when the group reported 79 days.

Human rights and elimination of discrimination



Human rights are supported and respected in line with Hauska & Partner Group values. The By-laws of our Croatian company prohibit any form of discrimination against either of a person seeking employment or currently employed in Hauska & Partner based on race, skin colour, gender, marital status, familial duties, age, religion, political or other conviction, national or social origin, property status, birth, social station, or membership (or lack thereof) in any political party, or membership (or lack thereof) in a trade union. This principle is also observed in all of our other companies.

In 2008, we prepared a brief overview of human rights and their relevance to the business sector. The following human rights were identified as having the most relevance to our business operations:

- Labour-related human rights;
- Freedom of speech and the press;
- Freedom from discrimination;
- Rights and freedoms of children.

During 2008, the Ethics Committee did not receive any complaints pertaining to human rights violations or concerning any form of discrimination.

Corruption-related risks

Hauska & Partner Group has analyzed corruption-related risks in all of its companies. We based analysis on the reporting template we designed to meet our needs and address the specifics of our industry. We based it on the Transparency International Business Principles for Countering Bribery: Guidance Document, Business Anti-Corruption Portal, the United Nations Convention against Corruption and other relevant documents. The template has two parts:

- Glossary - explanations of the main definitions such as corruption, bribery, political contributions, etc.;
- Questionnaire;
- Description of current practices in the following main areas: bribes, political contributions, charitable contributions and sponsorship, facilitation payments and gifts, hospitality and expenses;
- Assessment of their possible impact on our business operations;
- Questions related to our Code of Conduct.

The principal results of the risk assessment are:

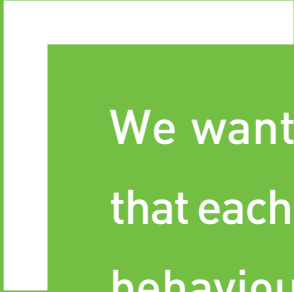
- Media relations and contacts with national and local governments are areas with the greatest exposure to corruption and bribery;
- Most countries agree that we need to incorporate an anti-bribery/corruption statement in our Code of Conduct;
- Development of anti-bribery and corruption procedures and instructions for employees is not yet deemed essential, but we need employees to understand the clearly-identified risks related to corruption.

We assessed that the areas with the greatest exposure to corruption and bribery are media relations and contacts with national and local governments.



GREEN BEHAVIOUR IN FOCUS

Greening our footprint



We want to make our colleagues aware that each one of them can embrace “green” behaviour and contribute to reducing our operating and environmental costs.

It was self-evident for Heidi Eterović from UNDP Croatia to suggest implementation of the Green Office Initiative in Hauska & Partner Group “given the obvious values H&P employees place on being able to be proud of the company”. Heidi saw this initiative as an additional potential way of involving employees that can be fun to implement and at the same time raise awareness of the importance of more friendly across-the-board environmental practices.

Although the environmental impact of Hauska & Partner Group is limited, there is nonetheless room for improvement in our offices where this concerns energy and waste efficiency. In 2007, the group started to monitor the weight of the waste we produced by type and disposal method, primarily paper and toners. The Group’s companies collected and recycled more than 6,300 kg of paper in 2007 and 5,200 kg of paper in 2008.

In the same period, we collected 40 and 45 kg of various toner drums (in 2007 and 2008 respectively). In 2008, in comparison to 2007, we reduced the amount paper collected for recycling, especially in our companies in Latvia and Austria, in which we collected 50 percent and 27 percent less paper for recycling, mainly due to the fact that we printed less and printed more double-sided pages. In 2008, during the office move in Croatia, we also collected almost 200 kg of electronic waste.

Recycled paper and toner

		2007	2008
Paper /kg/	▶	6,395	5,270
Toner /kg/	▶	40	45
Total	▶	6,435	5,316

How did we implement the Green Office Initiative?

Proper waste disposal and recycling were standard practices in our offices throughout 2007, but we also wanted to do something to raise awareness of environmentally sane practices in the office and to demonstrate that we can do more to decrease our impact on the environment and our expenses.

Following the initiative of Heidi Eterović, the UNDP Croatia representative, we decided to involve our employees in a fun, but also worthwhile initiative, the Green Office project. The goal of the project is to achieve the greatest possible energy efficiency in an office where electricity consumption, paper and IT waste increase every day. In addition to our existing practice of recycling, we wanted to make our colleagues aware that each one of them can embrace “green” behaviour and contribute to reducing our operating and environmental costs.

We initiated the project by encouraging people to take a “green quiz”, a fun tool to test their everyday behaviour at work and at home; the form was very simple and was aimed at raising their awareness of certain habits they can change in their daily routine. Since feedback on the “green quiz” was positive, we decided to award our “greenest” colleagues in each country/member and thus encourage others to think more about the way they approach these issues. In addition to the quiz, we endeavoured to maintain the sense of importance, even gravity, implied by environmental protection, so we placed a short informative presentation on our intranet with tips on how to “go green” at work and at home.

The interest of our colleagues in the different ways they could contribute to reducing the environmental impact of not only the entire company but also their own soon led to the first steps undertaken by our Latvian colleagues, who locally introduced a set of guidelines for environmentally friendly IT equipment handling. This is the best testimony that we truly initiated a project our colleagues perceived as important and encouraged their participation.

Although our environmental impact is limited, there is nonetheless room for improvement in our offices where this concerns energy and waste efficiency.

In all our new offices, we use energy efficient IT equipment. Our company in Latvia adopted a set of guidelines for environmentally friendly handling of IT equipment.

Employees are encouraged to:

- switch off computers at the end of the day;
- switch off monitors and hibernate laptops when leaving for more than 15 minutes;
- unplug all electronic devices over the weekend;
- use both sides of a sheet of paper - by printing or by using sheets printed on one side for taking notes, etc.;
- use laptops in meetings to reduce the need for printing out meeting documentation;
- switch off the lights in the office when there is strong daylight, with the exception of desktop lamps.





A photograph of three business professionals standing in a field. On the left is a man in a light purple shirt. In the center is a woman in a white shirt. On the right is a woman in a white shirt with a bright pink scarf. The background is a blurred green field. A white frame with corner brackets is overlaid on the image.

RESPONSIBILITY IN FOCUS

Driving the “CSR-engine” farther



Modern PR is indeed about stakeholders and issues management. In the current crisis, we can clearly illustrate our value by helping our clients in building and managing a multi-stakeholder relationship beyond traditional executive PR.




The need for change and responsibility - words which very much define PR today and our activities beyond traditional executive PR - remain the focus of our Group in 2009 and beyond.

Given today's economic situation and its profound influence on all segments of business, the PR industry included, stable financial performance remains one of our top priorities.

Nevertheless, we see the current financial turmoil as an opportunity to help our clients utilise risk and industry-specific issues, communities and social groups.

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The need for change and responsibility - words which very much define PR today and our activities beyond traditional executive PR - remain the focus of our Group in 2009 and beyond.

executive PR. Our aim of gaining recognition for leadership in stakeholder relations will be facilitated through a new tool for stakeholder and issue management and further development of CSR services and the creation of cross-border CSR teams.

Thus, the strategy-supportive practices we have designed over the recent past will be improved, with particular emphasis on stakeholder relations, one of our key competencies, as the second most important strategic issue for the Group's management.

Expansion into the new markets to facilitate further growth of the business is also an important strategic issue for the Group's management.

The results of the WA survey will be individually and more thoroughly evaluated for each local company. Room for improvement, as indicated by the results of the survey, will be filled in with more intense education and development of high-potential programs which would secure long-standing prospects for top senior consultants and more attractive salaries and other fringe benefits offered to other employees.

Additionally, a new instrument in our HR management, positive psychology, which was introduced in one of our local companies, will be applied to our other local companies as well. It should allow us to identify the strengths of all Hauska & Partner employees and the entire team and set down a foundation for improvements in client work.

Practical application of the internal Wikipedia in specific areas and projects will be defined and explained to all employees.

We also plan to further improve our internal monitoring system. The quality of data tracking will be thoroughly evaluated in order to identify areas in which further progress is possible - education, community investments, human-rights, anti-corruption activities, environmentally friendly behaviour or our employees.

All these should drive our "CSR-engine" further!

Overview of GRI profile and performance indicators

GRI Level C+		UN Global Compact	Status of Reporting	Page
STANDARD DISCLOSURE: PROFILE				
1.1	Strategy and Analysis: Statement from CEO	Statement of continued support	First reported in 2005/2006	5
1.2.	Description of key impacts, risks and opportunities		First reported in 2005/2006	10, 12
ORGANISATIONAL PROFILE				
2.1	Name of organisation		First reported in 2005/2006	20
2.2.	Primary services		First reported in 2005/2006	20
2.3	Operational structure of the organization, including main operating companies		First reported in 2005/2006	20
2.4	Location of organization's headquarters		First reported in 2005/2006	20
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report		First reported in 2005/2006	20
2.6	Nature of ownership and legal form		First reported in 2005/2006	20
2.7	Markets served		First reported in 2005/2006	20
2.8	Scale of the reporting organization, including: - Number of employees - Net sales		First reported in 2005/2006	20 33
2.9	Significant changes during the reporting period regarding size, structure or ownership including		First reported in 2005/2006	6
2.10	Awards received in the reporting period		To be reported in 2007/2008 for the first time	30
GOVERNANCE, COMMITMENTS AND ENGAGEMENT				
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight		First reported in 2005/2006	21
4.2	Indicate whether the Chair of the highest governance body is also an executive officer		To be reported in 2007/2008 for the first time	20
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body who are independent and/or non-executive members.		Not reported because Hauska & Partner does not have a unitary board structure.	NA
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body		First reported in 2005/2006	43
4.14	List of stakeholder groups engaged by the organization	CoP sharing with stakeholders	First reported in 2005/2006	28
4.15	Basis for identification and selection of stakeholders with whom to engage	CoP sharing with stakeholders	First reported in 2005/2006	15
REPORT PARAMETERS				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided		First reported in 2005/2006	6
3.2	Date of most recent previous report (if any).		First reported in 2005/2006	6
3.3	Reporting cycle (annual, biennial, etc.).		First reported in 2005/2006	6
3.4	Contact point for questions regarding the report or its contents		First reported in 2005/2006	2
3.5	Process for defining report content, including: • Determining materiality; • Prioritizing topics within the report; and • Identifying stakeholders the organization expects to use the report		To be reported in 2007/2008 for the first time	7, 15
REPORT SCOPE AND BOUNDARY				
3.6	Boundary of the report		First reported in 2005/2006	7
3.7	State any specific limitations on the scope or boundary of the report		Not reported in 2007/2008 because in comparison to 2005/2006 we have addressed the full range of material economic, environmental and social impacts. As a result, there were no specific limitations we could report on.	NA

GRI Level C+		UN Global Compact	Status of Reporting	Page
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organizations		Hauska & Partner Group does not have any joint venture, subsidiary, leased facility, outsourced operation and other entity that can significantly affect the comparability of the two reporting periods.	NA
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement		To be reported in 2007/2008 for the first time	7
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report		To be reported in 2007/2008 for the first time	7
ECONOMIC				
EC1	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. (Core)		First reported in 2005/2006	32
EC5	Range of ratios of standard entry level wage compared to local minimum wages at significant locations of operation. (Additional)	Principle 1	First reported in 2005/2006. Not reported in 2007/2008 because of data incomparability - local minimum wages against our entry level wage, because local minimum wages generally take into account wages across all industries and sectors	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation. (Core)	Principle 6	First reported in 2005/2006	20
ENVIRONMENT				
EN22	Total weight of waste by type and disposal method. (Core)	Principle 8	To be reported in 2007/2008 for the first time	60
LABOUR PRACTICES AND DECENT WORK				
LA1	Total workforce by employment type, employment contract, and region. (Core)		To be reported in 2007/2008 for the first time	51
LA2	Total number and rate of employee turnover by age group, gender, and region. (Core)	Principle 6	First reported in 2005/2006	53
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. (Additional)		First reported in 2005/2006	52
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. (Additional)	Principle 1	First reported in 2005/2006	54
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region. (Core)	Principle 1	First reported in 2005/2006	55
LA10	Average hours of training per year per employee by employee category. (Core)		To be reported in 2007/2008 for the first time	45
LA12	Percentage of employees receiving regular performance and career development reviews. (Additional)		First reported in 2005/2006	44
HUMAN RIGHTS				
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. (Additional)	Results of Principles 1, 2, 3, 4 and 6 implementation	To be reported in 2007/2008 for the first time. Partially reported because we postponed the organization of internal training on policies and procedures concerning aspects of human rights relevant to our operation for 2009.	47
SOCIETY ASPECT: CORRUPTION				
S02	Percentage and total number of business units analyzed for corruption-related risks. (Core)	Results of Principle 10 implementation	To be reported in 2007/2008 for the first time	57
S03	Percentage of employees trained in the organization's anti-corruption policies and procedures. (Core)	Results of Principle 10 implementation	To be reported in 2007/2008 for the first time	47
PRODUCT RESPONSIBILITY				
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. (Additional)		To be reported in 2007/2008 for the first time	25

Data collection and reporting

The following commitment was taken from our previous report:

Improve our internal monitoring system, so that we can better track and collect data across the Hauska & Partner Group required for robust GRI reporting.

The result:

- Guidelines for data entry in protocol have been prepared. New entries on our protocols and internal monitoring system were inserted - better management of the Hauska & Partner Group corporate responsibility project has been accomplished;
- Instructions for reporting on GRI indicators - data entry protocol prepared. New entries in protocol inserted to enable the data collection needed for reporting on GRI indicators.

Prioritize the principal stakeholders and the issues they raise; involve select stakeholders in the preparation of our second report.

AA 1000 Assurance Standard - 5-part materiality test tailored to our needs.

The result:

- Procedure for identifying material issues (definition of materiality provided, reporting challenges addressed, development of three-phase process tailored to our needs) formulated;
- Guidelines for identifying material issues (complementary to procedure, provides thorough explanations of selected terms in procedure) established;
- Matrix for identification and ranking of material issues in the Hauska & Partner Group.

A word from our auditor



Having followed Hauska & Partner's controversial and challenging launch into corporate reputation and stakeholder relations consultancy in the sometimes turbulent political and economic environments of the regions where it is at home, I am deeply impressed with the progress since it last reported in this way.

In brief, this report gives the impression of an organisation that is achieving a very professional approach to helping businesses, including its own, do the right thing rather than 'creating' the right impression. And, furthermore, an organisation that engages both its own workforce, with inevitably some losses and gains on the way, and its clients in the business of making business socially, ecologically and economically sustainable.


Three areas I would particularly highlight. First, Hauska & Partner's systematic approach to identifying what is material to its business model within an overall context of sustainability. Second, the level to which Hauska & Partner facilitates stakeholders' engagement with the company and its development - in particular its staff, its clients and significant institutions in the countries where it operates. Third, the substantial investment the group has made in the retention and professional development of its personnel. This is not a large organisation but its vision and scale of investment in these areas is noteworthy, as is its commitment to transparently reporting to its stakeholders and the wider world.

I endorse Hauska & Partner's adoption of the key principles of the AccountAbility AA1000AS Standard.

Materiality has been at the heart of Hauska & Partner's quest for an appropriate and contemporary framework for mapping its own journey and developing the services it offers its clients. It has tailored a five-part materiality test to their needs in a manner which has enabled it to identify the most relevant issues for each company, and the level of their impact on the achievement of their business objectives and strategy.

Inclusivity, to quote the new AA1000AS(2008) Standard, "is much more than a stakeholder engagement process. It is the commitment to be accountable to those on whom the organisation has an impact and who have an impact on it, and to enable their participation in identifying issues and finding solutions."

Hauska & Partner's client surveys in Croatia, the Czech Republic and Latvia in 2008 and the direct engagement of clients in establishing new standards for



This report gives the impression of an organization that is achieving a very professional approach to helping businesses, including its own, do the right thing rather than 'creating' the right impression

more responsible market behaviour exemplify this approach.

So does the company's considerable and continuous work programs to engage employees in developing policies, standards, and corporate strategy. Formal and informal structures are well developed and described in the report, in particular: 'World Café' discussions, in 2007 dedicated to Hauska & Partner's market behaviour and reputation; the Group's commitment to conducting Workplace Assessment Surveys in all its national companies was fulfilled in 2008; setting up the Ethics Committee; and the newly updated intranet in 2008, with the goal of optimizing the knowledge database and transfer between the Group companies across borders.

Responsiveness is the third AccountAbility principle: what the company actually does about stakeholders' concerns and legitimate expectations. As Hauska & Partner's last report stated: Stakeholder relations require deeds. There is a great deal of evidence in this report that the 'deeds' are following the identification of material issues, and that promises made are being kept.

I welcome Hauska & Partner's introduction of fifteen Global Reporting Initiative (GRI) G3 performance indicators based on economic, social and environment dimensions and selected profile disclosures, all needed for Application Level C+.

I have audited sample evidence supporting the majority of claims in this report. While this would not be sufficient to meet the criteria for a high level of assurance for all the data, I believe it is sufficient to assure the reader of this report that the management systems described and the policies outlined in this report are in place and operating effectively to the extent claimed in the report.

Hauska & Partner has made remarkable progress and should be well prepared to provide a complete range of performance measures and indicators in its next report. Much of the evidence to support the reporting of social and economic impacts is already being collected and documented systematically. There is more to be done in monitoring its more significant environmental impacts, but work is already in hand.

*Richard Evans (Prof.) MBA, FRSA
ethics etc...
Alnwick, 28 May 2009*



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