

A young girl with blonde braids in a white dress and a young boy in a light blue shirt and teal shorts are climbing a large, textured tree trunk. They are in a grassy field with trees in the background. The scene is captured from a low angle, looking up at the children and the tree.

# SUSTAINABILITY

# REPORT

2020



ŽIVJETI ZAJEDNO

# CONTENTS

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|    |  |
|----|--|
| 4  | <b>OUR APPROACH</b>                                |
| 5  | <b>A word from CEO</b>                             |
| 6  | <b>Management approach</b>                         |
| 6  | Our Values   |
| 6  | Organizational structure                           |
| 6  | Key impacts  |
| 7  | <b>Process of determining materiality</b>          |
| 7  | Step 1: Document analysis                          |
| 7  | Step 2: Stakeholder perspective                    |
| 7  | Step 3: Internal analysis and validation           |
| 8  | Contributions to the Sustainable Development Goals |
| 9  | Thematic areas                                     |
| 10 | <b>OUR CONTRIBUTION</b>                            |
| 11 | <b>Digitalization for a better future</b>          |
| 11 | Infrastructure investments and network development |
| 12 | Digitalization of business                         |
| 14 | Digital literacy                                   |
| 16 | Cooperation with local communities                 |
| 18 | <b>Superior customer experience</b>                |
| 18 | Data security and protection                       |
| 19 | Customers' privacy                                 |
| 21 | Product and service security                       |
| 22 | Service quality                                    |
| 23 | <b>Employer of the future</b>                      |
| 23 | Labor relations                                    |
| 24 | Working conditions, health, and safety             |
| 26 | Attracting and retaining talent                    |
| 28 | <b>Responsibility towards environment</b>          |
| 28 | ICT solutions for the low carbon future            |
| 29 | Environment management systems                     |
| 30 | Energy efficiency                                  |
| 32 | <b>Corporate governance</b>                        |
| 32 | Business ethics                                    |
| 32 | Risk management                                    |
| 33 | Transparency and reporting                         |
| 33 | Human rights                                       |
| 34 | Anti-corruption policy                             |
| 35 | Ethical business practices and business compliance |
| 38 | <b>ABOUT US</b>                                    |
| 39 | <b>HT Group profile</b>                            |
| 39 | HT Group members                                   |
| 40 | Corporate profile                                  |
| 40 | Management Board                                   |
| 41 | Supervisory Board                                  |
| 41 | External initiatives                               |



# OUR APPROACH

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## A WORD FROM CEO

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2020 was a year of many unprecedented challenges for the entire world. The Covid-19 disease pandemic has affected the way people live and companies do business. Entire economies and societies have had to adapt to the new situation. The importance of digitalization and network infrastructure has come to the fore in the form of the sustainability of the world as we know it. In addition to the strong impact of the pandemic on a global level, Croatia was additionally hit by earthquakes in Zagreb and Sisačko-moslavačka County.

These events marked 2020 and affected the way we live and work. Through all this, Hrvatski Telekom actively supported, not only employees and customers, but also the entire society. It did so by enabling connectivity, providing key free services and technical support to those in need, supporting the business sector and the population from Vukovar to Dubrovnik.

The fact that most businesses switched to remote work in the pandemic speaks about the importance of digitalization and the role Hrvatski Telekom holds in society. We continued to fulfill this role through significant investments in network infrastructure, despite all the aggravating circumstances. We achieved a record year in terms of fiber-optic network coverage, signed a partnership agreement with local units to introduce broadband access in rural areas. At the same time, we presented the first commercial 5G network in Croatia, which by the end of the year covered 17 cities and more than 1.2 million citizens. With the introduction of 5G technology, both a technological and social milestone, Croatia has joined the company of modern digital countries in which the opportunities provided by the 5G network will become visible in every segment, health, education, transport, manufacturing, tourism, agriculture, and smart cities.

As a company, we are truly proud to continually prove our commitment to customers, partners, and employees as well as our contribution to the economy and society, connecting everyone to the opportunities of digitalization, helping them transform and become more resilient and agile, and ensuring that no one lags behind in the digital age.

In addition to investing in infrastructure, we continuously invest in our employees. We supported them all year, and the introduced SmartWork hybrid model and various activities aimed at the well-being of our colleagues resulted in the highest employee satisfaction in our company's history.

At the same time, we have invested significantly in the aspect of sustainability of our daily business. We take our responsibility to society and the environment very seriously, and our Sustainability Report gives an overview of all our activities that affect society, the environment, and the economy. We are already achieving the ambitious goals we have set for ourselves, such as the use of 100% renewable electricity. We are fully committed to doing much more in the years to come through reducing our carbon footprint, even more efficient waste management, and the use of other resources.

Meeting these goals is not just an internal ambition. It is also our desire to contribute to a better and more sustainable future in which the infrastructure we build allows others to do business and live in a more sustainable way. A future in which resources and climate change are managed more efficiently and in which we live in smart cities with smart solutions that improve the quality of our lives.

**Kostas Nebis**

# MANAGEMENT APPROACH

## Our values

Our purpose is to connect everyone in Croatia with the opportunities of digitalization, so that we can live better now as we build a better tomorrow. Our vision remains to realize a sustainable and profitable growth of the company by connecting everyone in Croatia with the opportunities provided by digitalization and to enable people to make their lives better.

System of corporate values that guide us is called the Guiding Principles, which, together with the Code of Conduct, represents the basic guidelines for operation. Getting acquainted with our values is included in the Welcome and Onboarding Program for new employees and conduct in accordance with the Guiding Principles is part of the Collective Agreement and the company's competency model, which means that all employees and the management are acquainted with them.

Hrvatski Telekom is guided by the following values:

- Customer focus;
- Trust;
- Cooperation;
- Strengthening the delegation of powers and responsibilities;
- Innovation;
- Team affiliation;
- Communication with empathy towards others.

Guiding Principles:

- Delight our customers
- Get things done
- Act with respect & integrity
- Team together team apart
- I am T – count on me
- Stay curious and grow

By nurturing common standards of conduct, both towards our customers and our associates, we create a work atmosphere in which it is a pleasure to work. The responsibility to promote values lies with all of us – from top management to all employees. Organizational values live up to the extent that all company employees live them. By accepting principles, not as a set of rules that prescribe something to us, but as values that motivate, inspire and fill us with positive energy, together we can achieve top results.

## Organizational structure

Our organizational structure is designed to provide flexibility and efficiency to the company and full dedication to customers. The company is organized into several functional segments managed by members of the Management Board.

The residential business unit includes marketing for residential customers, direct market presence, stores, proactive sales channels, e-business, coordination, and management of residential channels. It also includes customer service, back-office support, a complete customer experience and process excellence.

Support and management functions include tasks common to the entire organization, ensure compliance of all business segments, and enable the company to operate as a whole. These functions achieve synergy of various business segments, coordinate activities, give guidelines, set standards, and ensure their implementation. They consist of the support and management function of the CEO, the support and management function for finance and the support and management function for human resources. The support and management functions of the CEO include responsibility, coordination, and implementation of the Management Board's decisions related to sustainable operations.

Technical functions include information and communication technology services at the Company level, aimed at providing a technical platform for services and creating synergy effects at the internal and external level.

## Key impacts

The Covid-19 pandemic had the greatest impact on the Croatian economy during the spring and fall. Due to its exposure to tourism, services and personal consumption, Croatia had one of the largest drops in GDP in the European Union with 8.4 percent in 2020. The pandemic had a strong impact on the Croatian telecommunications market in 2020, changing the way people work and study in the country. Remote learning was provided through public television services and in the form of online learning. Reliable digital services and internet connection were key to successful work from home. Telecommunications operators offered services through digital channels and certain additional free benefits for the purpose of supporting remote work and online learning. As a result, data traffic and the number of minutes of telephone calls in the fixed and mobile network increased significantly compared to the same period in 2019.

During 2020, the Republic of Croatia was also exposed to the effects of other natural disasters, the most significant of which were earthquakes in Zagreb and Sisačko-moslavačka County. The city of Zagreb was hit by a 5.5 magnitude earthquake on March 22, followed by a series of weaker earthquakes. A total of 25,000 buildings were damaged, and according to the World Bank methodology, the total damage was estimated at HRK 86 billion. An instantaneous magnitude 6.4 earthquake struck Sisačko-moslavačka County on December 29, with its epicenter 3 km southwest of Petrinja, causing enormous material damage.

# PROCESS OF DETERMINING MATERIALITY

During each reporting cycle, we carry out an extensive process of determining our material topics, within which we have the greatest impact on society, the economy, and the environment. The year 2020 was very different from the previous ones. New factors emerged that significantly shaped our key impacts during this reporting period.

Despite all the challenges, the HT Group maintained its leading position in the market. In the process of determining material topics, we are guided by the guidelines prescribed by the GRI Standard, a document designed to promote sustainability reporting, developed by the Global Sustainability Standards Committee (GSSB). In determining the materiality for this report, we organized the process in three steps:

## STEP 1: Document analysis

The starting point of our materiality process is the analysis of the main topics and challenges for the telecommunications sector highlighted within the Deutsche Telekom Group and by industry in the markets in which we operate, as well as new laws, regulations, studies, international agreements, and agreements providing information on Hrvatski Telekom's requirements and expectations regarding sustainability management. During this phase, we discussed HT's impact on certain topics and the impact that the development of certain topics has on our business activities and decisions. After the analysis of the documents, the results were presented at an online workshop to experts from our company. This was followed by an initial internal assessment of the materiality and the contribution to the UN Global Sustainable Development Goals for 2020.

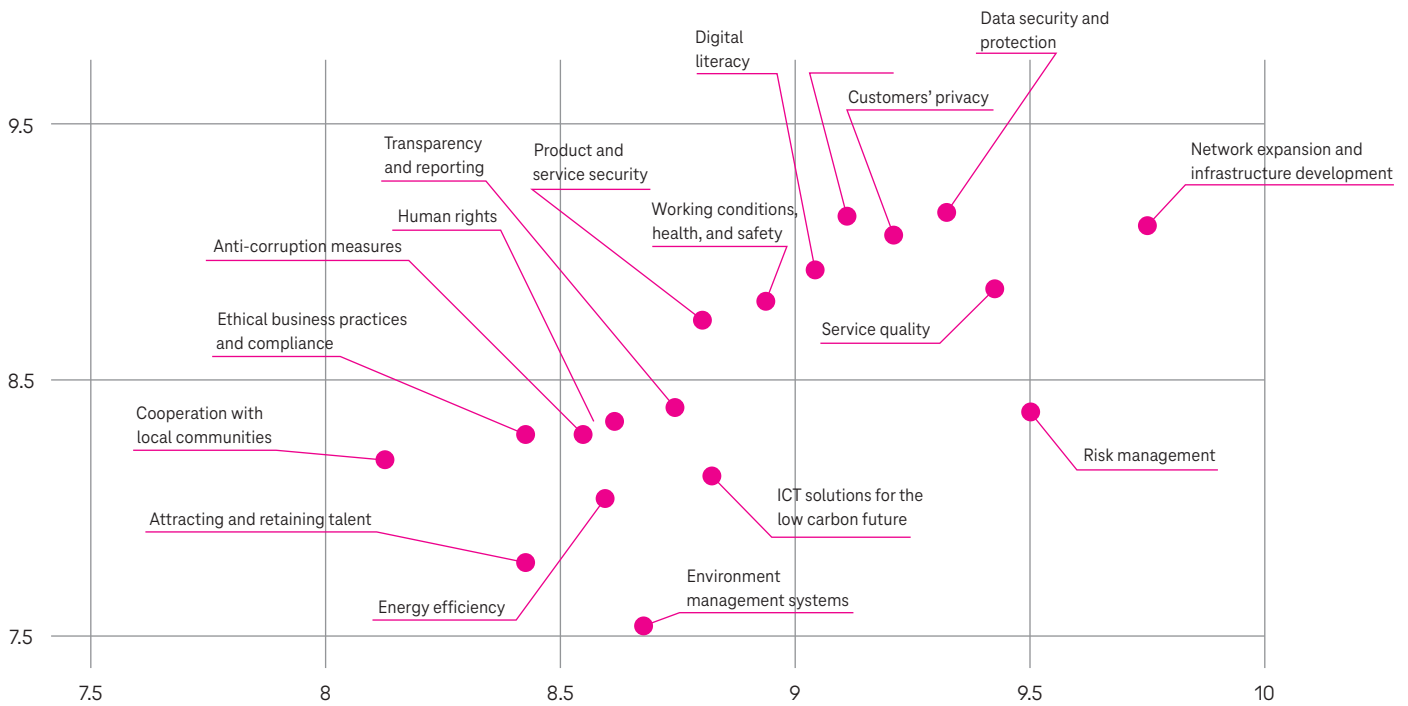
## STEP 2: Stakeholder perspective

During the next phase, we identified our most important stakeholder groups and examined their expectations of Hrvatski Telekom in terms of sustainable development and impact on the economy, environment, and society. We did this through an extensive online survey of our customers, owners' representatives, shareholders, employees, regulatory bodies, state administration bodies, local governments and communities, business partners, suppliers, financial institutions, academic and scientific institutions, educational institutions, interest and expert associations, civil society associations, and the media. Stakeholders rated the topics according to their importance and assessed our performance in various areas of governance, as well as our contribution to the UN Sustainable Development Goals. The results of the 2020 survey showed a further increase in the expectations by our stakeholders, especially in terms stable network infrastructure, human rights, and the social importance of ICT products. Both the climate crisis and the Covid-19 pandemic are driving these growing demands. In this context, issues related to digital ethics are of growing importance.

## STEP 3: Internal analysis and validation

Following the initial assessment and online survey of the materiality and contribution to 17 Sustainable Development Goals, the results were compared with the internal assessment of the next online workshop. The results that are the basis of our 2020 sustainability report were confirmed. The results of the analysis are presented in a materiality matrix in accordance with the requirements of the Global Reporting Initiative (GRI). The matrix itself includes all topics that achieved more than 7.5 out of a possible 10 points during our internal assessment, as well as the stakeholder engagement process. We have included the following topics in our materiality matrix for the reporting year 2020:






| Society                                | Economy  | Environment                              |
|--|--|--|
| Data security and protection           | Network expansion and infrastructure development | ICT solutions for the low carbon economy |
| Digitalization of business             | Transparency and reporting                       | Energy efficiency                        |
| Customers' privacy                     | Risk management                                  | Environment management systems           |
| Digital literacy                       | Anti-corruption policies                         |  |
| Service quality                        | Ethical business practices and compliance        |  |
| Working conditions, health, and safety | Cooperation with local communities               |  |
| Product quality and safety             |  |  |
| Human rights                           |  |  |










## Contributions to the Sustainable Development Goals

We strongly support the UN Sustainable Development Goals (SDGs) and contribute to them with our products, solutions, and projects. Numerous studies, such as “ICT-centric economic growth, innovation and job creation” published in 2017 by the International Telecommunication Union and “SMARTer2030” launched in 2019 by the GeSI (Global e-Sustainability Initiative) initiative, concluded that 103 (out of a total of 169) sub-goals related to the sustainable development goals can benefit from the use of information and communication technologies. A more informed approach and directional targeting of digital technologies will accelerate progress towards the sustainable development goals. Although global action is needed to achieve the SDGs by 2030, priority activities to achieve individual goals and sub-goals are specific to each geo-

graphical region. For this reason, we regularly analyze how our activities affect the achievement of sustainable development goals. In our sustainability reports we draw attention to our contribution, marking sections with appropriate SDG symbols. A key feature of ICT is that they enable richer, faster, and more flexible electronic communication, information gathering, computing and remote control. Our network infrastructure provides the technological basis for diverse and innovative approaches to addressing societal and environmental challenges - and thus to achieving many of the sustainable development goals. Our activities often have multiplier effects, contributing to several sustainable development goals. They allow all our employees to contribute in their own area of interest and expertise, ensuring that our commitment to sustainable development goals also contributes to the development of Hrvatski Telekom. Our contribution is visible in the realization of the following SDGs:

|  |  |
|--|--|
| <p><b>9</b> INDUSTRIJA, INOVACIJE I INFRASTRUKTURA</p>  | <p><b>10</b> SMANJENJE NEJEDNAKOSTI</p>         |
| <p><b>11</b> ODZIVNI GRADOVI I ZAJEDNICE</p>            | <p><b>13</b> ODGOVOR NA KLIMATSKU PROMJENU</p>  |
| <p><b>8</b> DOSTIGANSTVEN RAD I GOSPODARSKI RAST</p>    | <p><b>7</b> PRISTUPAČNA I ČISTA ENERGIJA</p>    |



|   |   |   |  |
|---|---|---|--|
|  | <p>We support the media literacy of the population and democratic skills through various projects and initiatives. We offer our employees a wide range of individual professional training and development programs.</p>  |  | <p>We support the healthcare sector by providing various ICT solutions and promoting the health and well-being of our employees.</p>   |
|  | <p>We collaborate with associations, institutions, and companies nationally and internationally.</p>  |  | <p>We are clearly committed to codes of ethics and legal provisions and have established a comprehensive compliance management system. Furthermore, our dedicated efforts and products contribute to data protection and security.</p> |
|  | <p>We promote equal opportunities and increase the share of women in management, supervisory boards, and STEM professions through targeted measures. We also call on our suppliers to prohibit gender discrimination.</p> |  | <p>Our networks provide the conditions for economic and social participation, and thus access to education, the lack of which is one of the main causes of poverty.</p>  |
|   |   |  | <p>We are increasing the share of innovative, sustainable products in our portfolio. We also reduce the amount of waste we generate and commit to proper recycling.</p>  |

## Thematic areas

During the preparation of this year's Sustainability Report, we divided our 17 material topics into five main thematic areas and presented the contribution of thematic areas in the context of the contribution to achieving the UN Sustainable Development Goals. The relationship of the presented material topics with the requirements of the GRI Standard is shown in the GRI index at the end of this report.

| Thematic area                      | Material topics  |
|------------------------------------|--|
| Digitalization for a better future | <ul style="list-style-type: none"> <li>• Network expansion and infrastructure development</li> <li>• Digitalization of business</li> <li>• Digital literacy</li> <li>• Cooperation with local communities</li> </ul>       |
| Employer of the future             | <ul style="list-style-type: none"> <li>• Labor relations</li> <li>• Working conditions, health, and safety</li> <li>• Attracting and retaining talent</li> </ul>   |
| Superior customer experience       | <ul style="list-style-type: none"> <li>• Data security and protection</li> <li>• Customers' privacy</li> <li>• Product and service security</li> <li>• Service quality</li> </ul>  |
| Responsibility towards environment | <ul style="list-style-type: none"> <li>• ICT solutions for the low carbon future</li> <li>• Environment management systems</li> <li>• Energy efficiency</li> </ul>   |
| Responsible corporate governance   | <ul style="list-style-type: none"> <li>• Risk management</li> <li>• Transparency and reporting</li> <li>• Human rights</li> <li>• Anti-corruption measures</li> <li>• Ethical business practices and compliance</li> </ul> |

# OUR CONTRIBUTION

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# DIGITALIZATION FOR A BETTER FUTURE

As a leading telecommunications company and the largest private investor in digitalization in Croatia, by investing in the quality and development of mobile and fixed network infrastructure, we are continuously working towards building a world of better opportunities. Our role as an industry leader and a key driver of connectivity, enabling societal progress over the past year through the latest technologies, has proven to be more important than ever before. By providing the necessary technology, accelerating the digitalization of business, and strengthening digital skills, we improve the quality of life and provide the preconditions for further development of digital solutions. This provides clear benefits for the economy and society and represents the basic foundations of sustainability on which we develop business.

## Infrastructure investments and network development

9 INDUSTRIJA, INOVACIJE I INFRASTRUKTURA



We worked diligently to find ways to support the economy, businesses, and society in the challenging environment caused by the Covid-19 pandemic. Our continuous investments in infrastructure, our network, and the quality of services have played a key role in adapting society to unprecedented conditions, and to us to confirm our leading position, while providing the best experience for our customers.

11 BOKŠIJI GRADOVI I ZAJEDNICE



A strong financial position has enabled us to continue our continuous investments in infrastructure and service development. Total capital investments amounted to HRK 1,824 million. Hrvatski Telekom, contrary to market trends, continued to reinvest 25 percent of its revenues and invest three times more than the rest of the market combined. These investments not only

support the economy on its way back to growth but are also important for our sustainable growth in the future. In a year as demanding as 2020, with the introduction of the first commercial 5G network, we positioned Croatia side by side with numerous European and world markets that use the possibilities of 5G technology. The introduction of the 5G network, which in 2020 covered 17 cities and more than 1.2 million citizens throughout Croatia, is an important milestone for the country and represents the foundations of future technological, economic, and social development. Its wide application will enable numerous innovations and development of smart industries, modern

cities, and the society of the future. In addition, we fulfilled our promise about fiber-optics, and covered more than 75 thousand new households.

During 2020, under the influence of the pandemic and the introduction of epidemiological measures, we achieved an increase in traffic in the mobile network by 82 percent, while in the fixed network the growth was 50 percent. At the regulatory level, we welcome the decisions to significantly reduce RF spectrum charges, which provide an additional incentive for further investment in mobile networks, especially considering the development of the 5G network. In the coming period, we will continue with significant investments in fiber-optic infrastructure, and we have committed to cover another 150 thousand households in semi-urban and rural parts of Croatia with the support of EU funds.

## Mobile network

### 5G

5G is an abbreviation for the fifth generation of mobile networks, which brings us significantly higher data rates, capacity with lower latency than previous generations of mobile networks. 5G technology will also enable the simultaneous and reliable connection of a substantial number of devices to the network that will communicate with each other. 5G is therefore considered as not only a new generation of mobile networks but a completely new concept that will enable the connection of everything around us and a prerequisite for the development of smart industries, modern cities, and the society of the future. With 5G technology, completely new services can be developed for the first time, and existing digital services can be further developed. This applies, for example, to sustainable solutions based on artificial intelligence in areas such as manufacturing, agriculture, healthcare, and public administration.

Hrvatski Telekom is the first service provider to launch a commercial 5G network in 2020, laying the foundations for the future technological development of the economy and society. On October 29, 2020, at the time of release, 5G covered six cities: Zagreb, Split, Rijeka, Osijek, Samobor, and Sveta Nedelja. By the end of 2020, additional 11 cities were covered: Bjelovar, Đakovo, Jastrebarsko, Koprivnica, Našice, Požega, Varaždin, Vinkovci, Virovitica, Vukovar and Županja. At the end of 2020, the 5G network was thus available in 17 Croatian cities and covered a total of 1.2 million people. The commercial start of the 5G network is an important milestone, not only for HT, but also for the entire telecommunications industry in Croatia. With a 5G network, HT enables the connection and automation of numerous sensors, industrial devices, autonomous vehicles, and drones, as well as further advances in telemedicine. The introduction of the 5G network is a continuation of activities to build the network of the future, which we began implementing and testing in March 2019. We have also developed specific plans for long-term expansion of

# 1824 | 25

HRK 1,824 million in capital investments with 25 percent of revenues reinvested

the 5G network, both in terms of higher speeds and better coverage.

The commercial 5G network is based on Dynamic Spectrum Sharing – DSS (Dynamic Spectrum Sharing) technology, the application of which allows the current use of existing frequencies for 5G, and on the other hand does not disrupt the capacity of 4G network because spectral resources are dynamically distributed between 4G and 5G users depending on their needs. The dynamic spectrum sharing technology allows for the fast implementation of the 5G network and reduces the need for new base stations and locations on specific 5G frequencies. By the end of 2020, 5G DSS technology has been implemented on 323 base stations. When developing the mobile network, we pay special attention to minimizing the impact of technology on the environment and human health, by using the latest generation equipment that complies with all prescribed standards, and in the first phase we implement 5G on the existing frequency spectrum and equipment. Independent professional institutions authorized by the Ministry of Health of the Republic of Croatia periodically measure possible environmental impacts. Also, during 2020, in cooperation with the Croatian Employers' Association, we launched the website Connected We Are Safe, where those interested can find out all the necessary information about non-ionizing radiation of mobile networks.

### 5G campus network

In December 2020, HT and the Faculty of Electrical Engineering and Computing, University of Zagreb, collaborated and launched the first 5G campus network in Croatia. Core and radio network resources are reserved exclusively for the campus network, and a test frequency band at 3.5 GHz and a bandwidth of 100 MHz are used. The campus network enables students, the scientific, and business community to carry out research on 5G solutions. Cooperation with FER began on two projects (5G Gaming and Real-time monitoring and analysis of traffic flows on public roads using drones).

### 4G

Other activities in the mobile network focus on optimizing the parameters and functionality of the network to achieve the best possible key performance indicators. The coverage of the population with the 4G network at the end of 2020 is a high 89.4 percent indoors and as much as 99.5 percent outdoors.

### Fixed network

In 2020, a strong focus was placed on the implementation of a new generation fixed access network (NGA) in optical performance. During the fourth quarter, activities on the implementation of fiber-optic networks took place under partial restrictions due to the Covid-19 pandemic effects, but the 2020 targets were met, nonetheless. In the fourth quarter of 2020, a total of 39,117 households were covered with FTTH technology in the access network, which cov-

ered a total of 363 thousand households with fiber-optics to the apartment (FTTH) at the end of 2020. 60.2 percent of households were covered with technologies that enable speeds >30 Mbit/s, of which 28.5 percent with technologies that enable speeds >100 Mbit/s. Optic based Access Network (FTTx) is available for 520 households.

The procurement process for 13 projects, of which we are the project developer, has begun within the project for the development of next generation access networks (NGA) in the "NGA white areas" co-financed by the European Structural and Investment Funds. We committed with the agreement to build fiber optic networks that enable the speed of at least 100Mbit/s over the next three years, for 135 thousand new customers in cities and municipalities across Croatia. The Agreement is an integral part of a Public call for the construction of next-generation access networks worth a total of HRK 1.1 billion, announced by the Ministry of Regional Development and EU Funds in July of 2019. We won 13 of the 16 bids submitted at the Public call, committing to invest HRK 328 million of our funds to bring next-generation network to parts of Croatia where no such infrastructure currently exists by the end of 2023. By signing the Agreement, one of the basic prerequisites for the submission of HT project proposals as applicants and cities, municipalities, and counties as partners to the Limited call for the Construction of the NGA network was met. The total value of eligible costs for projects developed by HT, together with the public component, is HRK 651 million. Upon completion of the project, 90 percent of all residential buildings, public and business customers from these areas will have access to speeds over 100Mbit/s. For the local community, there are various other benefits, such as increased attractiveness of municipalities in attracting entrepreneurship, higher efficiency of public and private services, and increasing computer literacy.

## Digitalization of business

Our goal is to enable everyone in Croatia to use the benefits of digital technologies. This includes our business customers to whom we continuously strive to provide new, sustainable solutions, whose implementation reduces user impact on the environment and enables regular business development and growth. The Covid-19 pandemic and related epidemiological measures presented a particular challenge to the regular business operations during 2020. We had to quickly adapt to the emerging needs of our customers and introduce novel solutions and services. Our core business consists of expanding and managing our network. In this way, we lay the foundations for digital participation, and enable our customers to reduce CO<sub>2</sub> emissions with innovative network solutions, thus contributing to climate protection. Our main goal is to make our product portfolio more sustainable. This requires consistent action at all stages of the value



chain. We start with procurement and strive to ensure that our suppliers meet our environmental, social, and ethical sustainability requirements.

To promote and support the digitalization of businesses, we organized a series of webinars for Microsoft Office 365 services and promotional sales campaigns for fleet management (free installation and 50 percent discount on monthly fees) and EDI (electronic data exchange: free use for the first six months for users of e-invoice). We have also launched a new Cisco Meraki service (WiFi in the cloud). Combis continued all activities with an emphasis on synergies with HT in the area of portfolio and product development as a step towards creating new offerings on the market. Key activities focused on cloud services, security and managed services, and digital offering, where Combis adapted to market needs and introduced new services – Call from Teams and the 30SEC security service. Combis

continues to invest in building competencies in these areas and positions itself as a main consulting partner with a strong trading partnership. This allows it to manage the entire customer infrastructure and provide a unique offering on the market consisting of its own customized solutions.

Despite the situation caused by Covid-19 disease and the reintroduction of milder restricted movement measures in November, revenues from system solutions show steady growth in almost all portfolio segments. The key revenue drivers are infrastructure services, smart city services and digitalization services. The IoT platform came to life in the fourth quarter after full integration with the core mobile network. Our partner in the development of smart parking solution was the first to be integrated with the platform and functional tests were successfully conducted.



The NGA network construction project implemented in the following cities and municipalities shown on the map

# Reduction of CO<sub>2</sub> emission

By offering digital solutions and services, we enable our customers to **reduce CO<sub>2</sub> emissions**, and we thus contribute to climate protection.

## Digital Literacy

4 KVALITETNO  
OBRAZOVANJE



10 SMANJENJE  
NEJEDNAKOSTI



17 PARTNERSTVOM  
DO CILJEVA



Digital tools are here to make our lives easier. We are aware of the challenge of providing equal access to technology to everyone in Croatia and we will do everything in our power to achieve this. We are committed to developing the digital skills that our citizens need to be able to take full advantage of the opportunities that digital technologies offer. Our mission is to discover the potential of digitalization for everyone in Croatia and open a world full of new possibilities. We are one of the first companies to recognize the importance of strengthening STEM education in schools in the Republic of Croatia. Through the Generation NOW donation program, we supported three hundred socially useful projects with more than HRK 10 million and educated more than 300 mentors, enabling them to transfer knowledge to future generations of innovators. Through the project of digital education of the elderly, which we are implementing in cooperation with the Volunteer Center Zagreb, we reach a part of the population that is particularly affected by the pandemic and epidemiological measures, and which, unfortunately, was almost completely cut off from their families and friends. We are pleased with the positive effect that this project has had on the quality of life of senior citizens.

# 450 | 75 | 74

**450 children, 75 mentors** in **74 institutions** participated in the Generation NOW

## Generation NOW donation program

Generation NOW is a donation program we carry out in collaboration with the Institute for Youth Development and Innovation (IRIM) to successfully prepare young people for the jobs of the future. The goal of the donation program is to integrate existing and emerging tech knowl-

edge in the design of creative Internet of Things (IoT) projects, to develop creativity, to foster innovation and to provide many opportunities for students to develop their own projects. Despite the pandemic, in 2020 we continued to implement a donation competition and educate children, including another 450 children and 75 mentors in 74 different institutions, and we donated 75 new IoT sets to all. Last year, the program was under the auspices of the Ministry of Science and Education of the Republic of Croatia, and a novelty in the program is IRIM's interactive educational internet portal Izradi! with free access to the Arduino course. The Arduino is a combined hardware and software platform that is ideal for teaching in STEM subjects. Since the entire educational program is available via the internet, it can also be accessed by other institutions and persons interested in the development of STEM knowledge and skills.

# 14

We donated tablets and free internet to **14 nursing homes**

## National program of digital education of senior citizens

Maintaining social contacts and daily encounters with other people are of immense importance to residents of nursing homes. However, the outbreak of the Covid-19 disease pandemic caused loneliness and isolation. In cooperation with the Volunteers' Center Zagreb, we have developed a national digital education campaign for senior citizens. The program is part of a wider concept "In Good Hands" and it aims to enable seniors to acquire digital skills. In 2020, Hrvatski Telekom donated tablets and free internet for 14 nursing homes across Croatia, and next year the program will include additional homes. The program was created in response to the current pandemic situation, which was especially hard for the elderly, especially the residents of nursing homes who are unable to see their family members due to current epidemiological measures. Considering that there is no substitute for personal contacts and encounters with others, we have tried to reduce their feelings of loneliness and isolation and replace them with connectedness and inclusion by opening the door to the digital world for senior citizens.

The first institutions that became part of our digital education program are:

- Nursing home Osijek;
- Nursing home Buzin;
- Nursing home Trešnjevka;
- Nursing home Maksimir;
- Nursing home Medveščak;
- Nursing home Centar;
- Nursing home Dubrava;

- Nursing home Ksaver;
- Nursing home Park;
- Nursing home Sveti Josip;
- Nursing home Mali Kartec;
- Nursing home Lovret;
- Nursing home Sveta Ana;
- Nursing home Split.

Members of the Hrvatski Telekom Volunteer Club prepared easy-to-understand educational videos to teach senior citizens how to use various digital tools that will allow them to be connected and in constant contact with their families and friends. In the first video education, residents of 14 nursing homes in the City of Zagreb learned how to make WhatsApp video calls on their tablets. Educational videos will be continuously updated.

## Elements of AI

In 2020, Hrvatski Telekom actively involved its employees in Elements of AI, the world's best online course on artificial intelligence. At the start of the entire project, HT pledged that three percent of employees would attend the Elements of AI course. That number climbed to an impressive 11 percent of registered employees, exceeding the national goal of participating in the course many times over.

# 11

11 percent of employees took part in the Elements of AI course

# 28

We increased internet speeds for eight hospitals and 28 cities

## Our contributions during the first wave of the pandemic

17 PARTNERSTVOM DO CILJEVA



3 ZDRAVLJE I BLAGOSTANJE



When all parts of society were affected by the crisis caused by the Covid-19 disease pandemic, we continuously ensured that our high-quality communications and telecommunications networks continued to operate at full capacity, reliably, and stably. Our procedures are in line with the Business Continuity Management Plan for the preparation of key services and the Operational Plan for Pandemic Actions, and we have taken appropriate precautions to protect the health and safety of our employees with minimal impact on business and service delivery to the communities in which we live and operate.

Aware of our role in society, we donated HRK 4 million to the Clinic for Infectious Diseases dr. Fran Mihaljević, and assigned free 0800 numbers to the Red Cross, KBC Zagreb, and the Ministry of Administration. Also, internet speeds were increased for eight hospitals and 28 cities, counties, and companies that provide public services to do their job smoothly.

In order to at least partially mitigate the challenges of this crisis we have made a number of discounts available to all users. All residential customers with contracts received a free 15 GB of data over a period of 30 days, while prepaid clients received 2 GB. We have provided business customers with an additional 50 GB of data, to help them cope with new circumstances, making it easier to switch to online business and work in the home office. All business customers also received an additional 15 GB of mobile data. Business clients who have already taken advantage of the flat rate business tariff received the free MAXtv To Go service.

## Reaction to the COVID-19 pandemic

Hrvatski Telekom pays special attention to connectivity, especially in times such as the situation caused by the spread of a new virus. Thanks to its infrastructure of exceptional capacity and quality, but also the commitment of all employees, we have provided our customers with impeccable communication services in a reliable and stable manner. Over the past period, we have formed a Crisis Coordination Team, which, based on the instructions of competent epidemiologists, has implemented, and is implementing all necessary security measures related to our daily work. As a company of strategic importance to our country, we have a responsibility to ensure business continuity. In addition, we have procedures in place in accordance with the Business Continuity Management Plan for the provision of key services and the Operational Plan for Pandemic Response. We take appropriate precautions to protect the health and safety of our employees, with minimal impact on business and community service in which we live and operate. In addition to at least partially ease the period of many challenges for our customers, since March we have provided all our customers with certain benefits, at no additional charge. All business and residential customers of Hrvatski Telekom on several occasions received additional benefits in the form of free internet, they were given free use of communication and collaboration tools and additional television channels. At the same time, all school children were provided with free internet access to the "School for Life" program. We also remind that Hrvatski Telekom also offers the instrukcije.hr service, which helps students to master mathematics for primary and secondary school through video tutoring. All video tuto-



rials are made according to the school curriculum. With [instrukcije.hr](http://instrukcije.hr), every school child can practice and learn how to solve easier or more complex math problems for each class. Tutorials are available to everyone at no extra charge in the MAXtv Video Store and through the MAXtv To Go service. For the fastest possible adjustment of business customers to work from home, Hrvatski Telekom also provided a range of digital services, channels, and tools, free of charge, such as solutions for collaboration with employees and business partners, digital tools for conducting business and digital channels for administration and managing telecom services, bills, and expenses. In addition to supporting day-to-day activities, Hrvatski Telekom has provided its customers with additional entertainment content and has supported the project Croatia Singing, which consists of a series of concerts by local stars singing from their living rooms.

### Cooperation with local communities



We are actively working on the digitalization of Croatia by providing access to quality internet in urban and rural areas, through investments in the development of optical infrastructure and with the implementation of WiFi access points and mobile network. The fact that municipalities and cities in these projects selected HT for this is proof that the company is recognized as a reliable technological partner that can provide quality internet access, which allows to increase economic activity and quality of life of citizens. As the leader in digitalization in Croatia, we remain focused on further investments and providing access to quality internet to as many citizens as possible, so that everyone in Croatia is connected to the leading network.

The European Union co-finances public WiFi network projects through the WiFi4EU project. The EU-wide budget for this project is EUR 120 million and will be implemented over 34 years. Towns and municipalities that meet the conditions receive a EUR 15,000 voucher to provide free internet in public locations.

The program promotes the introduction of free WiFi at public spaces across the European Union for citizens and visitors, such as parks, squares, public buildings, libraries, health care institutions, and museums. It funds local government units to procure the most up-to-date equipment for wireless internet at public places. When local government units decide to set up such a network, which according to the conditions of EU funds must be free for citizens and visitors, HT is a reliable partner for it to be a success.

### Bike sharing

The system of public city bicycles seeks to encourage citizens to use bicycles more frequently to reduce the use of passenger cars and public city transport and consequently

reduce emissions of harmful gases. The RiCikleta system of public city electric bicycles has been implemented in Rijeka. Hrvatski Telekom participated with its partner UTE Pula in all activities connected to the procurement, delivery, installation, and implementation of the entire e-bike system, as well as services for the management and maintenance of public e-bike systems for the first 12 months of use. This is a project of the City of Rijeka and the Department of the City Administration for Development, Urbanism, Ecology, and Land Management, which has installed terminals with electric bicycles available for rent at four locations. Twenty-eight bicycles, seven at each location, are equipped with an information system that allows their rental via a mobile app and allows charging the electric battery on the terminal stand. The system also includes GPS tracking. This project seeks to encourage urban mobility of citizens and enable the development of alternative forms of movement around the city that are beneficial to the environment and health of people.

### Assisting citizens affected by earthquakes

After the first earthquake that hit Zagreb in March, we offered material assistance to all our employees whose residential buildings were damaged by the earthquake. We also opened the account of our “Zaklada PrijaTelj” (Foundation Friend) for all those who want to financially help their colleagues affected by the earthquake. The end of 2020 was marked by devastating earthquakes that hit Petrinja, Sisak, Glina, and surrounding areas. Our experts were among the first on spot to ensure the functionality of the network and enable connectivity (WiFi) to local people and help teams. The earthquake caused alarms (power outages, service degradation, service interruptions) at around 50 mobile locations and at more than 150 fixed locations. Field teams arrived in the affected area within 2 hours and started repairing and eliminating malfunctions to enable the re-establishment of the service. After the network was stabilized, a tour of all locations within a 20 km radius from the epicenter (where there was no intervention) was started to review the condition of technical facilities and the reception of mobile base stations. In order to mitigate the consequences and enable communication in the affected area, temporary mobile base stations in Glina and Petrinja were implemented, as well as additional capacity at the existing base stations. WiFi for victims located in the Petrinja barracks, sports center in Petrinja and Glina was installed as well.

To help the residents of Petrinja, Sisak, Glina, and the surrounding areas affected by the earthquakes, we donated HRK 3 million into the account ‘Assistance for reconstruction after the earthquake’. We also enabled the temporary disconnection of fixed services to all users from the Si-





sačko-moslavačka County affected by the earthquake. December bills were written off for customers in the area who use the fixed telephony service, and mobile phone users were given in January 1000 minutes for calls at no charge and Flat Internet traffic for subscribers and 1000 minutes for calls and 20 GB of data traffic for prepaid users. We offered businesses in Sisačko-moslavačka County 1000 free minutes of calls to all networks and unlimited data traffic in all mobile tariffs. In addition, small businesses in the affected areas were allowed to write off their fixed telecom-

munications services bills for December (medium and corporate customers were processed individually) and free relocation, free temporary disconnection, and permanent disconnection of fixed telecommunications services free of charge. We made available to all employees affected by this earthquake inspections of damaged buildings by structural engineers and architects. According to the priorities in the affected areas, they first inspected the damaged buildings in Petrinja and surroundings, then Sisak and surroundings, and finally other areas.

# 1000

We gave **1,000 free minutes and flat internet** to users from the Sisak-Moslavina area



During 2020, free WiFi implemented in the cities and municipalities shown on the map

## SUPERIOR CUSTOMER EXPERIENCE

Customer care is extremely important to us in order to connect everyone in Croatia with the opportunities provided by the latest technologies. We are especially proud that during 2020, our continuous efforts aimed at further improving the customer experience have resulted in growth and the highest customer satisfaction in our history. Over the past year, society has become aware of the importance of digital infrastructure and a stable and reliable network. In 2020, Hrvatski Telekom was awarded four more international awards for the best mobile network, and we were also recognized as one of the ten fastest mobile networks in the world. The recognitions we receive, and the positive customer experience are a reflection of our commitment to continuous investment, expansion, and upgrading of our mobile network. We will not stop there but will continue to further improve our infrastructure. In addition, we have created an advanced digital experience in terms of convenience, speed, stability, and quality, with the penetration of Moj Telekom app growing by 52 percent and reaching a presence of 50 percent, so that more than 500 thousand users enjoy the benefits of the best digital experience.

# 500,000

More than 500,000 people use Moj Telekom app

### Data security and protection



Our world, which is rapidly becoming digital, brings us many advantages. In addition to the benefits, some dangers came along with digitalization. The biggest of these dangers that we are paying more attention to is the security threat. The development of technology, changes in business habits, but also the epidemiological situation that hackers use very well, create numerous security challenges that can only grow in the future. It is crucial to talk as much as possible and educate about security and data protection in the digital world

At Hrvatski Telekom, we take technical and organizational measures in accordance with the best practice that goes beyond the obligations set before us by law. We have implemented and applied the PSA process to ensure “privacy by design” and “security by design” access. This means that we incorporate all relevant requirements for personal data protection and IT/NT security into our products from the very beginning. We regularly educate our employees

and engage partners with whom we contract appropriate protection measures according to HT standards.

We have also set up dedicated organizational units dealing with personal data protection and data security, and we conduct regular internal checks on the compliance of our operations with laws and corporate rules in order to better protect privacy. We believe that data privacy and security are our responsibilities, which we are aware of every time we provide service to our customers, and we strive to set new and higher standards in this area.

### How we protect personal data

We use various technical and organizational measures to protect user data from unauthorized access by persons inside and outside the organization, alteration, loss, theft, and any other data breach and misuse in accordance with European best practice. These measures include, but are not limited to, the following:

- Our services and products, before we offer them to customers, meet security and data protection requirements (so-called privacy by design and security by design);
- Best European data anonymization practice and HT Trust Center (a unique solution for the process of anonymization of User Data with the highest level of security, scalability, and privacy protection);
- Concluding contracts on protection of personal data of users with all subcontractors;
- Implementation of all protection measures on systems with user data;
- Carrying out regular controls of security measures and personal data protection measures;
- Continuous education of employees;
- Existence of dedicated organizational units within HT that deal only with data protection and security as well as the functions of the Personal Data Protection Commissioner.

### Advanced Data Center

Our data center is a specially built facility used to house computer systems and their components, such as telecommunications and data storage systems. It consists of power sources, communication cables, room monitoring instruments and security devices, and the devices themselves (servers, etc.) on which business apps or other user data are located. Tier classification refers to the description of the data center infrastructure by levels, with the aim of maintaining a certain level of operation of the entire data center. The Tier classification distinguishes data centers on a scale of 1–4 where Tier 1 is the lowest quality data center and Tier 4 is the highest quality data center. Depending on the design and installed equipment, the Tier classification defines the data center availability level. The Tier 3 availability level guarantees availability of at least 99.982 percent per annum or up to a maximum of 1.6 hours of annual unavailability.

Our Data Center has top international certificates for infrastructure, security, and employees:

- The system management certificate according to ISO/IEC 27001: 2015 for SUIS (ISMS) is related to the provision of customer services managed by the Corporate Security Department and the Cyber and Data Security Department.
- ISO 9001:2008 certificate for corporate strategy and business development management and quality and organizational architecture.
- ISO 9001:2008 certificate for services in management, development and strategy of human resources and management of relations with employees.

## Cyber security through Combis 30SEC

The key to protection from security threats is primarily education and knowledge of situations from which this type of danger lurks. However, hacker attacks are becoming more sophisticated and harder to identify, even for people who are advanced users of digital tools. For these reasons, the only way to be and remain completely secure is to leave the care of information security to proven experts who, in addition to top expertise, have the most advanced technologies to prevent hacker attacks and thus keep business data secure. Combis has strengthened its security expertise by investing heavily in a security operations center made up of top experts, purposefully trained for each segment of security. 30SEC includes complete care for safety equipment, experts who perform continuous monitoring and alert about potential threats, all through well-established communication processes. With many years of experience in the field of information security, the team has certificates obtained at the most relevant institutes and training centers such as SANS, EC-Council, ISC2, CompTIA, Offensive Security, and the like. Certificates of companies such as Palo Alto Networks, Microsoft, IBM, Fireeye, TrendMicro also confirm the team's expertise.

## Customer privacy

9 INDUSTRIJA, PROMISLE I INFRASTRUKTURA



16 MML, PRAVNA I SNAŽNE INSTITUCIJE



17 PARTNERSTVOM DO CILJEVA



We pay utmost importance to the protection of personal data and privacy of users in accordance with applicable regulations. Protecting user privacy is an integral part of our services and products. We want to provide users with clear information about the processing and protection of their personal data. Our success, above all, depends on the reliable and secure processing of personal data. We always collect only those data that are necessary for our business, i.e., that are necessary to achieve a specific legitimate purpose. We never collect the content of users' private communications and data on political or religious views, racial or ethnic affiliation, and similar sensitive data. The personal data we collect most often are contract data and usage data. We collect contractual data from users when concluding the

contract (these are personal data, e.g., name and surname, postal/installation address, OIB, date of birth, contact details). Contractual data also include information on the type of contractual relationship, information on HT services and products the user uses or used, as well as information on the method and history of payment for HT services (e.g., invoice amounts, standing order, bank account number, preferred payment method). Usage data is generated automatically through the use of HT's services and products and is necessary for the provision of the service, e.g., traffic data. This information does not include the content of the user's private communications or the identity of the person with whom the communication was made. We store and process the data only to the extent necessary for the execution of a certain legitimate purpose unless the applicable regulations provide for a longer or shorter retention period for a particular purpose.

In the Republic of Croatia, the protection of personal data in electronic communications is primarily regulated through the Personal Data Protection Act and the Electronic Communications Act. In addition to complying with these legal regulations, HT, as part of the Deutsche Telekom Group, applies additional corporate rules and procedures based on the regulations on personal data protection of the European Union (Directive on the protection of individuals with regard to the processing of personal data and free movement of such data (95/46/EC) and the Directive on the processing of personal data and the protection of privacy in the electronic communications sector (2002/58/EC)). In its operations, Hrvatski Telekom applies "Binding corporate rules for the protection of the rights of persons in the processing of personal data within the Deutsche Telekom Group" (the so-called Binding Corporate Rules Privacy). Binding Corporate Rules Privacy defines the conduct of HT, i.e., its employees in the processing of personal data of users, shareholders, employees and partners, or the rights of these persons regarding the protection of their personal data. The rules are aligned with the requirements regulated by Croatian regulations and their goal is to create a unique and high level of personal data protection in the Deutsche Telekom Group exceeding legal obligations.

The document HT Privacy Policy gives detailed information about what personal user data is collected, how it is processed, for what purposes, and how it is protected. The policy is a unilateral legally binding act of HT. The policy applies to all HT services and products that include the processing of personal data (e.g., mobile services, fixed services, MAXtv, Simpa, bonbon). It primarily refers to natural persons who submit a request or use HT's services. However, considering the legitimate interests of users who are legal entities, the Policy is appropriately applied to legal entities in accordance with the applicable regulations.

## Principles of personal data processing

### **Trust**

We want to be a reliable partner to users in protecting their privacy and justify the trust they have placed in us. We also want to be completely transparent and clear regarding the processing of users' personal data. This is, among other things, the purpose of the policy, and especially through the active role of users in data management. Users can always contact us with a request to change personal data relating to them or to express a will about the purposes for which they want or do not want their data to be processed.

### **Legality and best practice**

When processing personal data, we act in accordance with the law, but at the same time we always strive to apply higher standards and best European practice. For example, as part of the Deutsche Telekom Group, we apply the DT Group's Binding Corporate Rules Privacy, which has been approved in a special procedure by all relevant data protection agencies in the EU.

### **Limited purpose of processing**

We collect and process personal data only for a specific and lawful purpose and do not process them further in a manner that is not in accordance with the purpose for which they were collected, unless otherwise provided by law or with the consent of the user.

### **Reducing the amount of data**

We always use only those user data that are appropriate and necessary to achieve a certain legitimate purpose.

### **Processing in an unnamed form**

Whenever possible and justified, we use the data in an unnamed form. Data in an unnamed form is considered primarily anonymous data. However, whenever this is possible and justified, especially for the protection of the User's personal data, we pseudonymize personal data, i.e., with special pseudonymization procedures (e.g., substitution, hashing, etc.). we "mask" them in such a way that they cannot be linked to an individual user without the use of additional information that is stored securely and separately (e.g., the use of a key).

### **Integrity and confidentiality**

We process personal data in a secure manner, including protection against unauthorized or unlawful processing and against accidental loss, destruction, or damage (e.g., access to personal data of users is available only to authorized persons who need it to perform their work, not other employees).

### **Quality of personal data**

We attach immense importance to the quality of the data we process. The personal data we process must be accurate, complete and up to date in order to ensure maximum protection of user's data and prevent possible misuse.

That is why it is important for us that the user notifies us of any data changes immediately or as soon as possible.

### **Limited storage time**

We store and process user's data only to the extent necessary for the execution of a certain legitimate purpose unless the applicable regulations provide for a longer or shorter retention period for a particular purpose or in other cases expressly prescribed by law. After that, the data is permanently deleted or made anonymous.

## User consent

The consent of the user is a voluntary, special, informed, and unambiguous expression of the user's will by which the user with a statement or clear confirmatory action gives consent to the processing of personal data for certain purposes (so-called opt-in). Consent may be given in writing or in another appropriate manner. Without user consent:

- We will never use user data for any purpose other than the execution of the contract, i.e., the provision of a service, prevention of abuse, normal functioning of the network or fulfillment of HT's legal obligation, and especially not for the purposes of direct promotion;
- We will never send third party promotional messages to the user;
- We will never process user data in other cases where consent is required by applicable regulations.

The user manages their expressions of will regarding the use of their own data, depending on their needs and interests. To this end, we enable the user to give or deny consent at any time in a simple and free manner, through various communication channels (e.g., by calling Customer Service, on the online interface, in T-Centers, etc.). In addition to the active role of the user in relation to the management of consents, i.e., the right of the user to withdraw consent at any time, the user has the following active roles, all in accordance with applicable regulations:

- The right to object;
- The right not to be listed in the public directory;
- Obligation to keep data;
- The right of access;
- The right to erasure;
- The right to rectification;
- The right to data portability.

The user can exercise their rights by addressing or submitting an appropriate request to the HT Customer Service on the telephone number 0800 9000, on the e-mail address [info@t.ht.hr](mailto:info@t.ht.hr), or postal address HT d.d., PP 526, 10002 Zagreb, or in another way HT provides to the user, depending on the type of request. If the user suspects a violation of their personal data, they report their suspicion in writing to the HT customer service at the e-mail address [info@t.ht.hr](mailto:info@t.ht.hr) or the postal address HT d.d., PP 526, 10002 Zagreb. In case of any questions about the protection of personal data at HT, the user can contact the e-mail address in-

fo@t.ht.hr or the Personal Data Protection Commissioner at osobni.podaci@t.ht.hr. The user is also entitled to file a complaint to the Personal Data Protection Agency. We regularly monitor the number of justified complaints regarding violations of user privacy, received from users and regulatory authorities, as well as the total number of identified thefts or losses of personal user data. During 2020, we recorded 82 user complaints related to privacy violations, 25 complaints from regulatory authorities, and 21 identified cases of “leakage”, theft, or loss of personal data about users. All complaints are treated as confidential, their justification is checked and carefully investigated. All weaknesses identified during the investigation are systematically analyzed and remedied.

### Product and service security



With the development of mobile communications and with the growing number of service users, the need for base stations and antennas, crucial to the mobile communications, is growing. In addition, new research on the impact of electromagnetic radiation is being continuously updated. We recognize the public concern about the impact of mobile communications technology, both the devices and the base stations. Bearing in mind the number of locations of the base stations and millions of users, we are determined to take the public's concerns seriously and to meet the demands of the public and the demands of the environmental protection in an open, constructive, and honest way. With this course of activity, we are going a step further than the legal requirements. We are convinced that our resources and costs in this direction are well invested and that they positively contribute to our corporate social responsibility and sustainable development.



The number of mobile users and base stations requires HT to be committed to optimizing the use of mobile communications and minimizing potential risks. That is our belief and our task. The base stations of Hrvatski Telekom's mobile networks are developed, tested, and deployed in accordance with international standards and requirements. HT obtains certificates from the equipment manufacturers that show that base stations meet ICNIRP's safety requirements and correspond to a number of standards for product safety and electromagnetic compatibility and general technical regulations. In our day-to-day operations, we are also guided by the DT Group's electromagnetic field policy - Ten guidelines on electromagnetic fields.

The international standard for limiting exposure to time-varying electrical, magnetic, and electromagnetic fields (up to 300 GHz) was issued by the International Commission on Non-Ionizing Radiation Protection (ICNIRP). These safety restrictions are safe enough for the en-

tire population and have been accepted by the UN World Health Organization for the entire world, so we apply them in HT as well.

Every year, over a thousand independent measurements of electromagnetic field levels in the vicinity of the base stations of our mobile networks are carried out throughout Croatia, and the results are submitted to the Ministry of Health. All our mobile network base stations have a permission for use issued by the Ministry of Health. These measurements of electromagnetic field levels have been carried out continuously for years, and all previous results show that the measured values are far lower than the prescribed limit levels. Permitted levels of electromagnetic fields in the Republic of Croatia are significantly stricter than the recommendation of the International Commission on Non-Ionizing Radiation Protection and the relevant directive of the European Union. As the Croatian Ordinance on Protection against Electromagnetic Fields prescribes much stricter limits than the ICNIRP recommendation and the European Union directive, and the measurements show very low levels of electromagnetic fields, this confirms that the environment of our base stations is safe for the entire population.

In urban areas where many people use a mobile phone at the same time, in order to allow the appropriate number of required services to take place, we need to set up more antennas and base stations at shorter distances. The more antennas and base stations are installed, the less power they operate with (they emit less electromagnetic radiation), without reducing the quality of service. On the other hand, the amount of power that a mobile phone emits changes with the coverage of a certain area - the better the coverage of an area, the smaller the amount of electromagnetic radiation of the mobile device. New wireless applications and technologies, including 5G, are designed to meet the default exposure limits for electromagnetic fields. ICNIRP's International Guidelines for Exposure to Electromagnetic Fields have been developed as a result of many decades of research work. The guidelines are not specific to each technology and therefore are applicable to the 5G technology. The consensus of periodic examinations carried out by independent public health bodies, expert groups and the World Health Organization is that these guidelines provide protection to all people against all established health hazards. All mobile devices in Hrvatski Telekom's offering meet safety requirements according to the European Union Directive and the Croatian Ordinance on Protection against Electromagnetic Fields. The SAR value (Specific Absorption Rate) of all mobile phones we market is under 2W/kg. Our stakeholders can contact us at zastita.okolisa@t.ht.hr for all inquiries related to electromagnetic radiation.

## Service quality

9 INDUSTRIJA, INOVACIJE  
I INFRASTRUKTURA



12 DOBOVNA  
POTROŠKA  
I PROIZVODNJA



For the second year in a row, in July, we were awarded two Ookla Speedtest® Awards™ - for the best mobile network “Fastest Mobile Network” and the best mobile network coverage “Best Mobile Coverage” in the Republic of Croatia. To determine who provides the highest mobile network speeds, during the first and second quarters of 2020, Ookla compared the results of more than 186 thousand user tests carried out on Speedtest iOS and Android mobile apps at all major mobile operators in Croatia. The results from over 130 million scans taken on Android devices were analyzed to identify the operator with the best mobile network coverage. Ookla award reflect a personal user experience, which is why they are the most globally valued and referenced indicators of mobile network quality. And then in November, Ookla recognized us as one of the fastest mobile networks in the world in 2020. We are very proud to have received

these awards during the Covid-19 pandemic that brought a drastic increase in telecommunications traffic.

Also, a large independent analysis conducted by the international technology company umlaut (formerly P3) is an additional confirmation that Hrvatski Telekom has the best mobile network in Croatia P3 “Best in Test” as the highest recognition and the highest “Best Rated Broadband Coverage” rating confirm the Hrvatski Telekom’s leading position on the market. The independent methodology used by the global inter industrial company umlaut ensures a fair, transparent, and neutral assessment of the networks tested. umlaut has analyzed more than 200 mobile networks in over 120 countries around the world using a unique scoring method. The methodology is recognized as an industry standard and provides a unique criterion for comparing networks. Detailed analysis of user measurement data is based on 44.5 million samples collected by 14,200 users in 98.2 percent of the inhabited area of Croatia, or 97.4 percent of the area of the built territory of Croatia, covered by the mobile network. The analysis was carried out over six months, from January to July 2020.

# Ookla and umlaut certificates

In the pandemic year, Hrvatski Telekom was again **awarded Ookla and umlaut certificates** for network quality



## EMPLOYER OF THE FUTURE

You can rely on us, because we will not stop until advanced technology is available to everyone. Our goal is to connect everyone with the opportunities that are already available to us. Our ambition is to make sure that everyone in Croatia has access to digital services, regardless of who they are and where they live. Dedicated, responsible employees are key to achieving these ambitions, as well as a stimulating work environment that provides employees with

opportunities for growth and development and respects the need to achieve life balance. During the challenging 2020, remaining true to our corporate value system, we introduced a new operational business model called Smart-Work and launched a number of other programs aimed at employee satisfaction and engagement. We are especially proud that these activities resulted in 2020 being the year with the highest employee satisfaction in the history of our company.

# 2020

In 2020, the **highest ever employee satisfaction** in the company's history

| Number of employees                    | 2019         | 2020         |
|--|--------------|--------------|
| Hrvatski Telekom - permanent employees | 4,280        | 4,235        |
| Hrvatski Telekom - agency employees    | 1,012        | 765          |
| Iskon                                  | 310          | 187          |
| Combis                                 | 389          | 379          |
| <b>TOTAL EMPLOYEES</b>                 | <b>5,991</b> | <b>5,566</b> |

TABLE 1

Number of employees

| Spol          | Mlađi od 30 god. |    | 30 do 50 god. |    | Stariji od 50 god. |    |
|---------------|------------------|----|---------------|----|--------------------|----|
|               | M                | Ž  | M             | Ž  | M                  | Ž  |
| Novozaposleni | 123              | 84 | 151           | 95 | 12                 | 1  |
| Otišli        | 49               | 25 | 116           | 91 | 51                 | 33 |

TABLE 2

Rates of new hires and employee turnover<sup>1</sup>

### Labor relations

8 DOSTOJANSTVEN RAD I GOSPODARSKI RAST



During March 2020, just before and after the declaration of epidemic measures caused by the Covid-19 pandemic, we completely reorganized all business processes in under ten days, to provide working conditions for more than four thousand of our employees. Uninterrupted communication and connectivity of the whole society was ensured, at a time when this was of the utmost importance. During that time, more than a hundred internal and external workflows have changed, and we are especially proud that our customer service team fully switched to work from home in just five days, providing our customers with uninterrupted, ongoing support at times when many people faced the challenges of connecting and enabling work from home. Through daily contact

with all employees, we tried to make it as easy as possible for them to adapt to new circumstances by providing extensive technical support and advice on adapting to work from home. We provided employees who had to be present at work with all necessary safety measures, in line with epidemiological recommendations.

5 RODNA RAVNOPRAVNOST



Regularly, twice a year we conduct a satisfaction survey of our employees. In 2020, it showed that 100 percent of employees were satisfied with the way HT took care of them during the pandemic, and more than 90 percent of employees were satisfied with the balance of business and personal life. Last year, for the seventh time in a row, we received the Partner Certificate for Employers, which confirms the quality of human resources management and efforts to ensure the highest possible level of employee satisfaction. In 40 of the 45 processes analyzed based on CEP standard, we achieved the highest number of points, which ranks us among the best employers in Croatia. We

16 MIL. PRUŽILA I SNAŽNE INSTITUCIJE



<sup>1</sup> Values apply to HT d.d. permanent employees

are particularly proud that last year we increased the overall result achieved in the certification process. In addition, it has been confirmed that we meet the highest standards in all five certification areas of human resources:

- Strategy;
- Recruitment and selection;
- Performance management;
- Research and development;
- Attitude towards employees.

Also, last year we received the 'Excellence in Challenges' award, which assesses human resource management practices in unpredictable circumstances in the following areas:

- Agile HR;
- Strategic planning and work organization;
- Crisis communication;
- Physical health and safety of employees;
- Empowerment and welfare of employees;
- Leadership in times of crisis;
- Technological and digital readiness.

# 42

**42 percent of women** are in the management team of Hrvatski Telekom

|      |                  | Total members | Sex   |       | Age      |          |         | Minority groups |
|------|------------------|---------------|-------|-------|----------|----------|---------|-----------------|
|      |                  |               | M     | F     | Under 30 | 30 to 50 | Over 50 |                 |
| 2020 | Management Board | 5             | 4     | 1     | 0        | 4        | 1       | Unknown         |
|      | All employees    | 4,230         | 2,601 | 1,634 | 749      | 2,566    | 915     | Unknown         |
| 2019 | Management Board | 6             | 5     | 1     | 0        | 5        | 1       | Unknown         |
|      | All employees    | 4,280         | 2,600 | 1,680 | 816      | 2,713    | 751     | Unknown         |
| 2018 | Management Board | 6             | 4     | 2     | 0        | 6        | 0       | Unknown         |
|      | All employees    | 4,210         | 2,602 | 1,608 | 808      | 2,683    | 719     | Unknown         |

**TABLE 3**

Composition of governing bodies and structure of employees by categories according to sex, age group, affiliation with a minority group, and other indicators of diversity

| Employee category | Ratio of gross salary paid to women/men | Explanation                                       |
|-------------------|---|---|
| Non-managers      | 0.950                                   | Women have a 5% lower salary than men on average. |
| Managers          | 0.980                                   | Women have a 2% lower salary than men on average. |

**TABLE 4**

Ratio of basic wages and salaries of men and women by employee category

With a high female share of as much as 42 percent in its management team in 2020, Hrvatski Telekom is one of the leading Croatian, but also European telecommunications companies. We pay special attention to the balance of private and business life that is embedded in the core values of corporate culture. All employees - parents of first graders are given a day off on the first day of school to allow their children the most carefree transition to a new period of life. Hrvatski Telekom actively operates the 'Zaklada PrijaTelj' (Foundation Friend) to help employees and their children in case they find themselves in difficult situations due to various life circumstances. When in 2020, in addition to the pandemic, part of the Republic of Croatia was hit by devastating earthquakes, financial assistance was paid to all employees who suffered material damage caused by the earthquake. Thank you! is the recognition and rewarding program for employees who put their souls into work. By doing so we do better, learn more, and provide top service.

## New collective agreement

The new Collective Agreement, which covers 100 percent of employees with permanent contracts, maintains a high level of employee rights, and defines additional improvements. Hrvatski Telekom will allocate more than HRK 39 million for the agreed monetary and non-monetary benefits in addition to the salary, i.e., more than HRK 9,000 on average per employee per year. Among other things, the lower limit of the first pay grade is increased to HRK 5,000, and the amount of Easter vouchers is increased from HRK 400 to HRK 600, and a career path for employees who have not been covered by this model so far is introduced. Even in economically challenging times, Hrvatski Telekom has proven that it is a responsible employer that has not only maintained a high level of material and social rights of employees but also improved them.



## Working conditions, health and safety

8 DOSTOJANSTVEN RAO  
100SPOBORSKI RACT



3 ZDRAVLJE I  
BLAGOSTANJE



We have traditionally taken care of the balance between personal and business life and the health of our employees. In previous years, we started with the introduction of flexible working hours, so we were more ready to welcome the partial transition to work from home due to the pandemic, during which flexibility gained a completely new dimension. In addition to fully switching to work models in three formats within three working days: full work from home, partial work from home, and work at business premises, we ensured the continuity of all

work processes without any downtime and continued to work in the new model until the end of the year. The new work model called “SmartWork” has fully taken root in the organization, and through a survey, we collected from employees information on how they want to work in the future. The future of the SmartWork model is primarily tailored to the wishes and needs of employees. It has already led to the highest level of employee satisfaction in 2020 since the measurement began. We expect that employee satisfaction with this dimension of work will remain high in the future.

HT is responsible for organizing and implementing measures to encourage the improvement of safety and health of employees at work, the prevention of injuries at work, occupational diseases, other work-related diseases, and the protection of the working environment. Occupational safety representative is elected in HT. Election, number, as well as the time for which representatives are elected are performed in accordance with the provisions of the Labor Act which regulate the election of members of the Workers' Council and in accordance with the provisions of the Occupational Safety and Health Act on the obligation of election of representatives where this is required by the working conditions and an increased danger for safety and health of employees. The representatives are provided with conditions for unhindered performance of duties, as well as access to all necessary information, regulations, and documentation related to safety at work. In accordance with the relevant legal provisions, the occupational safety representative may not be disadvantaged or held liable for damage if they acted in accordance with their powers established by law, applicable regulations, or general acts. All our employees are insured against accidents, while during business trips abroad they are insured with travel health insurance.

The representatives elect from among themselves the coordinators of the representatives and the Chief Coordinator of occupational safety representatives. The task of the occupational safety representatives is to act in the interest of employees in terms of occupational safety and to monitor the application of regulations and ordered measures of protection in the work environment. The occupational safety representative has the following rights and duties:

- Be informed of all measures to be taken regarding safety and health at work;
  - Be consulted during the adoption of acts regulating the issues of employees' occupational safety;
  - Participate in the preparation of the Risk Assessment;
  - Participate in the selection of protective clothing and footwear for employees;
  - Submit proposals related to decision-making in terms of occupational safety;
  - Require the Employer to take appropriate measures to reduce and eliminate sources of danger;
  - File complaints to the bodies responsible for occupational safety, if they consider that previously taken measures and provided funds are insufficient or inadequate for occupational safety;
  - Participate in planning the improvement of working conditions, introduction of new technology, introduction of new chemicals and biological hazards into the work and production process and encourage the Employer and its authorized representatives to implement occupational safety;
  - Be informed of any changes affecting occupational safety;
  - Have the right to inspect and use the Employer's documentation on occupational safety;
  - Receive comments from employees regarding the application of occupational safety rules and relay them to the Employer or its authorized representative;
  - Inform the competent inspector and the occupational medicine specialist about their observations and the observations of employees who they represent, attend the inspections and comment on the factual situation determined by the competent inspector;
  - Call the competent inspector when they assess that the life and health of workers are endangered, and the Employer fails or refuses to do so;
  - To be trained to perform these tasks, to constantly expand and improve knowledge, to monitor and collect information relevant to their work;
  - Object to the inspection finding
- Encourage other employees to implement occupational safety;
- Inform workers about the implementation of occupational safety.

# SmartWork

The **SmartWork model** was introduced, fully reflecting employees' needs

The representatives elect four representatives from among themselves to perform these duties on a full-time basis. Full-time representatives are entitled and obligated to participate in joint meetings of the department, training, and education for the position for which they have an employment contract.

|                             | Number of injuries |      | Number of injuries % |      | Lost man hours |       | Lost man days |      |
|-----------------------------|--------------------|------|----------------------|------|----------------|-------|---------------|------|
|                             | 2019               | 2020 | 2019                 | 2020 | 2019           | 2020  | 2019          | 2020 |
| <b>Injuries at work</b>     | 32                 | 25   | 1                    | 1    | 9,688          | 2,584 | 1,211         | 323  |
| <b>In work process</b>      | 21                 | 14   | 0.49                 | 0.56 | 6,744          | 784   | 843           | 98   |
| <b>Outside work process</b> | 11                 | 11   | 0.26                 | 0.44 | 2,944          | 1,800 | 368           | 225  |

**TABLE 5**  
Number of injuries at work

## Reaction to the COVID-19 disease pandemic



When the Covid-19 disease pandemic was declared in March 2020, Hrvatski Telekom paid additional attention to the health and safety of employees. Work from home was allowed from day one. Those employees who, due to the nature of their work, had to be at work-place were provided with all the prerequisites for their work to take place in completely safe conditions and in accordance with epidemiological recommendations. This included continuous recommendations and advice how to protect oneself against the spread of infection, procurement of protective equipment in the form of protective masks, physical barriers made of plexiglas for employees in T-Centers and thermal cameras to measure the body temperature of all persons entering HT's business premises, for which during March 2020 alone, we procured 178 thousand gloves, 160 thousand masks, and 11,600 disinfection gels. We paid all employees the full amount of salary, and we will continue to apply the flexible work model in the future. As part of caring for employee health and despite restrictions due to the pandemic, we continued with annual physical checkups.

With the daily internal communication, the company has provided full technical and advisory support to all employees so that they more easily adapted to working from their homes. Topics that proved to be key are increasing work efficiency and productivity, facing challenges linked to working from home, motivation. Psychological help was, as well as individual and group workshops, such as "Hour for you" - individual psychological support, dialog groups with in-house psychologists, welfare webinars, education catalogs with topics and tips for working from home and maintaining productivity, as well as online exercise with experienced trainers. In addition to development programs and psychological support programs, we have internally designed competitions and games called "virtual team building" aiming to better connect teams at a time when they are physically separated from each other.

### Encouraging sports

Although last year we were not able to hold live the biggest sporting event for businesspeople in Croatia - HT B2Run, we took on this challenge by creating the largest online running competition of all time, the HT B2Run

Challenge #ostanidoma. All registered runners, their colleagues, friends, and families, were invited to take part in the 5k virtual race. After the runners covered the distance, they posted kilometers and short videos on their Facebook profile under the hashtag #HTB2RunChallenge\_ostanidoma. The event was designed to encourage businesspeople to contribute to their own physical and mental health by exercising in a fun way and to encourage others to do the same. In addition, all our employees still can use more than 400 sports facilities throughout Croatia through the Multisport program, which was temporarily suspended during epidemiological measures, and implementation continues as soon as epidemiological measures allow the opening of sports facilities.

# 400

Over **400 sports facilities** available to employees through the Multisport program

### Attracting and retaining talent

To achieve our goals, we need dedicated and engaged employees who have the desire and ambition to develop by contributing to connecting everyone in Croatia with the opportunities provided by digitalization. Trends in the labor market and the trend of emigration of the working population to EU countries during 2020 slowed down significantly under the impact of the Covid-19 pandemic, but the pandemic posed many new challenges to employers with long-term consequences. At HT, we continuously carry out activities aimed at attracting the best candidates, but also internal activities that provide a systematic platform for the growth and development of our employees. For new employees, we introduced a modern, fully digitalized onboarding process - a structured introduction to the company and introduction to the most important processes, acts, and development opportunities. The process is supported by a mobile app that always provides the user with relevant information and enables them to find their way in a new company: from the moment they accepted our offer until the end of the first year of work.



The introduction of digital learning systems in earlier years, which had previously enabled employees to acquire the habit of online learning, proved to be a complete success in the pandemic 2020. Despite the very unfavorable circumstances for training, in which most live trainings were temporarily interrupted, with external providers of training services with which HT cooperates needing a period of adjustment to switch to the online model, we managed to maintain continuity of training. The use of the HT online learning system has increased, internal trainings have continued in the virtual environment, while only those trainings in which live interaction through practical exercises is necessary for success have been temporarily postponed. We are proud that in 2020, the number of digital educations completed increased by 80% compared to 2019, which proves that our employees are happy to accept modern learning tools and take initiatives for continuous training. In 2020, there was a minimal decline in the total number of realized hours of education, which in circumstances when almost all economic activity has stopped is considered an exceptional success. In addition

to trainings and talent workshops carried out in cooperation with DT, in 2020 we conducted an internal Hackathon where the registered teams had the opportunity to present to the expert jury their ideas how to improve the process and/or products.

During 2020, we sent an open invitation to all lower-level managers, more than 300 of them, to apply for the Leadership talent program, which opens the possibility for them to participate in the selection process and become part of a program whose content includes active work with Management Board members on real business topics. We see this program as the most effective method of training because learning happens in the process of work, and members of the Management Board mentor program participants. In addition to HT's talent programs, talents from the company can take part in DT's talent programs called Future skilling, which in 2020 were very focused on three topics: Software development, Data analytics, and Digital marketing.

|                                   | Total hours |         | Percentage of change | Number of employees |       | Percentage of change | Average hours per employee |      | Percentage of change |
|-----------------------------------|-------------|---------|----------------------|---------------------|-------|----------------------|----------------------------|------|----------------------|
|                                   | 2019        | 2020    |                      | 2019                | 2020  |                      | 2019                       | 2020 |                      |
| <b>Total by type of workplace</b> | 169,556     | 130,000 | - 23%                | 4,280               | 4,235 | - 1%                 | 40                         | 31   | - 22%                |
| <b>Executive</b>                  | 164,756     | 126,000 | - 24%                | 4,145               | 4,095 | - 1%                 | 40                         | 31   | - 22%                |
| <b>Managing</b>                   | 4,800       | 4,000   | - 17%                | 135                 | 140   | + 4%                 | 36                         | 29   | - 19%                |
| <b>Total by sex</b>               | 169,556     | 130,000 | - 23%                | 4,280               | 4,235 | - 1%                 | 40                         | 31   | - 22%                |
| <b>Men</b>                        | 87,000      | 69,000  | - 21%                | 2,600               | 2,605 | + 2%                 | 33                         | 26   | - 21%                |
| <b>Women</b>                      | 82,556      | 61,000  | - 26%                | 1,680               | 1,630 | - 3%                 | 49                         | 37   | - 24%                |

**TABLE 6**  
Employee training, division by type of job<sup>2</sup>

| Year        | Total hours of internal education<br><small>*including digital hours</small> | Total hours of external education | Number of hours of internal training per employee | Number of hours of external training per employee | Total number of employees |
|-------------|--|-----------------------------------|---|---|---------------------------|
| <b>2020</b> | 95,000   | 35,000                            | 22  | 8   | 4,235                     |
| <b>2019</b> | 109,431  | 60,125                            | 26  | 14.0  | 4,280                     |
| <b>2018</b> | 110,702  | 63,866                            | 26.2  | 15.2  | 4,215                     |
| <b>2017</b> | 83,800   | 15,800                            | 22.5  | 4.3   | 3,709                     |

**TABLE 7**  
Employee training, division into internal and external education

2 Values apply to HT d.d. permanent employees

# RESPONSIBILITY TOWARDS ENVIRONMENT

Protecting the environment and combating climate change is one of our strategic determinants. Our goal and responsibility is to ensure the conditions for the transition to a low-carbon economy, strengthen energy efficiency capacity, and promote responsible management of both our and our customers' environmental impact. Sustainable development and climate protection are one of our strategic determinants, and the development of the possibility of using renewable energy sources is a step further in our continuous work on creating a society with reduced greenhouse gas emissions. We have been regularly monitoring and reporting on our environmental impacts since 2004. We use indicators relevant to the areas within which, as a telecommunications operator, we achieve the greatest impact, which are in line with leading practices of the ICT industry and international associations. This allows us to continuously improve our performance within this thematic area.

## ICT solutions for the low carbon future



As a frontrunner in digitalization in the Republic of Croatia, by expanding our network and applying modern solutions and services based on clean technology, we are strengthening both our own and our customers' capacity to switch to life and business with reduced carbon emissions. While designing and developing products and services, we strive to apply environmental principles wherever possible.



By developing, introducing, and expanding the range of ICT services "in the cloud", we enable users to use highly efficient shared IT infrastructure, further contributing to the beneficial impact of ICT technologies and services on climate change, which reflects in less travel and energy, paper and other material resources. Most of these products and services enable the development and ever-expanding application



of various forms of online business, replacing traditional physical products with electronic ones.

As part of our environmental management systems, we regularly establish environmental protection objectives related to our products and services, as well as programs and measures for their realization, which result in a consequent reduction of the environmental impact of our users:

- Promotion of immateriality - Promotion and implementation of services that reduce the consumption of energy and resources on the part of users (development and implementation of new solutions for cloud services);
- Improving the quality of life and positive social change in the local community - promoting, presenting, and implementing the technological framework "Internet of Things" in the function of reducing energy consumption and greenhouse gas emissions.

During 2020, we continued to implement advanced software and parametric functionalities that enable more energy-efficient operation of equipment (so-called power savings features). The application of these functionalities is based on advanced power management of radio amplifiers, where savings in electricity consumption can be expected of up to 20 percent for high-capacity locations.

The application of data centers with cloud infrastructure and the installation of high-processing server units enabled the migration of hardware-based network functions to virtualized data center "cloud" functions. By the end of 2020, approximately 50 percent of core network functions in the cloud data center have been migrated, which achieves significant savings in reducing the required space and increasing energy efficiency in the form of reducing the energy consumption of the equipment itself as well as the consumption of refrigeration equipment.

## Smart cities

In 2020, we continued to develop solutions that improve the quality of life in Croatian cities, reduce greenhouse gas emissions, increase the level of public services and the efficiency of public spending.



## E-mobility

In 2020 again, our e-mobility team continued with activities related to the development of infrastructure for the use of electric vehicles as the most environmentally friendly solution in traffic in order to create a cleaner environment and reduce greenhouse gases. At the beginning of 2020, we began developing a web portal for the display and use of all publicly available EV charging stations managed by HT called rechargespoTs, as well as mobile app called espots. As we have so far set up more than half of all publicly available charging stations in Croatia and manage more than 550 charging points for all types of electric cars at 270 charging stations in eight countries, we proudly consider ourselves a regional leader in e-mobility and a reliable technology partner in implementation, management and provision of digital electric vehicle charging service. The charging service at most EV charging stations managed by HT is free (at 147 out of a total of 170 charging stations within the Republic of Croatia), while it is charged at a smaller number (23 out of a total of 170 charging stations within the Republic of Croatia). The development of the espots app was made possible with the support of the European Union's "Connecting Europe" installation, which

# 550 | 270

We manage more than **550 EV charging points** at **270 charging stations** in eight countries

provides funding for the expansion of a comprehensive network of charging stations in Southeast Europe, on which HT has been cooperating with partners since 2017.

Other services in our offering that reduce the need for energy and resources and reduce harmful emissions are:

- Moj Telekom portal enables users to edit services, tariffs, and options, combine T-Mobile and T-Com connections, purchase vouchers and top up accounts from their own home, without having to come to the point of sale;
- Audio and video conferencing, Soft phone reduces the need to travel to the meeting place;
- MaxTV video on demand eliminates the need for a video/DVD player;
- Office Fax service allows you to receive and send faxes via e-mail, eliminating the need to own a fax machine, and digital archiving helps save paper and storage space;
- Net phone serves as a replacement for the PBX;
- Office Intranet share point for business customers enables data digitization;
- eSIM replacement for a classic SIM card eliminates the need to use a plastic case;
- Electronic vouchers for mobile network users contribute to reducing paper use;
- Online and telephone sales eliminate the need for users to personally arrive at the point of sale.

## Environment management systems



We recognize our responsibility for the environment and aim our activities and initiatives at further development of sustainable business models and the well-being of future generations. With this in mind, we use management tools and procedures in our operations that have proven effective in managing environmental impacts, among which stands out our Integrated Environmental, Health, and Safety Management System. The system is regularly audited by the certification company DEKRA, which confirmed and positively assessed the

integration of environmental care into all our work processes in October 2020 and issued an ISO 14001 certificate for environmental management valid until September 13, 2021.

As the leading telecommunications company in Croatia, we follow the principles of the circular economy in our business processes, taking into account the sustainable management of materials and promoting reuse and recycling to reduce our and customers' negative environmen-

tal impacts. We strive to extend the life of our functional electronic equipment by selling it for further use, while recycling electronic waste. Cell phones and other electronic devices contain components that can negatively affect the environment if discarded uncontrollably, and the composition of the average mobile device (depending on the model) also contains very valuable elements such as silver, gold, copper, etc. With the ecological disposal of mobile phones, these elements are sought to be separated with the aim of reuse. All T-Centers provide conditions for reception and further ecological management of old electronic devices from HT's sales assortment (cell phones and the like) and the related batteries. So far, we have disposed of more than 152,400 old cell phones.

To further increase resource efficiency and reduce the negative impact on the environment, we carry out Green Office activities in our offices and reduce the consumption of energy and materials used. In our energy efficient buildings, the level of automation of energy parameters is raised to the highest level. During the development of products and services, we also pay special attention to the way products and services are packaged. We use recyclable materials, such as paper and canvas bags. Prepaid vouchers and standardized boxes for terminal devices are also made from fully recyclable materials. The amount of waste in the telecom industry depends on business activities. In 2020, the total amount of waste increased by 49 percent compared to the previous year, due to the modernization of infrastructure, disposal of old and non-functional equipment, and cleaning of many facilities and warehouses. The quantities of electronic waste and collected waste batteries, due to the replacement of obsolete equipment with new ones, increased the most. Most of the waste is handed over to authorized recycling companies (more than 99 percent), while a very small share is disposed of through disposal procedures.

By digitalizing internal processes and e-business, we are constantly contributing to the reduction of paper consumption in offices. In 2020 it is lower by 38 percent compared to 2019. The main reason for this substantial reduction is the Covid-19 pandemic, as a result of which our employees worked significantly more from home, and the newly introduced way of working (SmartWork) which provided significantly greater ability to work from home than in 2019. The sales department continuously digitizes sales documentation and processes, which also reduces paper consumption, and we also contribute to the reduction of paper use on the customer side through our e-invoice and Moj Telekom services.

# 152,400

We have collected and **disposed of more than 152,400 old cell phones** so far

| Total weight of waste (in tons) | 2017 <sup>3</sup> | 2018 <sup>4</sup> | 2019 <sup>5</sup> | 2020    |
|---------------------------------|-------------------|-------------------|-------------------|---------|
| Total weight of waste           | 1077.82           | 794.99            | 1162.86           | 2299.57 |
| of which hazardous waste        | 271.47            | 229.52            | 638.01            | 1663.93 |
| of which non-hazardous waste    | 806.35            | 565.47            | 524.84            | 635.64  |

**TABLE 8**  
Total weight of waste by type and method of disposal

| Paper consumption (in tons) | 2017 | 2018 | 2019 | 2020 |
|-----------------------------|------|------|------|------|
|                             | 70   | 61   | 57   | 35   |

**TABLE 9**  
Paper consumption

## Energy efficiency

7 PRISTUPAČNA I ČISTA ENERGIJA



Our objective is to continuously strengthen energy efficiency, increase the use of renewable energy sources and reduce greenhouse gas emissions, using the prescribed Energy Policy and the Energy Management procedure. During 2020, we introduced electricity supply from wind solar power systems at two basic stations, and now a total of 13 of them are supplied with energy from renewable sources. In addition, we procure ZelEn, a CO<sub>2</sub>-neutral electricity obtained exclusively from renewable sources, from HEP-Opkrba.

12 ODGOVORNA POTROŠNJA I PROIZVODNJA



With the aim of implementing the proposal of specific energy, technical, environmental, and economically sustainable measures for further improvement of energy efficiency within Hrvatski Telekom, the preparation of an energy audit of a large company by an authorized independent company is underway. This energy audit includes a detailed analysis of energy consumption for all buildings and structures, technical and energy systems and devices that consume energy, as well as an analysis of fleet performance and analysis of waste data. Based on previous analyzes, potentials for further energy savings have been identified, through projects of installing photovoltaic cells on building roofs, further optimization of space with technical devices and systems and ensuring optimal cooling temperature for our equipment and facilities.

13 ODGOVOR NA KLIMATSKU PROMJENU



Total direct consumption of energy from non-renewable sources during 2020 decreased by 16.6 percent compared to 2019 as an indirect consequence of the Covid-19 disease pandemic. That is, the pandemic caused a reduction in the consumption of diesel fuel for vehicles and a reduction in the consumption of heating energy, fewer hours spent in offices and fewer trips. The total indirect energy consumption from non-renewable energy sources increased by 12 percent, while the one from renewable energy sources decreased by 5 percent. This was due to the procurement of slightly less CO<sub>2</sub> neutral electricity ZelEn from HEP-Opkrba than was the case in 2019.

During 2020, we carried out activities to strengthen energy efficiency with three main goals:

### **More efficient and rational consumption of all forms of energy**

Our Development and Maintenance of Energy Infrastructure Department replaced DC power supply and rectifier systems at 17 access and aggregation (node) locations, replaced batteries as a backup power supply at 1500 locations, replaced UPS system at one location and 50 rectifier systems were reused at other facilities. In addition, during the reporting period, we carried out projects of complete modernization and consolidation of the network equipment and servers of our data centers at four locations.

### **Improving the energy efficiency of buildings**

Our Real Estate Management Sector installed new water coolers at two locations with the aim of more efficient use of thermo-technical systems in commercial buildings. The integration of remote control and boiler room automation was implemented at four locations, while the project of installing thermally efficient windows continued in 2020 at one location.

### **More efficient use of thermo-technical systems in office buildings**

To reduce energy consumption and harmful gas emissions, we have installed new heat pumps at two locations, which are one of the most economical, efficient, and environmentally friendly ways to prepare hot water, heating and cooling.

We monitor and manage activities with a possible impact on the atmosphere through a documented process of Handling substances that affect the ozone layer. The trend of NO<sub>2</sub> and SO<sub>2</sub> emissions over the years is declining due to increased energy efficiency, i.e., lower energy consumption. With regular maintenance and automatic regulation of boiler rooms, we use resources more efficiently and reduce our greenhouse gas emissions into the environment. In addition, regular renewal and maintenance of the vehicle fleet further reduces the harmful effects on the environment.

3 Data for HT d.d.

4 Data for HT d.d., Iskon Internet d.d., and Combis d.o.o.

5 Data for HT d.d., Iskon Internet d.d., and Combis d.o.o.

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sumption. With regular maintenance and automatic regulation of boiler rooms, we use resources more efficiently and reduce our greenhouse gas emissions into the environment. In addition, regular renewal and maintenance of the vehicle fleet further reduces the harmful effects on the environment.

# Renewable energy sources

The electricity we use is obtained exclusively from **renewable energy sources**

| Direct energy consumption by primary energy source in GJ   | 2018 HT Group | 2019 HT Group | 2020 HT Group |
|--|---------------|---------------|---------------|
| <b>Total direct energy consumption (from non-renewable energy sources)</b>                             | 109,949       | 111,561       | 92,604        |
| · of which natural gas   | 30,034        | 31,387        | 25,591        |
| · of which fuel for fleet / gas, diesel, lng   | 65,273        | 67,331        | 55,192        |
| · of which other fuels   | 14,642        | 12,843        | 11,821        |
| Total indirect energy consumption (from non-renewable energy sources)                                  | 2018 HT Group | 2019 HT Group | 2020 HT Group |
| <b>Total indirect energy consumption (from non-renewable energy sources) in GJ</b>                     | 90,316        | 93,599        | 101,508       |
| · of which purchased electricity   | 77,558        | 82,674        | 92,398        |
| · of which thermal energy for heating from heating plants  | 12,757        | 10,925        | 9,110         |
| Total indirect energy consumption (from renewable energy sources)                                      | 2018 HT Group | 2019 HT Group | 2020 HT Group |
| <b>Total indirect energy consumption (from renewable energy sources) in GJ (purchased electricity)</b> | 401,306       | 396,436       | 379,829       |

**TABLE 10**  
Energy consumption within organization

| Total direct and indirect emissions of greenhouse gases by weight (in tones CO <sub>2</sub> e) | 2017 HT Group | 2018 HT Group | 2019 HT Group | 2020 HT Group | Relation 2020/2019 |
|--|---------------|---------------|---------------|---------------|--------------------|
| <b>Total emission of greenhouse gases (sum of direct and indirect emissions)</b>               | 16,613        | 15,250        | 15,591        | 15,027        | -3.6%              |
| <b>Total direct CO<sub>2</sub> emission (from non-renewable sources)</b>                       | 7,102         | 7,446         | 7,503         | 6,256         | -16.6%             |
| · of which natural gas   | 1,556         | 1,456         | 1,521         | 1,240         | -18.5%             |
| · of which fuel for fleet (gas, diesel, lng)   | 4,220         | 4,708         | 4,857         | 3,981         | -18.0%             |
| · of which fuel oil  | 1,326         | 1,282         | 1,125         | 1,035         | -8.0%              |
| <b>Total indirect CO<sub>2</sub> emission</b>  | 9,511         | 7,804         | 8,088         | 8,771         | 8.4%               |

**TABLE 11**  
Direct greenhouse gas emissions (Scope 1), Indirect greenhouse gas emissions by weight (Scope 2)<sup>6</sup>

| NO <sub>x</sub> , SO <sub>x</sub> and other significant emissions into air, by type and weight in tones (for boilers over 100 kW) | 2017  | 2018  | 2019 | 2020  |
|---|-------|-------|------|-------|
| Total emission NO <sub>2</sub>  | 3.678 | 1.3   | 2.75 | 1.003 |
| Total emission SO <sub>2</sub>  | 3.504 | 3.353 | 3.04 | 2.974 |

**TABLE 12**  
NO<sub>x</sub>, SO<sub>x</sub> and other significant air emission by type and weight<sup>7</sup>

6 Sources for calculation: 1 World Resources Institute (2015). GHG Protocol tool for mobile combustion. Version 2.6.; 2. GHG Emissions from Purchased Electricity version 4.8, May 18, 2015, Added IEA emission factors for year 2012 and latest GWP values from IPCC Fifth Assessment Report

7 Data apply only to HT d.d.

## CORPORATE GOVERNANCE

Our role is to create the preconditions that are essential for the progress of society. As a leading catalyst for digitalization, we are constantly raising the bar and setting new, increasingly ambitious industry standards, encouraging the development of a knowledge society, guided by the highest social, environmental, and ethical standards. The basis for this is our strategy, our business model, and particularly our corporate culture.

### Business ethics

8 DOSTIGANJE RAVNINE I GOSPODARSKI RAST



The company's reputation depends not only on the quality of products and services, but also on the company's relationships with customers, associates, employees, the environment, and the wider community. The good reputation of Hrvatski Telekom not only attracts our customers and business partners, but also contributes to our overall business success. We expect all members of our Management Board, executives, and employees to act in a proper way, i.e., to preserve the company's values and respect its internal rules and applicable laws, thus strengthening the basic elements such as trust, credibility, reliability, and good reputation.

10 SMANJENJE NEJEDNAKOSTI



Each individual is responsible for their own behavior and integrity, and for ensuring business compliance. A culture of business compliance

based on values combining the principles of respect, integrity, and personal responsibility is the key to the success of the HT Group. The way in which we achieve business success is extremely important to us. Therefore, the HT Group applies the Code of Conduct, aimed at giving a business framework and sharing its business ethics, social and environmental commitments in a simple and transparent way to all employees, managers, related parties, suppliers, and partners and to provide them with clear instructions on how to act in all situations that can be expected in business life.

To improve business ethics, the company has organized a series of online trainings for employees such as ethical leadership-principles in everyday business, anti-corruption, basics of business compliance, digital ethics, procedures in case of conflict of interest and the Code of Conduct. We are proud that the corporate website gives free online business compliance training for our partners and suppliers.

### Excellence in governance

According to Hanfa's annual corporate governance report published in April 2020, Hrvatski Telekom achieved the highest level of compliance with the Corporate Govern-

# Highest level of compliance

According to Hanfa, we achieved the **highest level of compliance** with the Corporate Governance Code

ance Code on the Official Zagreb Stock Exchange Market. Among other things, the Hanfa report compares selected areas of corporate governance for issuers from Croatia whose shares are listed on the regulated market of the Zagreb Stock Exchange in relation to companies from OECD and G20 member countries. Compliance calculation is based on submitted data from 10 areas. These are: management, duties of members of the Management Board and Supervisory Board, independence of the Supervisory Board and establishment of Supervisory Board subcommittees, Management Board, remuneration of members of the Management Board and Supervisory Board, risk management system, internal control and audit, transparency of published information, relations with shareholders and holding general meetings, and corporate social responsibility.

The Zagreb Stock Exchange Awards Committee, considering objective, statistical criteria, but also the overall contribution to education and development of the domestic capital market, awarded awards in December 2020 in seven categories. The award for the share of the year and the share with the highest turnover went to Hrvatski Telekom, which recognizes the achievements of Hrvatski Telekom and the status of the leading share on the Croatian capital market.

# Share of the Year

The Zagreb Stock Exchange awarded us the **Share of the Year award**



## Risk management

For us, comprehensive risk management means considering the opportunities and risks arising from the environmental, social, and managerial impacts of our company. We actively and systematically involve relevant stakeholders to determine what current and potential risks and opportunities are important for our sustainable business, and we participate in numerous working groups and committees.

Our goal is to systematically identify, analyze, and assess compliance risks for the company. To this end, we use our risk management system that systematically identifies, assesses and addresses relevant risks, internal compliance assessment, which also examines the most important sustainability risks, conduct an annual risk assessment that provides an overview of new and long-term trends in external risks and participate in working groups and committees, numerous national and international business associations and social organizations, where we also gain valuable insights into existing and potential risks to business sustainability.

Compliance risk assessment (CRA) is carried out every year at the level of the Deutsche Telekom Group to properly assess all compliance risks and develop relevant measures to address compliance risks. In 2020, this estimate included 80 companies, Hrvatski Telekom among them, covering just over 97.27 percent of all DT Group employees. The annual compliance risk assessment is a central measure of the overall Compliance Program designed to ensure that there are processes that can be followed. The analysis showed that the risks in 2020 mainly stemmed from the new way of doing business and working from home as a result of the Covid-19 disease pandemic. The main risks are related to misuse of user data and active corruption. The Management Board is responsible for the results of the assessment of compliance risk in HT. Based on the results, activities, and responsibilities for the adjustment program for the next year are being developed. The Management Board then issues an official resolution approving the program. Measures from the compliance program are closely monitored. In 2020, risk analysis covered 27 key risk categories. These included, for example, corruption, breaches of competition law, and breaches of the Code of Human Rights and Social Principles.

The risk for HT arises from several litigation and regulatory proceedings and a dispute over the ownership of a telecommunications distribution channel that may result in significant financial loss or derecognition of related assets. HT uses internal and external legal experts to assess the outcome of each case and decide if it should set aside an amount, and if so, what amount for expenses in the financial statements. During the reporting period, the Croatian Regulatory Authority for Network Industries (hereinafter: HAKOM) initiated misdemeanor proceedings against HT regarding possible violations of regulatory obligations in

2018 at the wholesale level. The proceedings are underway, and the Electronic Communications Act prescribes a fine in the amount of 1 percent to a maximum of 10 percent of the Company's total annual gross income from performing electronic communications networks and services, realized in the year of the misdemeanor, determined by a court decision. The Group is strongly committed to success in all litigation and potential litigation, including regulatory issues and litigation with employees.

## Transparency and reporting

Hrvatski Telekom, as the leading telecommunications company in Croatia, is fully committed to the goal of creating a better tomorrow. That is why we promised ourselves, customers, partners, and communities in which we operate that we will build a world of better opportunities. Transparent and regular reporting on the financial and non-financial aspects of our business is crucial for measuring our contribution and progress.

Our business results are presented in detail in the Annual Report of the HT Group and provide a complete and true view of the assets and liabilities, losses and profits, financial position, and operations of the HT Group. The Supervisory Board continuously monitored the activities of the Management Board in managing the operations of the Company and the Group as a whole. The Management Board regularly and timely informed the Supervisory Board on the corporate strategy, planning, business development of the Company and its various segments, the state of assets and liabilities, revenues and organizational and other changes related to the Company's business management, risk status and risk management, business compliance, focus areas for innovation and any deviations of business development in relation to the original plans and significant business transactions concerning HT and related companies. Analyzing the reports of the Company's Management Board and following the development of the main business indicators, it was assessed that the goals set for 2020 were met, despite the fact that 2020 was a demanding year due to the consequences of Covid-19 on economic activity. We recorded solid financial results, with better revenue than originally expected, excluding lower visitor revenues and lower tourism contributions, and with continued significant investments in infrastructure throughout the year, amounting to HRK 1.8 billion. In 2020, the Company applied the Corporate Governance Code adopted by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange d.d. Zagreb, in force since January 1, 2020.

HT Group issues annual sustainability reports. The report covers the period from January 1, 2020, to December 31, 2020. The previous sustainability report of the HT Group was issued on July 01, 2020. This report has been prepared in accordance with GRI standards: core option. All previous reports on sustainability, responsible business, and environmental protection are available here

Contact person for sustainability reporting issues - Lucija Brkić, Corporate Communications Department, lucija.brkic@t.ht.hr.

## Human rights

As a responsible society, we are committed to respecting and promoting human rights. The obligation to respect human rights is deeply ingrained in the basic rules and regulations of the HT Group, as part of Deutsche Telekom. The principles on which we base business activities are integrity, compliance and observing the law. Hrvatski Telekom is the initial signatory of the Diversity Charter and the Social Charter. We have incorporated their values into the Collective Agreement and the Code of Conduct, which prohibit any discrimination. The Code of Conduct is regularly revised and provides guidance on how to behave in a legally acceptable manner, with a high level of integrity in day-to-day work, and sets clear standards of business conduct that, based on good economic results, are based on high ethical principles. As part of the DT Group, HT has explicitly committed to implementing the UN Guiding Principles on Business and Human Rights published by the UN Human Rights Council in 2011. These guiding principles require that we systematically identify the impact of our business operations on human rights and, where appropriate, prevent, mitigate, or compensate for negative impacts.

Hrvatski Telekom does not accept any form of discrimination and/or harassment in the workplace and opts to promote equal opportunities and respect for employee diversity, which is also contained in our Collective Agreement. The company protects the dignity of employees while performing the work by ensuring working conditions in which they will not be exposed to any form of direct or indirect discrimination, harassment or sexual harassment while performing work tasks. In contacts with business partners and third parties, employee must respect the personal dignity of each individual and, in particular, refrain from any activities that might affect the equality of other employees due to race, color, sex, marital status, family responsibilities, age, language, religion, political or social status, membership or non-membership in a political party, trade union or any other social organization, physical or mental difficulties, or material circumstances.

Employees may report any form of harassment and sexual harassment to an authorized person orally, on record or in person at a trusted person, in writing by post, fax or e-mail or through special digital tools that allow full protection of the notifier's personality and identity. As a rule, the complaint should be substantiated, and if possible, contain information about the event and witnesses, in order to examine the complaint as accurately as possible and take appropriate measures to eliminate harassment and protect the rights of the harassed person. All data and facts collected during this process are a trade secret.

Depending on the individual case and the degree of harassment, the following measures can be taken:

- A change in the workplace or work location of a person who has harassed another employee;
- Change of workplace or work location according to the wishes of the harassed employee;
- Talking to third parties and initiating proceedings to protect the harassed employee, including the protection of employees from harassment by customers;
- Verbal warning, written warning or decision to terminate the employment contract;
- An employee who has harassed another employee (extraordinary and ordinary dismissal) depending on the degree of harassment;
- Other appropriate measures.

Between January 1 and December 31, 2020, we received 4 complaints related to human rights through our human rights contact point or through the "Tell Me!" Portal. Inquiries and notifications related to topics such as discrimination and harassment. All notifications were treated in the strictest confidence.

## Anti-corruption policy

To avoid corruption and other conflicts of interest in relations with customers and business partners, we use the guidelines defined in the Policy for the Prevention of Corruption and Other Conflicts of Interest, based on our Code of Conduct. This Policy applies to all employees and executives of HT and to all employees and executives of companies in which HT has a majority stake or majority decision-making power, provided that the Management Boards of these companies adopt this Policy by their decision. The principles of the Policy also apply to persons engaged based on a special contract as external associates (consultants, students, agency employees, etc.) by including the principles of this Policy in contracts concluded by HT with these persons, i.e., with companies in which they work.

The Management Board of HT is responsible for all measures related to the prevention and detection of corruption and other conflicts of interest in all business areas. These measures are implemented primarily through the organizational unit responsible for business compliance as a key point of reference for all issues related to business compliance, which includes conflicts of interest and corruption, but also through other organizational units with expertise in this field (legal affairs, finance, security, audit, etc.). All organizational units of HT are obliged to comply with all applicable, valid legal provisions without restrictions, and to operate in accordance with the internal rules that apply to them. In case of ambiguity or doubt regarding the compliance of operations, it is necessary to consult HT's Compliance Department. HT's organizational units are particularly obliged to respect and meet general and particular requirements according to the principle of an orderly and conscientious businessperson/manager. In 2020, HT has

undergone a human rights audit or impact assessment by DT and no human rights violations have been identified.

## Organizational duties

As part of its responsibility to enable the business compliance function in HT, the HT Management Board has assigned the Business Compliance Department a set of tasks that include the following in terms of corruption and conflicts of interest:

- Responsibility for the business compliance process;
- Establishment and implementation of a Business Compliance Program, which must include a set of rules that must be strictly adhered to in order to achieve the ultimate goal of maintaining a “clean business”;
- Initiating proactive campaigns to raise awareness of the need to prevent illegal, unethical or unacceptable conduct;
- Coordination and assurance regarding the implementation of appropriate training of employees on anti-corruption;
- Management of the advisory portal (“Ask me!”) and the notification portal (“Tell me!”);
- Analyzing and assessing fraud scenarios and reports of fraud, and making decisions on cases of fraud;
- Giving final interpretations of internal regulations in case of conflict of opinion between individual organizational units within the Company;
- Identifying areas of potentially high vulnerability and high risk in terms of business compliance, development and implementation of corrective measures.

The Business Compliance Department informs the Management Board of HT and the Audit Committee of the Supervisory Board at regular intervals about all observed cases of business non-compliance and about corrective measures taken in this context. Any announcements to the public about the identified cases are made exclusively through the competent Corporate Communications Department, with prior assessment and agreement with the Compliance Department and the legal affairs organizational unit. Based on the application received, the Compliance Department may conduct a survey to establish all the facts and gather evidence and examine the merits of the application in a way to avoid negative effects on the legitimate interests of the persons involved.

Through regular training, we inform and raise the awareness of our employees about the understanding of relevant laws and regulations and the risks arising from illegal and unethical behavior. In addition to classroom courses, which were limited during 2020, we also use a variety of interactive online education formats. Before accepting a business relationship with us, our business partners must be informed of a Code of Conduct that includes our anti-corruption principles. We also ask business partners questions about their compliance management systems as part of the supplier self-assessment process, and we offer business compliance training for all our business part-

ners on our website. The anti-corruption clause is, without exception, an integral part of all contracts of Hrvatski Telekom and affiliated companies with third parties, to ensure transparent operations and acquaint business partners with anti-corruption policies and procedures.

## “Ask me!” advisory portal

Questions regarding the Code of Conduct, questions relevant to business compliance and questions regarding internal policies and rules can be asked through the “Ask Me” advisory portal. In case of doubt, employees and managers can also contact the Business Compliance Department in person. The answers to the questions are given by the Business Compliance Department independently or after agreement and cooperation with other involved organizational units, depending on the circumstances of the individual case. The advisory portal “Ask me!” can be reached through the following intranet page: <http://intranet.t.ht.hr/Compliance/hr-HR/AskMe> or at the e-mail address: [compliance@t.ht.hr](mailto:compliance@t.ht.hr)

## “Tell me!” notification portal

Complaints related to possible violations of regulations and internal policies and rules can be submitted through the “Tell Me” notification portal. The group encourages employees to communicate openly with their superiors and very often problems can be solved in this way completely. Should this not be possible, the notification may be made by mail, telephone, e-mail, or special electronic tools for reporting irregularities that fully protect the person and identity of the complainant. All notifications and related information will be treated as strictly confidential, and there is also the possibility of submitting an anonymous notification. The notification portal is available on the intranet page: <http://intranet.t.ht.hr/Uskladenost-poslovanja/Stranice/Reci-mi.aspx>. Reporting irregularities can be submitted by third parties (external) through the tool for reporting irregularities, which are also available on the corporate website: <https://www.t.ht.hr/onama/nase-vrijednosti>.

The corporate website gives details about the HT Group Code of Conduct, our values. All those interested can undergo training on business compliance.

## Ethical business practices and business compliance

Hrvatski Telekom applies the highest business standards on a daily basis, is committed to exemplary corporate governance, and integrity, ethical behavior and transparency are the foundation of our business operations and a prerequisite for long-term success and strengthening trust among our customers and partners.

*“Corruption comes in many forms, they are all absolutely unacceptable! As a company we have zero tolerance for corruption! The starting point in the fight against corruption comes with personal responsibility, professional integrity and knowledge.”*

Kostas Nebis, CEO, Hrvatski Telekom

At HT, compliance means following the rules and acting properly in all cases. The basis of all our business decisions and activities is integrity. It encompasses compliance and determines the behavior of all our employees in working with customers, employees, investors, managers, and the general environment.

Hrvatski Telekom has a certified Compliance Management System (CMS) whose efficiency is confirmed by a certificate. Our compliance management system is designed to ensure legal and ethical conduct in all areas of business and to successfully address compliance risks. Responsibility for the compliance management system rests with top management. This underscores the immense importance we attach to this topic. The task of the Compliance Commissioner is to ensure that the compliance management system and our compliance objectives are successfully implemented.

Our compliance work aims at:

- Preventing violations of regulations and unethical business decisions;
- Integrating compliance into business processes at an early stage and on an ongoing basis;
- Reducing risk for the company;
- Being identified as a reliable partner by customers and business partners;
- Adopting a consistent approach to preventing, identifying and responding to non-compliance;
- Promoting a culture of respect and ethical behavior.

Business compliance helps HT comply with legal requirements and internal regulations to prevent risks of liability



and other legal deficiencies for the company, employees, and management bodies. At the same time, HT strives to create an environment in which all employees behave ethically in their daily work.

At HT, we strive for the standards that are not mere compliance with laws and regulations and creating an environment in which all employees behave ethically in everyday business. It is one of the main success factors of the HT Group. Rules are important, compliance is important, but culture and ethics are more important.



# ABOUT US

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# PROFILE OF HT GROUP

## HT Group members

### Hrvatski Telekom

Hrvatski Telekom is the leading telecommunication company in Croatia that provides fixed and mobile telephony, wholesale, internet, and data services.

HT's core activity is the provision of electronic communications services and the design and construction of electronic communications networks in the Republic of Croatia. In addition to fixed telephony services, HT provides internet, IPTV and ICT services, data transmission services (leased lines, Metro-Ethernet, IP/MPLS, ATM) and GSM, UMTS and LTE mobile telephone services.

Turning to broadband and media services, HT has exceeded the limited growth potential of traditional business in mobile and fixed telephony. Innovative and convergent products and services of the highest quality, especially strengthening the offering of integrated ICT solutions, which combine telecommunications and information technology services, are HT's path to a future in which the customer is at the center. The headquarters of HT d.d. is at Radnička cesta 21, 10000 Zagreb, Croatia.

### Iskon Internet

Iskon is a contemporary telecom company recognized for its dynamic and entrepreneurial business culture and quality of services, and for its developed rapport with residential and business customers to whom it provides broadband internet access services. In addition to the internet, it provides telephony and digital television (IPTV) services and TV content viewing on mobile devices.

The company operates as an independent company, and since 2006 it has been a member of the HT Group and is wholly owned by HT. Through its infrastructure, Iskon provides services in Zagreb, Split, Dubrovnik, Rijeka, Pula, Osijek, Velika Gorica, Samobor, Opatija and Solin. Its affiliation with the HT Group enables its availability throughout Croatia.

### Combis

Combis, a regional system integrator, has been a member of the HT Group since 2010 and is wholly owned by HT. The company is focused on the development of application, communication, security, and system solutions and the provision of services for the development and integration of ICT solutions, ICT infrastructure management and support, and the integration of advanced technologies provides complete turnkey business solutions, tailored to specific customer requirements.

In Croatia, it is present with eight service locations, and for several years it has been active in the region, with three service locations in Bosnia and Herzegovina and Serbia. Adopting the trends of contemporary European and world business and constantly improving the quality of work and working environment, Combis is today among the leading ICT companies in the region in the segment of service provision and the leading provider of IT services in Croatia.

### HT Produkcija

HT Produkcija is a limited liability company that provides a pay-TV service - evotv, which uses the DVB-T2 signal for content distribution - the second generation of digital terrestrial television. The company focuses on developing and positioning of evotv service and the preparation and implementation of projects for the development of new communication and IT services that follow the latest global communication trends. It was the first in Croatia to launch HbbTV technology, which it uses to develop and offer interactive services as part of its evotv offer.

HT Produkcija has been operating since 2011, as a member of the HT Group and is wholly owned by HT since 2019.

### KDS

KDS – Kabelsko distributivni sustav is a limited liability company for telecommunication services. KDS's activity is the reception and distribution of satellite and terrestrial television and radio programs, maintenance of television and radio equipment and installations, production of television and radio programs, production of television commercials, all types of promotion and documentary material, marketing services, domestic trade, foreign trade, performing electrical installations of low and strong current for the needs of the cable distribution system, and accounting, bookkeeping and financial services.

### OT-Optima Telekom

Optima Telekom (OT) is a fixed telecommunications operator whose IP technology-based network, which ensures greater networking through the dominance of broadband, is present in more than 100 Croatian cities. Using the latest technologies and global telecommunication solutions, Optima creates added value on the fixed telephony market in Croatia. Citizens can choose and upgrade voice services, data transmission, internet, and video content.

Following the pre-bankruptcy settlement, under strict conditions of the Croatian Competition Agency (CCA), in 2014 Hrvatski Telekom took over the management of Optima Telekom. The objective is to improve the market position of OT and to stabilize its financial results to protect the interests of customers, employees, shareholders, and other stakeholders of OT and the telecommunications market in general.

In January 2020, in accordance with the decision of the CCA from June 2017, HT started the process of selling all its shares in Optima, through the Invitation to Bid for the Acquisition of Shares of Optima, published in the printed edition of the international financial gazette, Financial Times. In December 2020, HT and Zagrebačka banka d.d. jointly engaged CREDIT SUISSE (DEUTSCHLAND) AKTIENGESELLSCHAFT investment bank with its registered office in Frankfurt am Main, Germany, to continue the process of selling their shares in Optima.

Hrvatski Telekom and Zagrebačka banka d.d. signed on July 9, 2021, an agreement with Telemach Hrvatska d.o.o., owned by United Group, on the purchase and sale of shares in OT-Optima Telekom d.d. The conclusion of the transaction is subject to regulatory approvals and other contractual terms and is expected at the end of 2021.

## Crnogorski Telekom AD

The largest telecommunications company in Montenegro that provides a complete range of fixed and mobile telecommunications services (voice services, messaging services, internet, TV, leased lines, data networks, and ICT solutions). It has been operating within the HT Group since January 10, 2017, when HT d.d. takes a 76.53 percent ownership stake.

## Corporate profile

As of December 31, 2020, significant shareholders in the Company are as follows.

The majority owner is Deutsche Telekom Europe B.V. with a 51.7 percent stake (Deutsche Telekom Europe B.V. is a wholly owned company of Deutsche Telekom Europe Holding B.V. wholly owned by Deutsche Telekom Europe Holding GmbH (formerly T-Mobile Global Holding Nr. 2 GmbH). Deutsche Telekom Europe Holding GmbH is wholly owned by Deutsche Telekom AG).

The Fund for Croatian Homeland War Veterans owns 6.8 percent of the shares, and the Center for Restructuring and Sales - CERP, the legal successor of the State Proper-

ty Management Agency, owns 2.9 percent of the Company's shares. The remaining 38.6 percent of the shares are owned by the citizens of the Republic of Croatia and other domestic and foreign institutional investors.

Among private and institutional investors, the investors with the largest ownership share are Raiffeisen pension funds, which own 10.0 percent of the Company's shares.

The latest status of the ten largest shareholders of the Company can be found on the web pages of the Central Clearing Depository Company.

The Company's shares are included in the depository of the Central Clearing Depository Company as of July 12, 2002 and have been listed on the Zagreb Stock Exchange since October 5, 2007.

## Management Board

Pursuant to the Companies Act and the Company's internal documents (the Company's Articles of Association and the Rules of Procedure), the Management Board conducts all activities under its own responsibility, whereby it is obliged and authorized to take all actions and make decisions necessary for successful operation. These documents also prescribe issues on which the Management Board is not authorized to make decisions independently but is obliged to seek the consent of the Supervisory Board for their implementation (e.g., certain large transactions, long-term borrowing, or important appointments).

The changes in the composition of the Management Board were as follows:

Mr. Saša Kramar resigned from the position of Chief Operating Officer Business (COO Business), with effect from January 1, 2020, and the scope of the directorship was temporarily assigned to the position of President of the Management Board and Chief Executive Officer (CEO), Mr. Konstantinos Nempis.

The Supervisory Board adopted a new division of responsibilities between the members of the Management Board, which abolished the function of Chief Operating



**Konstantinos Nempis**  
President of the Management Board and Chief Executive Officer



**Nataša Rapačić**  
Member of the Management Board and Chief Operating Officer Residential



**Daniel Daub**  
Member of the Management Board and Chief Financial Officer



**Boris Drilo**  
Member of the Management Board and Chief Technical and Chief Information Officer



**Ivan Bartulović**  
Member of the Management Board and Chief Human Resources Officer\*



Officer Business (COO Business), applicable from August 1, 2020. All previous activities from the Business Customer Area and the customer experience of business customers, which primarily include marketing to business customers, corporate sales, sales to small and medium business customers, channel management for business customers and support, and ICT sales and development, have been moved to the area of the President of the Management Board and Chief Executive Officer (CEO).

Mr. Daniel Daub has been reappointed Chief Financial Officer (CFO), for the next term, starting November 1, 2020.

## Supervisory Board\*

The Supervisory Board comprises nine members. Eight members are elected by the General Assembly, and one is appointed by the Workers' Council as a representative of the Company's employees. The Supervisory Board is responsible for the appointment and recall of members of the Management Board and for the supervision of the Company's operations. Certain large transactions and long-term borrowing require approval of the Supervisory Board. The Supervisory Board established the Remuneration and Appointments Committee, the Audit Committee, and the Related Party Transactions Committee.

The Supervisory Board assessed its effectiveness for the 2020 business year, led by the Chairman of the Supervisory Board, based on the recommendations from the Corporate Governance Code applied by the Company. All members of the Supervisory Board participated in the assessment. The Supervisory Board concluded that the SB and its committees perform their roles and responsibilities in an appropriate and efficient manner. The structure, size, and composition of the Supervisory Board and its

committees were assessed as appropriate and balanced in an adequate manner, according to knowledge, skills, gender, etc. The Supervisory Board will continue to apply best corporate governance practices and will continue to self-assess its work, striving for even greater efficiency.

## External initiatives

Since 2007, Hrvatski Telekom has been a member of the United Nations Global Compact Initiative, that links the business sector with UN agencies, governments, and civil society in supporting core social values in the areas of human rights, workers' rights, environmental protection and anti-corruption. At the national level, HT participates in the work of the Telecommunications Association at the Croatian Chamber of Commerce. It is a member of the European Telecommunications Network Operators' Association (ETNO) and GSM Association that advocate promoting the interests of the electronic communications sector operators at the EU level. HT also participates in the work of the Energy Association and the Association for Information and Communication Activities within the Croatian Employers' Association, is a member of the Environmental Protection in the Economy Association at the Croatian Chamber of Commerce, the Association of Foreign Investors (FIC), and the American Chamber of Commerce in Croatia.

Combis is also a member of the Croatian Association of New Technology Distributors (HUDNT). HT is a member of the Croatian Business Council for Sustainable Development (HR PSOR), a nonprofit institution established in 1997, which primarily brings together the private sector, encourages sustainable development in the economy and represents the economy in sustainable development.

|                                 |                                   |  |
|---------------------------------|-----------------------------------|--|
| <b>Jonathan Richard Talbot</b>  | Chairman                          | since April 25, 2017   |
| <b>Ivica Mišetić, PhD</b>       | Deputy Chairman                   | Member from April 21, 2008, to April 24, 2020 (member of the Audit Committee until April 24, 2020); member since July 20, 2020 member of the Remuneration and Appointments Committee)            |
| <b>Vesna Mamić</b>              | Member, employees' representative | since January 1, 2016  |
| <b>Dolly Predovic</b>           | Member                            | since April 29, 2014 (member of the Remuneration and Appointments Committee until July 20, 2020; member of the Audit Committee and the Related Party Transactions Committee since July 20, 2020) |
| <b>Marc Stehle</b>              | Member                            | since December 16, 2015 (member of the Audit Committee)  |
| <b>Eirini Nikolaidi</b>         | Member                            | from April 25, 2016, to April 24, 2020   |
| <b>Eva Somorjai-Tamassy</b>     | Member                            | since July 20, 2020 (member of the Audit Committee)  |
| <b>Tino Puch</b>                | Member                            | Since April 25, 2017 (member of the Remuneration and Appointments Committee)   |
| <b>Davor Majetić</b>            | Member                            | since April 24, 2018   |
| <b>prof. Gordan Gledec, PhD</b> | Member                            | Until May 14, 2020 (member of the Related Party Transactions Committee until May 14, 2020)   |
| <b>prof. Gordan Gledec, PhD</b> | Member                            | since July 20, 2020 (ember of the Related Party Transactions Committee)  |

# GRI CONTENTS INDEX

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**GRI 102: General announcements**

| <b>GRI standard</b>                | <b>Announcement</b>  | <b>Chapter</b>                     | <b>Page</b> |
|------------------------------------|--|------------------------------------|-------------|
| <b>Organizational profile</b>      |  |                                    |             |
| 102-1                              | Name of organization   | HT Group members                   | 39          |
| 102-2                              | Activities, brands, products, and services                                       | HT Group members                   | 39          |
| 102-3                              | Location of the organization's headquarters                                      | HT Group members                   | 39          |
| 102-4                              | Locations of business activities   | HT Group members                   | 39          |
| 102-5                              | Ownership and legal form   | Corporate profile                  | 40          |
| 102-6                              | Markets where the organization operates  | HT Group members                   | 39          |
| 102-7                              | Size of organization   | Employer of the future             | 23          |
| 102-8                              | Information about employees and other workers                                    | Employer of the future             | 23          |
| 102-9                              | Supply chain   | Digitalization of business         | 12          |
| 102-10                             | Significant changes in the organization and its supply chain                     | Corporate profile                  | 40          |
| 102-11                             | Precautionary approach   | Risk management                    | 32          |
| 102-12                             | External initiatives   | External initiatives               | 41          |
| 102-13                             | Membership in associations   | External initiatives               | 41          |
| <b>Strategy</b>                    |  |                                    |             |
| 102-14                             | Statement of the highest-ranking decision maker                                  | A word from the CEO                | 5           |
| <b>Ethics and integrity</b>        |  |                                    |             |
| 102-16                             | Values, principles, standards, and conduct norms                                 | Our Values                         | 6           |
| 102-17                             | Mechanisms for seeking advice and expressing ethical concerns                    | Anti-corruption policy             | 34          |
| <b>Governance</b>                  |  |                                    |             |
| 102-18                             | Management structure   | Corporate profile                  | 40          |
| 102-19                             | Delegating responsibilities  | Organizational structure           | 6           |
| 102-20                             | Executive level of responsibility for economic, environmental, and social issues | Corporate profile                  | 40          |
| 102-21                             | Stakeholder consultation on economic, environmental, and social topics           | Process of determining materiality | 7           |
| 102-22                             | Composition of the highest governing body and its committees                     | Management Board                   | 40          |
| 102-29                             | Identification and management of economic, environmental, and social impacts     | Process of determining materiality | 7           |
| 102-30                             | Effectiveness of the risk management process                                     | Risk management                    | 32          |
| <b>Involvement of stakeholders</b> |  |                                    |             |
| 102-40                             | List of stakeholder groups involved  | Process of determining materiality | 7           |
| 102-41                             | Collective agreements  | Labor relations                    | 23          |
| 102-42                             | Identifying and selecting stakeholders involved                                  | Process of determining materiality | 7           |
| 102-43                             | Approach to stakeholder engagement   | Process of determining materiality | 7           |
| 102-44                             | Key topics and open questions  | Process of determining materiality | 7           |

**Praksa izvještavanja**

|        |   |                                    |    |
|--------|---|------------------------------------|----|
| 102-45 | Entities included in consolidated financial reports   | HT Group members                   | 39 |
| 102-46 | Defining report content and topic boundaries          | Process of determining materiality | 7  |
| 102-47 | List of material topics                               | Process of determining materiality | 7  |
| 102-48 | Changes in information                                | Corporate profile                  | 40 |
| 102-49 | Changes in reporting                                  | Process of determining materiality | 7  |
| 102-50 | Reporting period                                      | Transparency and reporting         | 33 |
| 102-51 | Date of the last report                               | Transparency and reporting         | 33 |
| 102-52 | Reporting cycle                                       | Transparency and reporting         | 33 |
| 102-53 | Contact for questions related to the report           | Transparency and reporting         | 33 |
| 102-54 | Claims for reporting in accordance with GRI Standards | Transparency and reporting         | 33 |
| 102-55 | GRI Contents Index                                    | GRI Index                          | 42 |
| 102-56 | External verification                                 |                                    | NP |



## Specific thematic announcements

### Digitalization for a better future

| Material topics                                  | Announcements                      | Page  |    |
|--|------------------------------------|---|----|
| Network expansion and infrastructure development | GRI 103: Management approach       | 103-1 Explanation of material topic and its boundaries  | 11 |
|  |                                    | 103-2 Management approach and its components  | 11 |
|  |                                    | 103-3 Management approach assessment  | 11 |
|  | GRI 203: Indirect economic impacts | 203-1 Supported investments in infrastructure and services  | 11 |
|  |                                    | 203-2 Significant indirect economic impacts   | 11 |
| Digitalization of business                       | GRI 103: Management approach       | 103-1 Explanation of material topic and its boundaries  | 12 |
|  |                                    | 103-2 Management approach and its components  | 12 |
|  |                                    | 103-3 Management approach assessment  | 12 |
| Digital Literacy                                 | GRI 103: Management approach       | 103-1 Explanation of material topic and its boundaries  | 14 |
|  |                                    | 103-2 Management approach and its components  | 14 |
|  |                                    | 103-3 Management approach assessment  | 14 |
|  | GRI 203: Indirect economic impacts | 203-2 Significant indirect economic impacts   | 14 |
| Cooperation with local communities               | GRI 103: Management approach       | 103-1 Explanation of material topic and its boundaries  | 16 |
|  |                                    | 103-2 Management approach and its components  | 16 |
|  |                                    | 103-3 Management approach assessment  | 16 |
|  | GRI 413: Local communities         | Announcement 413-1 Activities where local community involvement, impact assessments, and development program were carried out | 16 |

### Superior customer experience

|                              |                                       |  |    |
|------------------------------|---------------------------------------|--|----|
| Data security and protection | GRI 103: Management approach          | 103-1 Explanation of material topic and its boundaries   | 18 |
|                              |                                       | 103-2 Management approach and its components   | 18 |
|                              |                                       | 103-3 Management approach assessment   | 18 |
| Customers' privacy           | GRI 103: Management approach          | 103-1 Explanation of material topic and its boundaries   | 19 |
|                              |                                       | 103-2 Management approach and its components   | 19 |
|                              |                                       | 103-3 Management approach assessment   | 19 |
|                              | GRI 418: Customer privacy             | 418-1 Justified complaints concerning customer privacy violations and loss of customer's personal data | 19 |
| Product and service security | GRI 103: Management approach          | 103-1 Explanation of material topic and its boundaries   | 21 |
|                              |                                       | 103-2 Management approach and its components   | 21 |
|                              |                                       | 103-3 Management approach assessment   | 21 |
|                              | GRI 416: Customers' health and safety | 416-1 Health and safety impact assessment of significant product and services categories               | 21 |
| Service quality              | GRI 103: Management approach          | 103-1 Explanation of material topic and its boundaries   | 22 |
|                              |                                       | 103-2 Management approach and its components   | 22 |
|                              |                                       | 103-3 Management approach assessment   | 22 |
|                              | GRI 203: Indirect economic impacts    | 203-2 Significant indirect economic impacts  | 22 |

## Employer of the future

|                                       |  |   |    |
|---------------------------------------|--|---|----|
| Labor relations                       | GRI 103: Management approach               | 103-1 Explanation of material topic and its boundaries  | 23 |
|                                       |  | 103-2 Management approach and its components  | 23 |
|                                       |  | 103-3 Management approach assessment  | 23 |
|                                       | GRI 405: Diversity and equal opportunities | 405-1 Diversity of governing bodies and employees   | 23 |
|                                       |  | 405-2 Ratio of basic salary and allowance for women and men   | 23 |
| Working conditions, health and safety | GRI 103: Management approach               | 103-1 Explanation of material topic and its boundaries  | 24 |
|                                       |  | 103-2 Management approach and its components  | 24 |
|                                       |  | 103-3 Management approach assessment  | 24 |
|                                       | GRI 403: Occupational health and safety    | 403-1 Occupational health and safety management system  | 24 |
|                                       |  | 403-2 Hazard identification, risk assessment, and accident investigation  | 24 |
|                                       |  | 403-3 Workplace health services   | 24 |
|                                       |  | 403-4 Employee participation, counseling and communication on health and safety at workplace                          | 24 |
|                                       |  | 403-5 Employee training on health and safety in the workplace   | 24 |
|                                       |  | 403-6 Promotion of employees' health  | 24 |
|                                       |  | 403-7 Preventing and mitigating health and safety impacts in the workplace directly related to business relationships | 24 |
| 403-9 Injuries at work                | 24   |   |    |
| Attracting and retaining talent       | GRI 103: Management approach               | 103-1 Explanation of material topic and its boundaries  | 26 |
|                                       |  | 103-2 Management approach and its components  | 26 |
|                                       |  | 103-3 Management approach assessment  | 26 |
|                                       | GRI 401: Recruiting                        | 401-1 Rates of new hires and employee turnover  | 26 |
|                                       | GRI 404: Training and education            | 404-1 Average annual number of training hours per employee  | 26 |

## Responsibility towards environment

|   |                              |   |    |
|---|------------------------------|---|----|
| ICT solutions for the low carbon future | GRI 103: Management approach | 103-1 Explanation of material topic and its boundaries          | 28 |
|   |                              | 103-2 Management approach and its components                    | 28 |
|   |                              | 103-3 Management approach assessment                            | 28 |
|   | GRI 302: Energy              | 302-5 Reducing the energy requirements of products and services | 28 |
| Environment management systems          | GRI 103: Management approach | 103-1 Explanation of material topic and its boundaries          | 29 |
|   |                              | 103-2 Management approach and its components                    | 29 |
|   |                              | 103-3 Management approach assessment                            | 29 |
|   | GRI 301: Materials           | 301-1 Used materials by weight or volume                        | 29 |
|   | GRI 306: Waste               | 306-3 Produced waste  | 29 |

|  |                              |  |    |
|--|------------------------------|--|----|
| Energy efficiency  | GRI 103: Management approach | 103-1 Explanation of material topic and its boundaries | 30 |
|  |                              | 103-2 Management approach and its components           | 30 |
|  |                              | 103-3 Management approach assessment                   | 30 |
|  | GRI 302: Energy              | 302-1 Energy consumption within organization           | 30 |
|  | GRI 305: Emissions           | 305-1 Direct greenhouse gas emissions (GHG) (Area 1)   | 30 |
|  |                              | 305-2 Indirect greenhouse gas emissions (GHG) (Area 2) | 30 |
|  |                              | 305-5 Reducing greenhouse gas emissions (GHG)          | 30 |
| 305-7 Nitrogen oxides (NOX), sulfate oxides (SOX) and other significant emissions into the air |                              | 30   |    |

### Corporate governance

|  |   |   |    |
|--|---|---|----|
| Risk management                                    | GRI 103: Management approach                        | 103-1 Explanation of material topic and its boundaries                                  | 32 |
|  |   | 103-2 Management approach and its components  | 32 |
|  |   | 103-3 Management approach assessment  | 32 |
|  | GRI 205: Anti-corruption                            | 205-1 Business activities subject to a corruption risk exposure assessment              | 32 |
|  | GRI 419: Compliance with socio-economic regulations | 419-1 Non-compliance with regulations and laws concerning social and economic territory | 32 |
| Transparency and reporting                         | GRI 103: Management approach                        | 103-1 Explanation of material topic and its boundaries                                  | 33 |
|  |   | 103-2 Management approach and its components  | 33 |
|  |   | 103-3 Management approach assessment  | 33 |
| Human rights                                       | GRI 103: Management approach                        | 103-1 Explanation of material topic and its boundaries                                  | 33 |
|  |   | 103-2 Management approach and its components  | 33 |
|  |   | 103-3 Management approach assessment  | 33 |
|  | GRI 406: Non-discrimination                         | 406-1 Cases of discrimination and corrective measures undertaken                        | 33 |
| Anti-corruption policy                             | GRI 103: Management approach                        | 103-1 Explanation of material topic and its boundaries                                  | 34 |
|  |   | 103-2 Management approach and its components  | 34 |
|  |   | 103-3 Management approach assessment  | 34 |
|  | GRI 205: Anti-corruption                            | 205-2 Communication and training on anti-corruption policies and procedures             | 34 |
|  | GRI 412: Human rights assessment                    | 412-1 Activities subject to human rights checks or impact assessments                   | 34 |
| Ethical business practices and business compliance | GRI 103: Management approach                        | 103-1 Explanation of material topic and its boundaries                                  | 35 |
|  |   | 103-2 Management approach and its components  | 35 |
|  |   | 103-3 Management approach assessment  | 35 |