



2016 SUSTAINABILITY --- REPORT

LIFE IS FOR SHARING.

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STATEMENT OF THE PRESIDENT OF THE MANAGEMENT BOARD OF HT



Dear Reader,

You have in front of you our new Hrvatski Telekom Sustainability Report, the first one prepared in accordance with the new standard of the Global Reporting Initiative. We have intentionally chosen a standard whose full application is expected in the course of 2018, as we wanted to set ourselves high goals and show ambition without which it would be impossible to maintain our leading position when it comes to sustainability. The fact that we already had created a good precondition for this step forward was also helpful in making this decision. As we ponder on our activities from a strategic point of view, taking into consideration our role and social and economic impact, we set ourselves to the task of defining material topics.

In the world of reporting and sustainability, just like in financial reporting, the materiality rule says that the report must include all topics that are important and indispensable for the company: information on business success, but also on the social and environmental impact.

In this report, we provide you with a detailed presentation of topics which, upon a dialogue-based assessment, we found to be of key importance for long-term sustainable operations of HT. Management of these topics, although often very challenging, is essential for harmonisation of financial results - which in 2016 were not only good but also growing – with the goals HT wishes to achieve on a long-term basis: value for its stakeholders and for the society in which it operates, along with a maximum possible care for the resources we use.

The growth achieved in the course of 2016 is a result of persistent monitoring of our customers' needs and changing them to the better by offering numerous new and innovative services. Our efforts have paid off, and this is why HT once again confirmed its leading position in telecommunications and digital services, both in Croatia and in the Region.

Our principal objective is to generate economic value and to invest in creating the preconditions for more accelerated digitalisation. We are extremely proud of the results of the analysis

conducted by the Institute of Economics which showed that HT is the largest private investor and the leading company with regard to its positive impact on the Croatian economy. In 2016, we increased the value of investments even more, to HRK 1,608 billion, which is 9.1% more than in 2015. Investments were aimed at increasing the capacity for broadband Internet access, improving user experience and increasing competitiveness.

Our strong market position enables us to invest even more in economic growth and reinforcement of capacities and competitiveness. Increased investment had an impact on the strengthening of positive economic trends in Croatia which also continued in 2017, despite political instability.

The positive economic trends resulted in further consolidation of the telecommunications market. Such consolidation brought numerous benefits for customers, as only financially stable operators are capable to meet the customers' needs at an acceptable price, but also to invest in new services and continuously increase quality standards. Investment in the fixed network resulted in fibre optic access for 295 thousand households, which is by 68% more than in 2015. Broadband access speeds were increased by two to five times as compared to the previous ones, free of charge, for more than 50% of customers. NGA speeds above 30 Mbit/s were enabled, in total, for 800 thousand Croatian households, thus bringing Croatia closer to the European Digital Agenda targets.

In the mobile segment, 4G network coverage for download speeds of up to 225 Mbit/s increased to 51% of the population compared to 31% coverage at the end of 2015. 4G mobile network outdoor coverage increased from 93.1% to 96.9% compared to 2015. We are making these efforts to enable greater digital inclusion and literacy as a necessary prerequisite to taking advantage of all benefits of digital technologies and services. We continue developing services that will totally change our everyday life, based on Internet of Things (IoT) concept. There is a whole range of innovative services to be found in this segment, some of them being unique even within the Deutsche

Telekom Group. We are working at an accelerated pace on the commercialisation of the 4.5G network. We are convinced that use of 4.5G technology will lend further impetus to the development and use of new services.

And, last but not least: this Report reflects our commitment to the principles of the United Nations Global Compact initiative

which we signed in 2007 and which is based on transparent reporting on all our activities.

A handwritten signature in blue ink, appearing to read 'Davor Tomašković', with a stylized, flowing script.

Davor Tomašković,
President of the Management Board of HT and CEO



MATERIAL TOPICS

OF HT

MATERIAL TOPICS, WHAT ARE THEY ALL ABOUT?

Material topics help us to present not only our present status, how we operate right now, but also what kind of future we have envisaged in HT: employees and managers, our clients, suppliers and competitors, local communities...

Through the materiality prism, we show the quality of our short-term operations.

At the same time, we show whether we can remain operative and be successful, be accepted and respected members of the community for a long time.

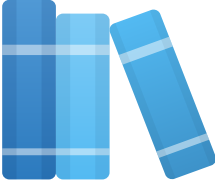

Material topics are basically the key impacts of HT. Such key impacts also paint a broader picture, the picture of the surroundings and of the complex network of mutual relations between HT and its stakeholders, and of the permanent and increasingly challenging efforts to reconcile good operating results with inevitable impacts not only on members of HT, but also on all those with whom we collaborate in one way or another to realise the vision of leadership in provision of digital services that enable development of the digital society and economy.



HOW DID HT DEFINE ITS MATERIAL TOPICS?

HT defined its material topics through a specially designed process comprised of four phases. The process was formed according to the guidelines for definition of material topics of the Global Reporting Initiative, comprising four key steps: iden-

tification, prioritisation, validation and review of material topics. The Global Reporting Initiative is the leading global initiative which, throughout the last 20 years, is considered to be the leading global framework for preparation of sustainability reports.

PHASES	ACTIVITIES	RESULT
<p>Analytical Phase</p> 	<p>Examination of various studies that included feedback on HT's activities, on positive and negative aspects. Examination of the Deutsche Telekom Materiality Matrix and analysis to what extent the topics are applicable to HT and the environment in which it is operating. Additional consultations with representatives of HR, Environmental Protection and Procurement. Comparison of material topics to Sustainability Topics for Sectors: What do stakeholders want to know? and their applicability to HT.</p>	<p>Wider list of aspects important for HT's sustainable business.</p>
<p>Dialogue Phase</p> 	<p>In-depth interviews conducted. Their purpose was to grant deeper insight in the challenges related to sustainability, competitiveness, client relations, management, and corporate responsibility of HT from the perspective of the following participants: Maruška Vizek, Ph.D., Institute of Economy; Dejan Ljuština, PwC; Vesna Mamić, HST; Dražen Lučić, Ph.D., and Domagoj Jurjević, HAKOM, and Vladimir Jelavić, Ph.D., Croatian Association for Carbon Footprint Reduction.</p>	<p>Report on the results of in-depth interviews</p>
<p>Selection Phase</p> 	<p>Elaboration of criteria used to define the relative significance of each individual material topic. Preparation of the final list of HT's material topics by comparison of results from Phase 1 and Phase 2.</p>	<p>Final list of HT's material topics</p>
<p>Presentation Phase</p> 	<p>Description of each individual material topic, preparation of a materiality matrix and selection of the way of presentation of material topics.</p>	<p>Presentation of material topics</p>

By selection of material topics, HT has met the basic prerequisite for preparation of the new sustainability report according to the

latest standard of the Global Reporting Initiative which shall be applied from the beginning of 2017.

KEY HIGHLIGHTS FROM THE DIALOGUE PHASE

■ Sustainability challenges in the society and telecommunications sector

“With the arrival of liberalisation, no one is safe anymore, neither suppliers nor operators, the market has been cannibalised, soon there will be only a few big suppliers and a few big operators.” Dražen Lučić, Ph.D.

For Domagoj Jurjević, “telecommunications are no more infrastructure and services, but rather infrastructure plus services plus content”, while according to Dejan Ljuština “the role of digitalisation in the society will be significant, a substantial portion of job positions will disappear, and future professions will be knowledge-based”.. The question is, what will the governments do when they come to realise that they are producing staff that will be unable to get employed, this is the main problem. “The markets of developed countries are oversaturated with various products and services, with all the items we should buy in order to feel happy and satisfied. People do not want to shop anymore, they do not want to get into debts in order to shop, to feel well, happy, satisfied. Companies

■ Social responsibility of HT

“HT is an excellent company and an excellent challenging place where you come across interesting jobs, new technologies and opportunities. Unfortunately, this kind of dynamics and challenges are extremely exhausting. Regrettably, new technologies do away with existing job positions, while new ones are not yet defined. Regardless of the fact that they can be proud to work in such a company, every day HT employees are exposed to frustration and job insecurity”, Vesna Mamić. “Large infrastructure companies like HT have additional responsibility for infrastructure, digitalisation of the society and development of awareness of digitalisation and infrastructure.” Maruška Vizek, Ph.D. “In order to understand socially responsible business, one must understand what sustainability is, that what we do today should not be done to the detriment of future generations. A company like HT must be ambitious. Global changes are made by technological changes, political will and changes in behavioural patterns.. HT can invest both in technology and in changes in behavioural patterns, and very strongly so. HT has not only a strong impact on itself and its employees, but also strongly impact the general population and its customers, as

will exhaust their growth potential”, Maruška Vizek, Ph.D.

“Work is not available in limitless quantities, and then there is automation, but the fact is that the price of labour gets depressed all the time, and, all things considered, the labour price is what enables us to make our living. A big problem in the EU is loss of jobs, as capital is transferred to places where profit can still be creamed off.”, Vesna Mamić.

Things will evolve in such a way that every company should have its own carbon footprint, regardless of the volume of emission, so that it would be known how much this is per capita, how much emission this is per employee of that company. This will be the future.”, Vladimir Jelavić

everyone has a phone today, and this is where the biggest role is.”, Vladimir Jelavić, Ph.D. “It is not true at all that foreign operators make absolutely no investments; they do invest far more than the national economy. As far as HT is concerned, I am not saying that they should not invest more, but the fact is that of the HRK 2.5 billion invested in the sector, HRK 1.5 billion has been invested by HT, 50% more than investments made by all others in 2015.” Dražen Lučić, Ph.D. “Short-term goals are the problem. The management bodies, upon their arrival, have only their own item in mind, i.e. short-term profitability, to the detriment of long-term benefits.

Operators do not have to do construction work in places where such work does not pay off, but they should think about doing construction work in places where such work could get profitable very soon.” Domagoj Jurjević.

HT'S MATERIAL TOPICS, PRESENTLY AND FOR A LONGER TERM



Economic value

Governance taking into account harmonisation of short-term and long-term goals, decision-making taking into account not only the immediate result, but also potential long-term results (expanding the decision-making horizon), creation of value for HT and the society.



Customer relations

Simplification of the customer experience and communication with consumers by shifting the emphasis from technical terms and descriptions of technology to customers' needs, providing consumers with accurate and complete information on services, pricing and billing method. Good price/service quality ratio, rewarding loyal customers. Providing a high level of data security and hacking protection, protection of privacy and children's rights, accessible and simple communication.



Climate changes

Definition of HT's, carbon footprint and making use of the potential impact of integrated communication on changing the customer's behavioural patterns, raising energy efficiency and increased use of renewable energy sources.



Supply chain management

Supplier evaluation, preventive mechanisms for prevention of corruption, ensuring equal conditions for all suppliers, efficient procurement management – batch planning and aggregation of procurement of material aimed at cost reduction.



Impact on employees

Maintaining the reputation of a good and attractive employer, respecting natural limitations of workers to ensure their well-being and health, respecting the labour rights of all employees, possibility to balance work and life, acquisition and retention of employees with digital skills, understanding the specifics of individual generations, employee-management relations and role of trade unions.



Digital society

Responsibility for infrastructure and development of fixed broadband Internet infrastructure, better access to NGA networks and higher speeds, collaboration with the government with regard to infrastructure development in areas where this is not economically viable, development of new, innovative products and services that will be applicable in a useful way in various areas. Digital education of young generations and future customers, supporting the government in their efforts to promote digital literacy, collaboration with the government on digital literacy projects.



Health and environmental protection

Possible impacts of electromagnetic radiation, keeping track of and informing the public on the latest scientific findings, e-waste management and disposal of hazardous waste, use of equipment with a small carbon footprint, assessment of the product's useful life and efforts to prevent waste generation – circular economy.



Collaboration with the local community

Donation projects, volunteering, job creation.



ECONOMIC

VALUE

MANAGEMENT APPROACH

Only a company which generates economic value can conduct proper business, i.e. can pay workers and suppliers, invest in its development, meet the interests of other stakeholders as well and thus create the basis for long-term survival on the increasingly competitive market. The challenges faced by HT in this context are significant and diverse, from the economic situation in the country, over fast-changing technology trends and customer habits, to regulatory provisions and activities of competitors. In order to respond to all these challenges, HT is continuously working on and harmonising its long-term business strategy; technological leadership is one of the major strategic levers, which requires substantial financial investments in the telecommunications network and other areas.

Strategic goals are transformed into precise annual business and financial targets whose achievement is also the basis for rewards to be paid out to the Management Board and managers, but also to all employees of HT.

The Management Board is the body primarily responsible for the business result. Achievement of the set annual goals is monitored in detail on a monthly/quarterly basis, and corrective action is taken, if required. Since HT's share is listed on the stock exchange, each quarter, business results are announced in a transparent way, including key explanations, available to the public for review.

HT GROUP at a glance *

2,234

mobile network customers
(prepaid: 1,075, postpaid: 1,159)

1,007

fixed network customers
(retail: 924, wholesale: 83)

752

broadband Internet customers
(retail: 618, wholesale: 134)

401

TV customers

*shown in 000

In 2016, the Institute of Economics prepared the Economic Atlas, a study of HT's socio-economic impact on the wider business and social environment. The entire HT Group¹ generates more than 3% of the Croatian GDP and more than 27,000 jobs in Croatia, and an additional 4.4 jobs in the rest

of the economy are tied to each job within the HT Group. With an average of HRK 8,616 net, the Group is paying out a salary that is by 54% above the national average and by 16% percent above the average salary in the information and communications sector.



The entire HT Group generates **3%** of the Croatian GDP



The entire HT Group generates more than **27,000** jobs in Croatia

With an average of

8,616

net, the Group is paying out

54%

above the national average salary

16%

above the average salary in the information and communications sector.

MACROECONOMIC TRENDS

After six years of recession, the first half of 2016 saw growth which speeded up in Q3. Overall on annual level, Croatian GDP grew by 2.9%, while, according to the Croatian Bureau of Statistics, the population's purchase power increased for the 33rd consecutive month, since August 2014. With a growth rate of 3.6%, personal consumption was one of the most important drivers of GDP growth to 3.4% on annual level in Q4 2016, which is the fastest economic growth since 2008.

secutive month, since August 2014. With a growth rate of 3.6%, personal consumption was one of the most important drivers of GDP growth to 3.4% on annual level in Q4 2016, which is the fastest economic growth since 2008.

Overall on annual level,
Croatian GDP grew by

2.9%



personal consumption
grew by

3.6%



KEY MARKET TRENDS:

CONSOLIDATION OF THE FIXED MARKET, INVESTMENT IN NETWORKS AND CONVERGENT OFFERS

The consolidation activities in the telecommunications market continued in 2016, and operators are able to meet the increasingly demanding needs of the customers at an acceptable price. A positive example is also visible in the case of HT's acquisition of Optima Telekom. This acquisition stabilised its business operations, financial results and market position, which enabled continued progress and further consolidation. In order to make this possible, the companies must be financially stable, and further substantial investment in infrastructure is necessary, where HT takes the leading role by having invested twice as much as all other operators combined. Last year, Hrvatski Telekom increased investment to HRK 1.61 billion, or 9.1% compared to the previous year. Investment was focused on increase of the broadband Internet access capacity, customer experience improvement, and increase of competitiveness. By the end of 2016, HT Group had 618 thousand of broadband access lines, and total turnover in this segment increased by 38.3% compared to 2015. The Croatian Pay TV market conti-

nued growth, reaching 796,000 customers in 2016, which is 3.8% on annual level.

The Croatian mobile market has been marked by strong market competition and regulatory measures that influence mobile revenue. Estimated mobile SIM penetration rate was 113.9% at the end of December 2016. Also, the Company's estimated share of total mobile telecommunications customers remained stable at 47% at the end of December 2016. All three mobile operators offer 4G services including data packages and attractive smartphones/tablets that additionally encourage the usage of OTT services (OTT – over the top). As a result, the number of sent SMS messages continued to decrease by an additional 9% compared to 2015, and the total mobile market minutes of use (MOU) increased by only 1.6% in the same period. On the other hand, total broadband traffic grew by 38.3% compared to total traffic in 2015. Total fixed originating voice minutes continued to decline by 8.1% on annual level.

Hrvatski Telekom investment
grew by

9.1%



Compared to the 2015 total traffic, the total
broadband traffic in 2016 increased by

38.3%



MOST SIGNIFICANT INVESTMENTS IN 2016

Investment value was increased to HRK 1,608 billion, or 9.1% more than in the previous year. HT put the investment focus on increase of the broadband Internet access capacity, customer experience improvement, and increase of competitiveness. Fibre optic access was expanded to 295 thousand households, representing a 68% increase compared to 2015. Broadband access speeds were increased by two to five times as compared to the previous ones, free of charge, for more than 50% of customers. NGA speeds above 30 Mbit/s were enabled, in total, for 800

thousand Croatian households, thus bringing Croatia closer to the European Digital Agenda targets. In the mobile segment, 4G network coverage for download speeds of up to 225 Mbit/s increased to 51% of the population compared to 31% coverage at the end of 2015. 4G mobile network outdoor coverage increased from 93.1% to 96.9% compared to 2015. In 2016, HT launched the new, unique concept of service offering on the Croatian telecommunications market, Magenta 1, which was accepted by more than 53 thousand households within six months.

Fibre optic access was increased by

68%



4G mobile network outdoor coverage increased to

96.9%



IMPACT ON EMPLOYEES



MANAGEMENT APPROACH



Management of employees' needs lies within the responsibility of Human Resources. Employee satisfaction is one of the company's strategic goals, therefore, in the adoption of strategic decisions, their potential impact on employees is taken into consideration. Consideration is being given to how changes will affect employees, which needs to be done in order to ensure the employees' satisfaction and commitment to work, so that they can fully contribute to the realisation of the com-

pany's strategic goals. Polls are conducted on a regular basis, dealing with employees' opinions on satisfaction and other topics of importance for employees. Employees can also use the MyHR - a portal where they can enter their questions and express their demands. HT has an elaborate performance management system which is used to communicate tasks and targets to employees, to monitor their engagement and to transparently reward them for the results achieved.

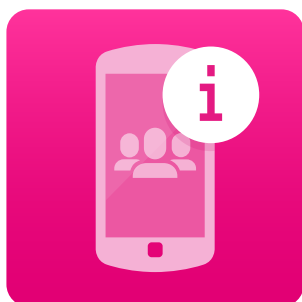
ETHICS AND EMPLOYEES' DIGNITY



Each HT employee can report any misconduct or violations of the Code of Conduct via the Ethics Line, established to provide employees with confidential and anonymous reporting. The Ethics Line can be contacted by mail, phone, fax, e-mail, or a special tool available on the Internet.

Employees may express their complaints concerning protection of dignity to two persons especially appointed to deal with such complaints who shall, within eight days at the latest, examine the complaint and take all the necessary measures to prevent any further harassment.

TRADE UNION ASSOCIATIONS



HT's employees are organised in several trade unions. However, only those trade unions representing at least 20% of the total trade union membership participate in the negotiations on the Collective Agreement. Representative trade unions are the Croatian Telecommunications Trade Union (HST) and the Republic Trade Union of Croatian Workers (RSRH). Communication takes place regularly, on a weekly basis. Employees can get in-

formation on the progress of talks or negotiations with HT on the company IntraNet, and will sometimes be informed directly, by direct e-mail, depending on the importance of the topic. In the course of 2016, elections of the workers' representative in the European Works Council were held electronically, and several regular meetings were held between Human Resources and representatives of the two representative trade unions

JOB POSITION EVALUATION

Each position in HT is evaluated in terms of the impact the activities of that workplace have on the operations of HT, the values of the same jobs in the Republic of Croatia, key responsibilities of the job, the complexity of the job and the working conditions under which activities are performed. Accordingly, each job position is classified into the appropriate salary band. Salary bands comprise groups of jobs that are identical or similar in level of complexity, responsibility, knowledge, experience and competencies required for their successful performance, and the salary of each employee is within the range in which the position is classified, depending on the performance of the employee and the necessary knowledge, experience, responsibility and quality of work.

HT has a variety of long-term rewarding plans for all employees and the management, applying various rewarding models adapted to the specific features of the individual roles, material and non-material, which provide the type of reward best matched to the needs of the job positions.

Employee rewarding results from the performance management system which offers several models:

- Performance management covering managers on top (executive) level which is conducted, following unified rules, in all DT Group members. The system's working title is "Lead to Win";
- Performance management covering managers on medium and lower level, the "Step-up" system;
- Performance management covering employees performing jobs in direct contact with users of HT services and products (workers in sales, in the call centre and technical support in the field);
- Performance management covering back-office workers, i.e. workers who are not in constant direct contact with end customers;

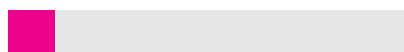
- Project-based rewarding, covering rewards for extraordinary contribution on special projects outside regular work processes; and
- "THANK YOU for putting your heart into the work" – an additional type of reward granted to employees who continuously display a high level of engagement and team work, thus making an extraordinary contribution to positive corporate culture and achievement of results.

The compensation scheme for the senior executives comprises the following long-term incentive plans: HT Variable II 2013, HT Variable II 2014, Lead to Win 2015 and Lead to Win 2016. The aim is to ensure competitive remunerations for the Management Board and senior management. Their goal is to ensure competitive compensation for members of the Management Board and senior executives. The plans promote medium and long-term value enhancement of HT Group, aligning the interests of management and shareholders. HT Variable II 2012 ended on 31 December 2015, and the Supervisory Board has determined final target achievement of 11.5%. In June 2016, participants in the plan received awards in the total gross amount of HRK 257,929. HT Variable II 2013 and HT Variable II 2014 are cash-based plans with four equally weighted performance parameters that cannot change during plan duration. Two targets are financial KPIs, adjusted earnings per share (EPS) and adjusted operating return on capital employed (ROCE), while third and fourth targets are customer and employee satisfaction. The duration of the plans is four years, effective as from 1 January every year. Upon the expiry of the term of the plans, the Supervisory Board shall determine whether each of the targets has been achieved and adopt an appropriate decision. The Variable II amount awarded to International Business Leaders (BLTs) is a fixed sum specified in the individual employment contract. For other participants, the rewarded amount is 30% or 20% of the participants' individual annual salary as contracted at the beginning of the plan, depending on the management level of the participant and according to the Supervisory Board decision. Participants'



Supervisory Board has determined final target achievement of

11.5%



In June 2016, participants in the plan received awards in the total gross amount of

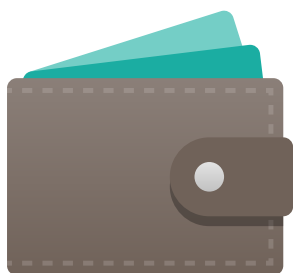
HRK 257,929.00

individual annual salary is defined as the annual amount of total fixed salary and the annual amount of variable salary in case of a 100% target achievement.

In 2016, HT continued participation in the performance management corporate plan “Lead to win” model for HT's senior management. Rewarding of top management is directly linked to individual performance and the achievement of collective KPI performance on DT Group level. The LTI (Long term incentive) plan, as part of the Lead to Win Program 2016, is a cash based plan and the awarded amount depends on the Management Group (MG 1 – MG 3) to which the participant's position belongs and on individual performance. Only those who achieve a minimum performance rating of 3 (score range is from 1 to 5) can participate in the plan. The participation amount can be from 10% to 30% of the contracted annual salary depending on MG and on individual performance rating. The plan currency shall be euro, and four defined success

parameters are the parameters of the DT Group. They are: ROCE (Return on Capital Employed), Adjusted EPS (Earnings per Share), Customer satisfaction and Employee satisfaction. The success parameters have an achievement corridor between 0% and 150%. The term of the LTI plan shall cover the period from January 1, 2016 to December 31, 2019. HT Supervisory Board shall declare the target achievement after the end of each year.

The employee' salary is determined in the employment contract in a gross amount and may be by the amount of salary supplements for working in special conditions (overtime, night work, shift work, work on Saturdays, Sundays, holidays, awards, etc.). The gross basic salary for a job in the lowest, first salary band amounts to HRK 4,000.00 to which amount other salary increases are added. The average monthly gross salary paid in 2016 amounted to HRK 11,991.00, which is by 1.5% more than the average gross salary paid in 2015 amounting to HRK 11,816.00.



The gross basic salary for a job in the lowest, first salary band amounts to

HRK 4,000.00

The average monthly gross salary paid in 2016 amounted to

HRK 11,991.00

PENSION BENEFITS

HT is regularly paying contributions for all employees in the generational solidarity system at a rate of 20%, applicable in the 1st pillar. For policyholders who are insured in both mandatory pillars, the contribution rate for the first pillar is 15%, whereas in the second pillar pays a contribution of 5% is paid to personal accounts in mandatory pension funds.

Hrvatski Telekom is the founder and sponsor of the T-HT Closed-End Voluntary Pension Fund with favourable terms and benefits for HT employees who join it. In 2016, HT made voluntary payments amounting to HRK 42,900 in favour of members of the Fund – HT employees. The Collective Agreement allows each employee the option of deciding whether he or she wants the employer to pay the amount of the annual vacation bonus in form of a monthly payment into the T-HT Closed-End Voluntary Pension Fund, or as an annual vacation bonus.

HT made voluntary payments amounting to

HRK 42,900

in favour of members of the Fund – HT employees.

OTHER BENEFITS

All employees have equal benefits, according to the time spent at work: vacation bonus amounting to HRK 1,250, Christmas bonus amounting to HRK 1,250, Easter voucher in the amount of HRK 400, gifts for children up to 15 years of age in the amount of HRK 600, various supports defined by the Collective Agreement, salary bonuses for family needs etc. Employees are entitled to compensation of commuting expenses, and when they retire, they are entitled to severance payment. Managers are not entitled to vacation bonuses and vouchers for Easter.

All employees are covered by an accident insurance policy with an authorised insurance company in the case of death due to accident, permanent disability, accident, and hospitalisation coverage. Moreover, financial assistance is paid for schooling of children of deceased workers in amounts from HRK 500 to HRK 1,300 per month, financial assistance for schooling of children of single parents, financial assistance to workers' children who are single parents, to children with developmental disorders and to children of workers with four or more children, to each worker per child up to 15 years of age, in the gross amount of HRK 3,000. For the use of the second six months of the maternal leave, the company will pay an additional HRK 1,200.00 per month, in addition to payment of a compensation for the birth or adoption of a child.

HT also provides for free-of-charge medical check-ups for employees and discounts for their family members. HT's "PrijaTelj" Foundation will provide financial assistance in cases of extraordinary, increased costs of medical treatment of employees and members of their closer or wider family, members of their common household and persons who the employee has to take care of. The foundation also provides assistance in the case of natural disasters and other potential forms of damage to property, as well as other forms of financial assistance fulfilling the purpose of the Foundation. In numerous cases, the Foundation has provided financial assistance to employees and their closer and wider

family members by financing medical interventions, schooling of children, in cases of fires and floods, purchase of computers etc.

The company particularly cares about employee health and of the balance between private and professional life. In addition to the free-of-charge medical check-ups, employees are encouraged to attend free Yoga and Pilates classes in the company's premises and provides counselling on nutrition in order to raise awareness of healthy diets at the workplace as well. Every year, the HT Olympics are held – a sports meeting where all interested employees can show their sports skills in individual disciplines during a three-day event. HT also participates in the B2B Run, where Members of the Management Board and managers, who are participating in the run themselves, promote active running and encourage employees to join the Run in as large numbers as possible. The number of runners is increasing with each year, and, thanks to the B2B Run, many employees started to train running and have kept this healthy habit.

Aiming to promote work-life balance, HT provides numerous programmes and activities in order to involve the employees' families and bring the closer to corporate life. HT has a flexible working hours policy and the "Friday in Slippers" programme - an excellently received pilot programme encouraging work at home, on the last Friday of the month. All first graders get one day of paid leave for the child's first day at elementary school, so that they can spend that special day with their children. The Day with Mom and Dad at Work gathers a large number of employees' children in the company's premises, where they spend one day at their parent's workplace – either in the robotics workshop, in the drawing workshop, or just having a lot of fun.

Moreover, employees get more favourable prices for telecommunications services. HT's Intranet pages also features the offers of companies that offer their products and services at more favourable prices, exclusively to HT workers.



EMPLOYEE AND MANAGEMENT RELATIONS



Negotiations for a new Collective Agreement begin no later than three months before the expiration of the current Collective Agreement. Deadlines for consultation with the Employees' Council on everything that affects the labour and social position of employees in HT are defined in the Agreement on the Conditions for the Work of the Workers' Council.

In addition, all channels of internal communication and direct communication between managers and employees are used to regularly provide employees with information on forthcoming changes of importance for company operations and for the employees themselves. The understanding of changes is reviewed on a regular basis by the Employee Satisfaction Survey, and measures are taken to improve communication of changes.

SAFETY AT WORK



HT has organised the work of four Safety at Work Committees and the Central Safety at Work Committee. The Committees meet on a quarterly basis to systematically consider the improvement of safety and health protection of employees and persons at work, prevention of injuries at work, and prevention of occupational and other work-related diseases. The Committees operate in the

following areas: North and Zagreb headquarters, West – Rijeka, South – Split, and East – Osijek, while the Central Committee operates in Zagreb. The Collective Agreement regulates the area of safety at work and the employer's obligations concerning the application of safety at work regulations and improvements, as well as the tasks of the work safety representatives.

PERSONAL PROTECTIVE EQUIPMENT



Employees who, during their work, are exposed to certain types of dangers and harmful influences are provided with personal protective equipment if risks cannot be eliminated by other protective measures. Based on the risk determined by means of the Workplace Hazard Assessment as the basic document in the safety at work area, HT has defined, in accordance with the statutory provisions and the Work Safety Regulations, which means or, respectively, equipment shall be used during which activities or tasks, depending on the

hazards and potential harms involved, and approximate deadlines are given for issuance and use of protective equipment.

Within the scope of preventive medical check-ups, the employer provides for eyesight testing of employees working at computers, such test being conducted at a selected occupational health office. According to available data, at Hrvatski Telekom, 2,776 employees work at the computer (working with computers means using computers for four or more hours during the working day).

TRAINING OF WORKERS FOR SAFE WORK

Pursuant to the provisions of the Occupational Health and Safety Act and of the Work Safety Regulations, HT conducts training of workers on safe work before the worker commences

employment, if there are changes in work processes, and when changing job positions or places or work. The practical competence for work is evaluated at the place of work.

CORPORATE VALUES

HT's system of corporate values is defined by the Guiding Principles. Along with the Code of Conduct, these Principles provide fundamental guidelines followed by HT in its daily life and work, and that promote ethical conduct, mutual respect, team work, achievement of best results in the simplest possible manner, open expression of opinions, assumption of responsibility and creation of an environment that encourages, recognises and appreciates exceptional results. The Guiding Principles are available on the Company's IntraNet and on the web page www.t.ht.hr.

Making new employees aware of company values is also included in the Onboarding Programme, and conduct in line with the Guiding Principles is part of the Company's competency model. The Employee Satisfaction Survey which we conduct on a regular basis always includes questions related to knowledge of the Guiding Principles and/or business operation in line with the Guiding Principles.



TRAINING AND EDUCATION

HT intensively supports and creates awareness of the need for lifelong learning. To keep up with the latest achievements in the fast-changing industry, all employees must regularly build and develop their competencies and adopt new knowledge, which will also raise their personal competitive position.

HT has developed an e-learning system which all employees can or must attend (depending on the education topic) at a time and place they find most convenient. Moreover, employees also have access to the Magenta MOOC (Massive Open Online Course), Skillsoft and Learnlight, programmes intended for employees of Deutsche Telekom Group that provide interdisciplinary learning experience based on video lectures, academic mentoring and peer learning about digital trends and new business models. HT is a knowledge company; therefore, employees are encouraged to permanently undergo further education and to keep track of publicly available online training courses on platforms such as Coursera or TedX.

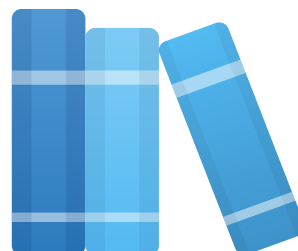
In 2016, HT maintained its well-developed internal education system. HT employees have specific knowledge, and internal transfer of knowledge is useful both for the trainee and for the trainer who is developing additional competencies.

Hrvatski Telekom has trained T-trainers. In 2016, certified HR employees were intensively involved as trainers in education on development of team culture (e.g. SDI analysis, Four Rooms of Change) and in transfer of specialist HR know-how for managerial staff (e.g. HR toolbox). Managers are evaluated on the basis of how they develop their team. Coaching is used in the group,

or individually, as an activity for development of managers.

In 2016, HT continued to apply the concept of creation of an individual career development plan for employees and the concept of Education of Your Own Choice. 2,500 job positions were offered to employees for application through the local HR.net system. The superior's approval was a prerequisite for application. In addition to employee education, the year 2016 also saw the launch of the Talent Programme where 300 talents were nominated. Furthermore, the Leadership Academy was started for 120 managers. Various formats of professional education are already available as part of the standard offer.

HT has several models of performance management, depending on the type of work that employees perform. Employees at the Company receive information on their performance in a way that they are first given objectives, after which their progress is monitored through the year and, finally, their performance is evaluated, and depending on that evaluation, rewards are paid. All employees at HT are included in performance assessment, and they have equal rights to achieve their targets and get rewarded. The goal is to evaluate the employee performance and to raise work motivation and employee satisfaction. Assessment of the employee's performance and potential lays the ground for the employee's further development. Once a year, based on the performance assessment (targets and competencies) and the potential for taking on more demanding jobs, one of six possible development categories is set for the employee. Moreover, the employee defines, in collaboration with the superior, the measures for his/her development: trainings he/she needs to attend in the current year, education, other development programmes (e.g. mentoring), and areas which the employee needs to work on independently or, respectively, assume initiative for his/her own growth and development.

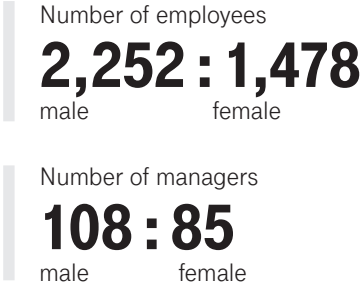
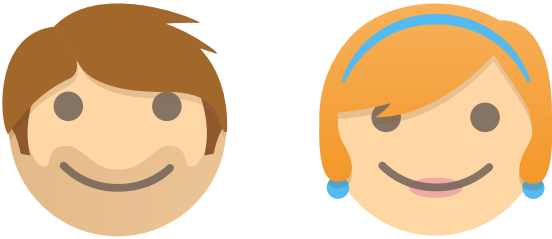


DIVERSITY AND EQUAL OPPORTUNITIES

Out of the seven Members of the Management Board, two are female employees. HT does not collect data on minorities.

HT has a total of 3,730 employees, of which 2,252 are male and 1,478 are female employees. HT employs 193 managers, of which 108 are male and 85 female employees. The ratio of female

and male employees holding managerial positions is 44:56%. The ratio of basic salary of male and female managers in 2016 indicates that female managers on average have 2.5% higher salaries than their male counterparts. The average salary of male employees in non-managerial positions is 3.8% higher than the average female employees' salary at the same positions.



ANTI-DISCRIMINATION

HT has appointed persons in charge of receiving complaints and protecting the dignity of workers. In 2016, one complaint regarding protection of the worker's dignity was received; upon completion of the complaint resolution procedure, the measure of termination of employment of the worker who had

committed harassment was taken, as HT has zero tolerance for any form of harassment. However, in 2016, three lawsuits have been filed (by former HT workers) on grounds of discrimination; the respective proceedings are ongoing, and HT disputes the occurrence of any form of discrimination.



FIGHT AGAINST CORRUPTION - EMPLOYEES

All employees, including members of the managerial body, have been made aware of HT's anti-corruption policies and procedures. The policies have been published in the Company's media and are also available on the corporate Intranet. HT applies three methods to make employees more aware of the issue of corruption risks: by communication coming from the Management Board, by regular campaigns on occasion of the International Anti-Corruption Day, and via its web pages on Compliance.

All employees who would like to learn more on how to prevent corruption and other conflicts of interests can find on the com-

pany's internal websites a comprehensive education which is permanently available. The education course is based on an interactive and multimedia approach to raising the awareness of and educating employees, and apart from topics concerning the recognition and prevention of corruption and conflict of interests, it also covers risk areas such as handling of gifts and benefits, relation to the members of the public sector, and controls when working with external consultants and representatives. The education concept is designed as a discussion on cases, where attendants of the education course are faced with real-life dilemmas and situations from the business environment. The education course includes also a clear message of the Management Board of the Group of a need to fight corruption at all levels (Tone from the Top).

If they have any questions on how to prevent being exposed to the corruption risk, employees and members of the managerial body can ask experts on the "Ask Me" consultation portal. U 2016, there were 16 requests for advice on this topic and 357 integrity checks of future and existing partners of HT, also covering corruption risks. Not a single case of corruption was confirmed.





CUSTOMER RELATIONS

CUSTOMER SATISFACTION MANAGEMENT

Customer satisfaction is among most important strategic goals of Hrvatski Telekom. HT monitors customer loyalty using the TRI*M methodology, while customer satisfaction is monitored within the ICCA project.

The ICCA (International Customer Contact Analysis) examines customer satisfaction with all of HT's touch points: call centre, IVR self-service, T-Centres, field technicians, door-to-door service and HT's official website. Polls are conducted on a daily basis, immediately upon the end of the last interaction with HT. By completing the poll, customers have the opportunity to rate the competence and kindness of the agent or sales representative with whom they had the last interaction, as well as the duration and quality of realisation of the interaction itself. The results are monitored and reported to all levels, from the Management Board level to the level of each individual agent or sales representative. Based on the supplied results, HT takes short-term and long-term measures to improve the quality of work of agents and sales representatives as well as processes.

The results for 2016 show that the set customer satisfaction index has been realised in a total amount of 115%. Customers considered the interaction T-Centres, the call centre, and with field technicians and to be the best and indicated improvements they would like to have implemented for upgrading of the IVR self-service.

HT will continue to apply the identical method in 2017 as well, as the customers' ratings and opinions serve as a basis for proposals regarding HT's operations aimed at improving customer satisfaction.

The TRI*M survey method has been applied on DT Group level since 2007. In addition to the overall customer loyalty and satisfaction index, this survey also provides analysis of results

of specific questions about products, prices, contact points and processes where the customer is interacting with HT. This way, HT gets a full picture of the customer experience. Results are being monitored from Management Board level to the individual employees (depending on responsibility level) and are applied as strategic guidelines defining activities in areas where extra efforts need to be made in order to increase customer satisfaction. Results in 2016 indicate that a TRI*M customer satisfaction index of 62 was achieved (on a scale from -66 to +134), which means that almost the same satisfaction level was achieved as in 2015 (index 60), while compared to 2014, (index 54), the satisfaction index shows a significant increase in 2016. The results in individual areas show that customers have given above-average ratings to network quality and coverage, while complaint resolution received a below-average rating, which indicates that the process is very demanding.

Based on the results of the TRI*M survey, numerous projects were launched in the last two years, with a focus on resolution of fundamental difficulties and provision of basic quality in the delivery of services and support. The results of these projects are evidenced by the progress in service provisioning to customers; some of the examples are:

- Number of calls reduced by 8% compared to the previous year;
- Number of complaints reduced by 6% compared to the previous year;
- Number of faults reduced by 2% compared to the previous year;
- The percentage of inquiries resolved at first contact increased by 1 per cent compared to the previous year.

In addition to the projects, the Company's strategic focus on improvement of customer satisfaction is also evident from the approach to product development, which can be seen on the example of Magenta 1.

Employees from HT offices also spend time in direct contact with customers, becoming "Christmas helpers" in the shops. This initiative provided HT's managers an opportunity to speak directly to customers and hear their comments on products and services.

PERSONAL DATA PROTECTION

HT's main privacy protection policy is the Binding Corporate Rules Privacy (BCRP) of Deutsche Telekom Group, publicly available on HT's website. It is important to point out that the BCRP is a policy of Deutsche Telekom Group which includes HT as a member.



It has been passed in accordance with the best European practice, and it received approval from all relevant personal data protection agencies in a special procedure of the EU Commission. The policy was adopted by HT in October 2014; HT included a separate organisational area responsible for protection of personal data and privacy. Moreover, since 2009, HT also has the special function of Data Protection Officer, although this function is scheduled to become mandatory only pursuant to the new EU General Data Protection Regulation (GDPR) which are going to be applied as from May 2018.

Pursuant to the mandatory regulations and corporate standards, HT has a two-stage complaint submission or, respectively, resolution procedure in place. A complaint can be filed at any sales point of HT, by calling the Customer Service, or in writing, by e-mail, telefax or regular mail to HT's address. Moreover, contacts at HT are provided to customers with regard to protection of personal data; HT endeavours to respond in a timely manner to every relevant inquiries, requests and/or complaints submitted

by customers or supervisory bodies with regard to protection of personal data. A separate organisational unit has been put in charge of application of the efficient personal data protection system, and it responds directly to the President of the Management Board. The Personal Data Protection Officer is in charge of education on the need and manner of protection of natural persons' rights related to processing of their personal data.

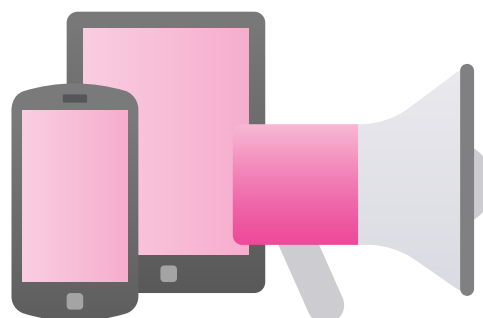
In 2016, customers and the Personal Data Protection Agency filed 24 complaints regarding violation of the right to privacy. In three cases, leaking, theft or loss of customer data was found (individual cases caused by human error). Each HT customer can submit a complaint on abuse of personal data. If a fault is found on HT's side or, what occurs more frequently, if abuse was committed by unknown third parties, the complaint will be settled positively for the customer. HT keeps track of the occurrence of specific types and frequency of data abuse complaints and, if necessary, will change internal processes.

MARKETING AND MARKING

In marketing communications, advertising, sponsorship and promotion, HT uses Deutsche Telekom's brand guidelines and the HURA code of advertising. During the reporting period, no incidents were reported with regard to non-observance of marketing communications.

In 2016, HT received two reprimands due to the fact that on two accessory items the declaration that has to be affixed to the item by the distributor was missing. The procedure requires that each product offered for sale by HT on the basis of a con-

tract with the distributor or directly with the supplier must be marked in accordance with the applicable statutory provisions.



An aerial photograph of a lush green forest. A dirt path winds through the trees, leading to a waterfall that cascades into a pool of water. The scene is captured from a high angle, showing the intricate patterns of the forest canopy and the natural beauty of the landscape.

CLIMATE CHANGES, ENVI- RONMENT AND HEALTH

MANAGEMENT APPROACH

The Management Board of HT is directly responsible for the definition and implementation of the environmental protection, health and safety policy. HT focuses on finding solutions that will render products and services energy-efficient, that will save natural resources and preserve the health of employees and customers.

Employees are continuously involved in measures of environmental protection, health and improvement of safety at work. They are obligated, just like the contractual partners and suppliers, to observe and apply statutory provisions from these areas. HT has a policy of environmental protection, health and safety in place which is aligned with the DT and DT Group Policy, and HT provides, on a regular basis, information to the public on activities performed for protection of the environment, health and safety at work.

When considering the impact of various risk types on the company's operations, the Management Board also takes into con-

sideration risk directly or indirectly related to climate changes. In order to reduce and bring under control its own impact on climate changes, the company has defined, within the scope of the Integrated Environmental, Health, and Safety at Work Management System in line with the ISO 14001 and OHSAS 18001 standards, a documented procedure to be followed when handling ozone-depleting substances.



OBJECTIVES OF ENVIRONMENTAL MANAGEMENT

Based on the environmental protection policy and on significant aspects of the environment, HT defines, applies and maintains documented general and individual objectives in environmental protection on relevant functional levels in the company, as well as programmes/measures for achievement of such objectives. In 2016, a total of 42 environmental management objectives was defined, among them were:

- Providing information and raising awareness:
 - Education of primary school pupils on the importance of proper disposal of old mobile handsets and related accessories for recycling purposes and environment preservation;
 - Participation in the “Earth Hour” project;
- Identifying the public opinion on environmental protection aspects in HT:
 - Conducting public opinion polls:

- Improving the workers' proficiency level in the domain of accident and risk prevention:
 - Conducting of seven evacuation and rescue drills;
 - Preparation of a program for prevention of stress at work and related to work;
- Performing control of electromagnetic field levels:
 - Perform initial and periodic measurements on mobile network base stations in line with statutory time limits;
- Reducing the number of spatial interventions during construction of mobile network base stations:
 - Interoperator collaboration aimed at electronic infrastructure location sharing.
- More efficient and rational consumption of all forms of energy:
 - Optimising energy consumption and increasing ener-

- gy efficiency in fixed and mobile networks;
- Reduction of energy consumption by optimisation of the system for provision of thermal working conditions and IT systems and equipment;
- Reduction of energy consumption on mobile network base stations by rectifier modernisation;
- Modifications in heating and cooling systems;
- Reconstruction of the cooling system in the data centre;
- Improvement of energy efficiency of buildings (fitting and reconstruction of facilities);
- Conducting energy audits and energy certification of facilities according to the plan and statutory time limits;
- Conducting of the initial energy audits of HT as large company;
- Reducing paper consumption:
 - Reduce paper consumption in day-to-day work;
 - Promote the use of electronic media for purposes of internal and external communication (Intranet, Internet, e-mail) and promotion of products and services;
 - Reduce consumption of paper for bills and itemised call lists for customers by promoting increased use of e-bills;
 - Develop My Telekom portal for administration of services for residential and business customers;
 - Reduce the need for paper consumption at sales points;
 - Document printing optimisation process in the company;
- Promotion, presentation and implementation of the technology framework "Internet of Things":
 - Smart City solution in Dubrovnik;
- Smart lamps and smart street solutions;
- Promotion of environmental advantages of HT's products and services, with emphasis on information and communication solutions that reduce consumption of energy and resources:
 - Solution for video surveillance and forest fire detection systems;
- Promotion of traffic system sustainability
 - Decarbonisation of urban mobility through a network of fully connected EV charging stations;
- Reduce and prevent emissions of harmful gases into the air:
 - Full replacement of systems and devices using HCFC (R-22);
 - Measurement of air emissions from stationary sources;
 - Regular maintenance and servicing of air conditioning systems and devices, as well as boiler rooms and fleet;
 - Replacement of diesel power generators by low-voltage network;
 - Procurement of new vehicles meeting the highest environmental criteria;
 - Using electricity generated from renewable sources (sign a contract with HEP Opskrba d.o.o. for the ZelEn product);
- Waste:
 - Increase reuse of no longer required network and IT equipment, devices and small inventory;
 - Increase the portion of recycled waste

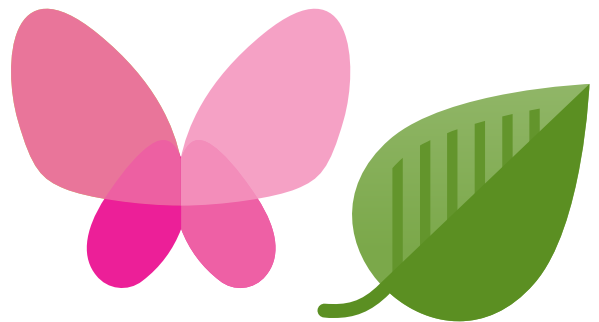


In accordance with statutory regulations, HT systematically monitors and measures:

- Electromagnetic field levels (regularly);
- Consumption of all energy products and fuels (quarterly);
- Air emissions from stationary sources (regularly, every two years, pursuant to legal obligation);
- Quantity of packaging material put on the market (quarterly);
- Quantity of imported electrical and electronic equipment and devices (monthly);
- Paper consumption in the office (yearly);
- Quantities of all types of waste incurred in business operation (monthly);
- Quantity of disposed mobile devices collected from customers and from internal use (yearly);
- Quantity of imported electrical and electronic equipment
- Kilometres travelled by air on business trips (quarterly).

Environmental impacts measured by HT although not prescribed by law:

- Public opinion polls on environmentally friendly disposal of old mobile phones and electromagnetic radiation;
- Encouraging visitors at sales points to return old mobile phones and other electronic devices from the sales portfolio for further disposal, along with granting special benefits;
- Within the scope of evaluation of indirect impact on the environment, the services offered to customers are evaluated in terms of raw material and/or energy savings, traffic avoidance and enabling hardware replacement;
- Consumption of all energy products and fuels (quarterly)
- Paper consumption in the office (yearly)
- Kilometres travelled by air on business trips (quarterly).



Among the monitored environmental impacts of HT's services/products are:

- Products are put on the market in paper packaging; the packaging quantities are monitored and measured on a regular basis (quarterly). These quantities have been reduced by implementation of appropriate measures.
- Due to the widespread public interest in electromagnetic field levels, HT is publishing the specific absorption rate (SAR) of mobile phones offered by HT on its official website.
- HT conducts various marketing campaigns to encourage customers to return old mobile devices to T-Centres (more than 137,000 old mobile phones collected and disposed of until the end of 2016).
- Within the scope of evaluation of indirect impact on the environment, the services offered to customers are evaluated in terms of raw material and/or energy savings, traffic avoidance and enabling hardware replacement.
- HT uses public opinion polls to monitor the population's perception of activities related to environmental protection, electromagnetic radiation and old mobile phone collection campaigns

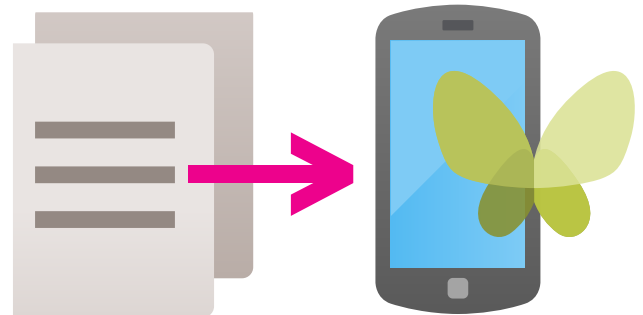
Measures taken by HT to reduce waste volume:

Waste prevention by encouraging the reuse of no longer required tangible assets, reducing wastage to a minimum, separate collection of waste containing useful components to enable their recycling and proper disposal are the backbone of the activities in the field of waste management in HT.

- Separate waste collection and selection (office paper, cardboard packaging, PET bottles, batteries, copper cables, iron parts etc.) for delivery to licensed collection companies for recycling purposes;
- Sale of no longer required small inventory to interested employees;
- Sale of dismantled and no longer required telecommunications equipment and parts to interested buyers for reuse;
- Reduction of packaging quantities in products;
- Employee education;
- Reduced consumption of paper for bills and itemised call lists for customers by promoting increased use of e-bills;

- Reduction of paper consumption in day-to-day work (digitising internal processes and switch to e-business contribute to reduced paper consumption in the office);
- Availability of reports in electronic form, etc.;
- Development for IT applications which enable paper savings;
- Reduction of paper consumption for printed media and promotional material (promoting the use of electronic media for purposes of internal and external communication and promotion of products and services).

Within the scope of business transformation through automation, digitalisation and simplification of business processes, paper consumption in the office in HT has been decreasing for years.



Measures taken to reduce water consumption:

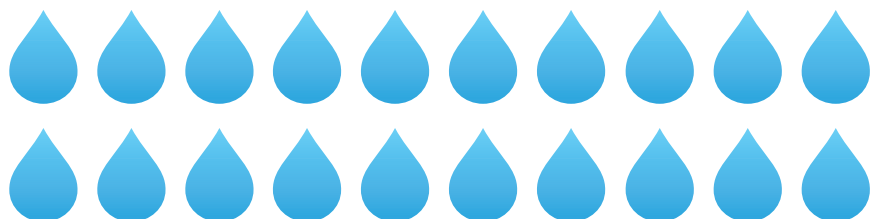
Due to the nature of its activities, HT does not discharge waste water associated with power plants, i.e. water is not used for technological purposes. HT uses water from the public water supply network as utility service, for drinking, sanitation purposes, in air conditioning and firefighting systems. Domestic water is discharged only in sewage outfalls. It is important to note that none of the HT's business processes represents a risk of pollution of watercourses. Where there is a risk of oil spills into the sewer, appropriate technical means are applied, the so-called oil

separators and grease filters, which provide for the separation of oils from liquids. Reduced water consumption throughout the last couple of years is a result of the employees' environmental awareness, optimisation of business premises, and preventive maintenance and completed reconstructions on heating/cooling systems and the water supply network.

Water consumption is decreasing (in 2016 it was reduced by 20% compared to 2015).

compared to 2015 water consumption is reduced by:

20%



ENERGY EFFICIENCY

Since 2011, HT is conducting an energy efficiency project covering all energy efficiency-related activities aimed at realisation of the best possible results in the area of reduction of energy consumption.

HT is conducting analysis of a number of potential energy ef-

ficiency improvement measures; all measures are aligned with the set objectives of the Integrated Environmental, Health, and Safety at Work Management System. In 2016, the implemented measures resulted in a total 8,230 GJ decrease in energy consumption. The project of promoting energy efficiency on corporate level was continued in 2016 and resulted in reduction of electrical energy by 2% compared to 2015. In other words, consumption of electrical energy was reduced from 127,381.39 MWh to 124,457.12 MWh.

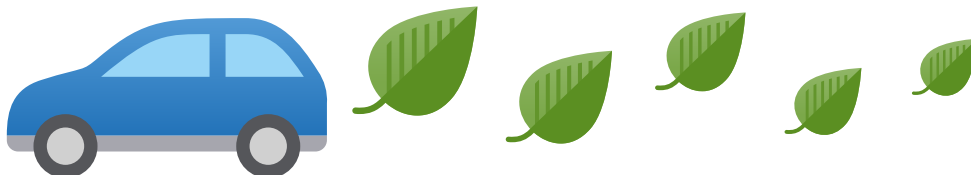


2%

reduction of electrical energy

Among the measures are:

- Decommissioning and dismantling of obsolete and non-functional equipment;
- Replacement of control meters;
- Change of tariff models for billing of electricity consumption;
- Conducting of energy audits and energy certifications for all facilities of HT;
- Analysis of the utilisation status of spaces in HT's facilities and relocation of employees and/or equipment;
- Reduction of energy consumption of DC power supply at mobile network base stations (rectifier replacement);
- Reduction of energy consumption of the system for provision of thermal working conditions (replacement of cooling devices and reduction of electrical energy by optimisation of the installed air-conditioning systems);
- Replacement of the cooling system, reconstruction of the cooling system in the data centre, modification and reconstruction works on the heating and cooling systems on two locations);
- Reduction of electricity consumption through maximum utilisation of existing IT resources;
- Conducting feasibility studies in the process of procurement of telecommunications and IT equipment (one of the specification's input is energy consumption or, generally, energy efficiency of the new equipment);
- Procurement of multifunctional equipment whenever possible (e.g. procurement of a single device featuring printing, copying and telefaxing functions);
- Fleet renewal by procurement of new vehicles.



CLIMATE PROTECTION

Sustainable development and climate protection constitute one of the strategic determinants of HT and the entire DT Group, and use of energy from renewable sources is one step forward in HT's constant efforts to create a society with reduced greenhouse gas emissions. Therefore, we are proud that we will procure electricity for our own needs from renewable sources and thus more actively contribute to a well-considered joint course of action for a better environment and a better future in our community.

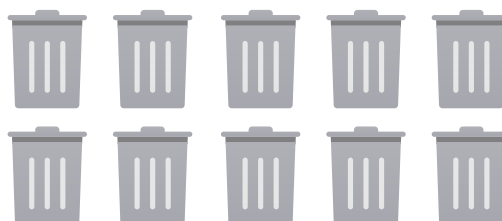
HT operates a widely branched access network which has largely been built above ground, particularly in rural and less populated areas, and which is therefore subject to damage caused by natural disasters, increasingly caused by climate changes. In order to ensure business continuity and to increase network resilience to impacts of bad weather, HT is investing financial funds, within the scope of its regular operations, into the replacement of the above ground network by an underground network in regions where such sorts of damage would be most pronounced. Moreover, HT's telecommunications infrastructure is extremely dependent on secure and uninterrupted power supply and thus exposed to the risk of electric power outage from the public electricity service caused by bad weather. This is why HT is conducting technical and organisational measures in terms of providing stationary and mobile backup power supply units for all significant infrastructure facilities. Furthermore, the company has taken out an insurance for its network infrastructure covering the

risk of damage caused by adverse weather conditions. In 2016, HT has recovered HRK 1.8 million from insurance, in contrast to the year 2015, when revenue from insurance payments received amounted to HRK 3.7 million. As the trend of reported damage increases every year due to impact of adverse weather conditions, the insurance company change the terms and conditions for compensation of damage. We are currently in the phase of improving the process of damage reporting and payment of damages by the insurer.

Impacts on the environment are reduced by heating and cooling control employing so-called smart building solutions. In 2016, energy audits and certifications of buildings continued with a view to improving the energy efficiency of the real estate portfolio. In total, 50 technology and office premises and buildings were certified, with an average energy class D, which is satisfactory with regard to the year and type of construction, primarily due to the quality of regular maintenance and the materials and equipment installed. The car fleet, the average age of a car being below 3.5 years, is subject to constant renewal and modernisation in line with the highest environmental criteria. It also includes approximately 40 vehicles that can run on LPG fuel considered the most environmentally friendly motor fuel. Within the objective to transform the business operations through automation, digitalisation, and simplification of business processes, the quantity of disposed and recycled paper waste decreased by approximately 10% compared to 2015. Alongside the regular collection of used devices in T-Centres, we continued the buy-back program for old mobile devices, under which customers can receive discounts when buying a new device. Employee education is conducted on environmental impacts and energy efficiency. In addition, as a step further in its continuous efforts to protect the climate and reduce greenhouse gas emissions, since 2016, HT has been procuring green electricity generated solely from renewable sources, covering more than 80% of its electricity needs.

the quantity of disposed and recycled paper waste decreased by approximately

10%



CLIMATE CHANGES AND ADVANCED ICT TECHNOLOGIES

By implementation of cutting-edge ICT technologies, HT contributes to the reduction of its own carbon footprint, while providing its customers with many products and services enabling them to do the same. The majority of such products and services allows development and application of various forms of online business activities (e-commerce, e-administration, e-banking etc.), virtualisation of business in hitherto markedly “physical” environments (e-libraries, e-video libraries, online advertising, online sales, online customer support, e-bills etc.), thus transforming traditionally

physical products into electronical ones. By development, implementation and provision of increasingly broad offerings of ICT services “in the cloud”, HT is making an additional contribution to the beneficial influence of ICT technologies and services on climate changes, as evident from reduced need for travel, reduced consumption of paper and other tangible resources, less, more rational and more efficient use of energy etc., which has an impact on reduction of harmful gas emissions, particularly carbon dioxide (CO₂) into the air.

THROUGH EDUCATION TO IMPROVEMENT OF ENVIRONMENTAL INDICATORS

Continuing with its environmental and educational collaboration with primary schools, HT visited the primary school “OŠ 22. lipnja” in Sisak which has the permanent “International Eco School” status. Within the scope of the school’s environmental programme related to waste collection, sorting and recycling, the diligent pupils have been collecting old mobile phones during the school year. The campaign saw the involvement of all pupils, along with an outstanding commitment of a group of ecologists, under the leadership of the teacher Ljubica Radulović, and a total of 128 old mobile phones was collected. HT forwarded the collected old mobile phones to a licensed Croatian concessionaire, and the received dis-

patch note was handed over to the school. This way, HT is an active participant in the education of the youngest on the importance of environmental preservation and proper waste management.

HT supports the raising of environmental awareness among its employees in numerous ways, for instance by obligatory separated collection of useful waste (paper, batteries, small electronic waste, spent toner cartridges, etc.). Most of the employees have completed a course on environmental protection, and new employees receive training in environmental protection during the onboarding process.



HEALTH AND SAFETY

With the development of mobile communications and the growing number of customers, the need for base stations and mobile antennas without which communication is not possible also increases. HT strictly complies with regulations on electromagnetic radiation, with the Ordinance on Protection Against Electromagnetic Fields and the Ordinance on the Limitation of the Strength of Electromagnetic Fields for Radio Equipment and Telecommunications Terminal Equipment.

HT also applies the international standard for limiting exposure to time-varying electric, magnetic and electromagnetic fields (up to 300 GHz), including the safety limits that have been adopted by the UN World Health Organisation on a global level. The Croatian Ordinance on Protection Against Electromagnetic Fields has stricter limitations than those prescribed by the European Union and the International Commission on Non-Ionising Radiation Protection (ICNIRP):

- A margin of safety of 60% is applied to electric field strength (i.e. the permissible level is 40% of the EU Directive and ICNIRP Guidelines);

- A margin of safety of as much as 84% applies to the power density (i.e. the permissible radiation level is just 16% of the EU Directive and ICNIRP Guidelines).

GSM base stations have been developed, tested and put into operation in accordance with international standards and requirements. Hrvatski Telekom receives the certificates proving that the base stations comply with the security requirements of ICNIRP and with a series of standards for product safety, electromagnetic compatibility and general technical regulations from the equipment manufacturer. Also, all base stations are certified as conforming to a range of European and international standards issued by the Croatian Post and Electronic Communications Agency.

HT encourages extensive and detailed scientific research and keeps track of the research activities of many organisations, independent groups, professional teams and scientists on the effects of electromagnetic radiation. All research papers published up to now and the latest scientific findings show that the electromagnetic fields in the mobile communication systems have no harmful effects on human health, which has been also confirmed by the World Health Organisation itself. In the course of 2016, measurements were conducted on almost 1,400 base stations, and the results were forwarded to the Ministry of Health. Such independent measurements of electromagnetic fields in HT's mobile networks have been conducted on a regular basis for many years already. The results for 2016 generally show the same trend as in previous years - which the measured values are far below the prescribed limits. All sources of electromagnetic field in HT's mobile networks have their approval for use issued by the Ministry of Health.



TEN GUIDELINES ON ELECTROMAGNETIC FIELDS

HT acknowledges the general public's true concern over the impacts of mobile communications technology, of mobile handsets as much as of base stations. Taking into account the large number of base stations and millions of customers, Croatian Telecom is determined to take the public's concern seriously and to deal with the general public's needs and environmental needs in an open, constructive and sincere manner.

Transparency

- HT has set up internal responsibilities and workflows with regard to complaints and inquiries on technology impacts, health and other related issue
- HT is aware of the general public's interest in in mobile communications. For full transparency, HT supports the idea of creation of national data bases on base stations which would contain all other EMR sources as well.

Providing information

- In addressing the public, HT follows a proactive communications strategy, striving to cooperate with all interested parties. Moreover, HT is encouraging authorities on all levels to cooperate with the mobile industry and to set up own programs of providing information to the public.

Cooperation

- HT cooperates with local authorities in handling citizens' inquiries regarding network development and selection of sites for base stations. For assistance to local authorities, HT provides all relevant information on our networks.
- HT strives to cooperate with local authorities, aiming to harmonise its position on base station sites with local authorities.
- HT makes efforts to minimise visual impacts of bases stations and effects of the overall network on the landscape.

HT plays an active role in the public dialog on electromagnetic fields, supports independent scientific studies in health research, and participates in counselling, communication and providing information to the public and other important subjects on all social levels. Although the regulatory and social principles differ throughout Europe, all members of the DT Group share the commitment to transparency, being informed, providing advice and active participation. HT has accepted and observes the principles set forth in the DT Group Guidelines on EM Fields:

- All base stations of HT comply with the national guidelines on exposure to non-ionising radiation, as well as with the Guidelines of the ICNIRP- the International Commission on Non-Ionising Radiation Protection. In order to improve transparency, Croatian Telecom has a Compliance Certificate for each base station.

- On its website and at all sales outlets, HT is providing manufacturers' information on the SAR values of the devices offered.



Promoting scientific expertise

- HT fully supports the progress of scientific expertise on EMR effects on human health and contributes to independent development programmes.
- HT believes that limitations of exposure to electroma-

gnetic fields should be defined on the basis of scientifically documented and recognised research, and that such limitations should be under permanent control. Furthermore, HT is keeping track of and assessing the latest discoveries in science, on its own.

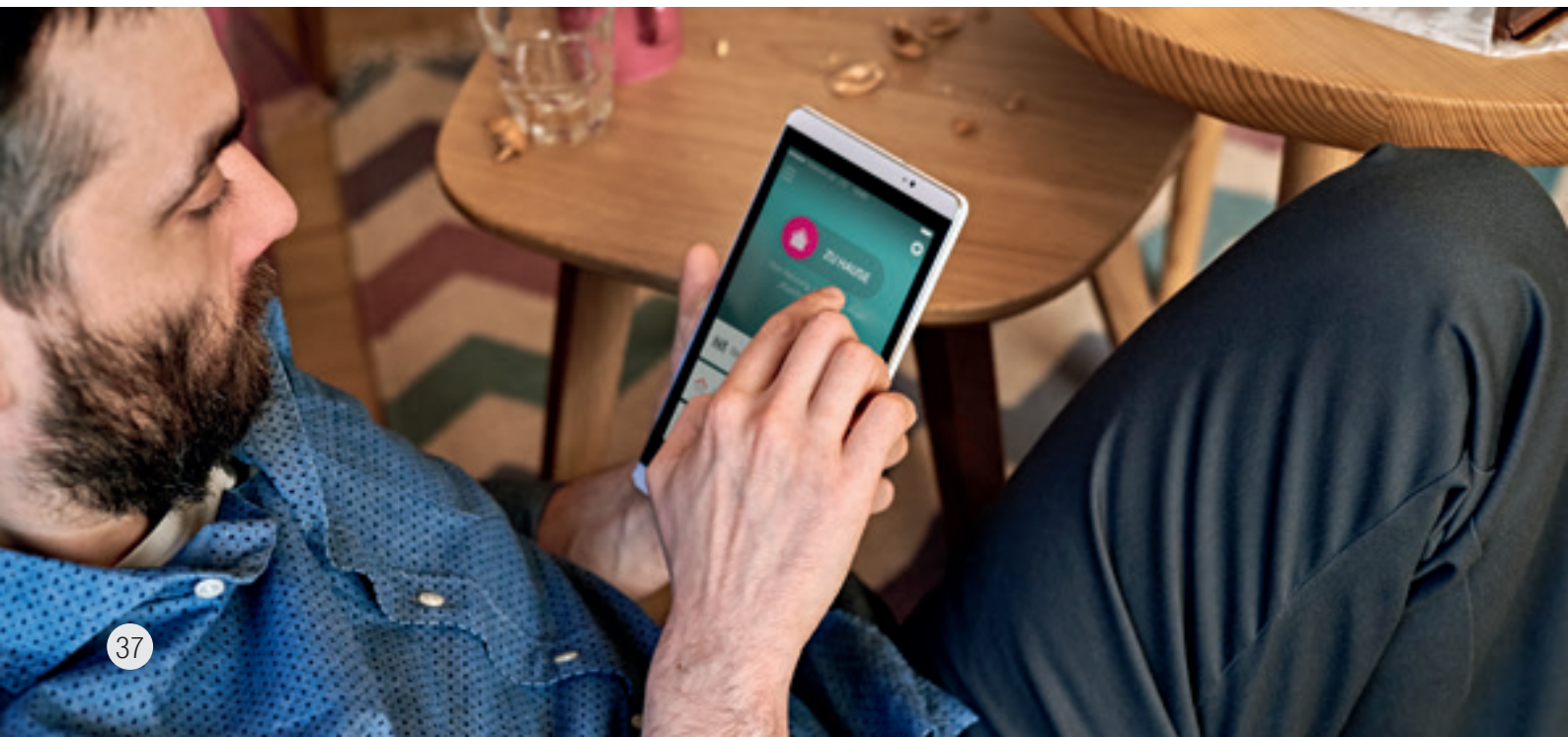
SAFETY REQUIREMENTS

All mobile devices marketed by HT meet the safety requirements on the SAR values. SAR (Specific Absorption Rate) is a measure of specific absorption rate, or the unit that describes the speed of absorption of electromagnetic energy per unit mass of tissue, and is expressed in W/kg.

Pursuant to Directive 1999/519/EC of the European Union on limiting exposure to electromagnetic fields (0 Hz to 300 MHz), the permissible limits of SAR amount to 2 W/kg for every 10 g of tissue for the head and torso. The limitation has been taken over by the Croatian Ordinance on the Protection from Electromagnetic Fields (OG 146/2014). The SAR value of mobile phones marketed by HT

is less than 2 W/kg.

In 2016, HT continued with the implementation of activities by which HT seeks to contribute to reducing the use of materials by its customers, with a focus on customer needs and advancement of e-business. Services “in the cloud” are primarily intended for business customers; they have been designed and are enabled in a centralised manner, in HT’s own network. By means of these services, HT reduces the customers’ need for devices and equipment, thus contributing to the protection of the environment. Furthermore, the e-bill service contributes to preservation of the environment thanks to reduced use of paper, and the number of customers who have activated this service is constantly increasing. In 2016 as well, HT continued offering our “Replace and Save” service, allowing customers to bring their old mobile device to a T-Centre and get a discount on products included in HT’s offering.



EMISSIONS

Within the scope of the Integrated Environmental, Health, and Safety at Work Management System, the Handling Ozone-depleting Substances Procedure established the monitoring and management of activities pertaining to the maintenance of various equipment that contains substances that could potentially affect the. HT monitors air emissions from boiler rooms on a regular basis and prepares reports in compliance with Croatian regulations. The weight of air emissions is either directly determined from measurements or indirectly calculated from fuel consumption. As a result of a decreasing energy consumption trend, the NO₂ and SO₂ emissions were lower in 2016. Boiler rooms are equipped with automated regulation of consumption parameters contributing to a more efficient use of resources and lower emissions in the environment. Regular maintenance of boiler rooms is the basis for reducing emissions in the environment.

Of other indirect emissions, those resulting from business trips by public transport are considered the most significant ones in HT (travels by company vehicles from own fleet are included in direct greenhouse gas emissions). Exact data on types of means of transport and mileage are not monitored and therefore are unavailable. However, the total number of business trips,

where planes/trains/rented cars and taxis are the most commonly used means of transport, showed an upward trend in the reporting period as compared to the previous years, due to increased business needs as a result of outsourcing of individual business activities.

The year 2016 saw an upward trend in the use of audio and video conferencing as a replacement for physical meetings, which further reduced the need for business trips, particularly over longer distances where air planes are mainly used for transport.

Audio conference has become a standard method for holding regular meetings and consultations at the DT Group level, especially when the presence of participants from several national companies is required, which has resulted in a considerable reduction in the number of trips in order to hold physical meetings, and thus in emissions caused by such trips.



GREEN OFFICE

As part of the Integrated Environmental, Health, and Safety at Work Management System, HT defined the guideline for establishment of the Green Office. The Green Office is a set of measures and proper conduct in day-to-day office operations resulting in an increase in the efficient use of resources and, at the same time, in positive impacts on the environment and our business operations. The guidelines also pertain to the use of resources, particularly paper. The digitalisation of internal processes and the transfer to e-business contribute to the reduction of paper use in office operations. The transformation of business operations, through their automation, digitalisation and simplification, resulted in a constant decline in paper consumption in HT. In 2016, paper consumption was reduced by 13% compared to 2015. In the Sales Department, HT is continuously working on the digitalisation of sales documents and processes; in the course of 2016, a total level of 8% of paper documents was achieved in T-Centres.

HT offers its customers numerous innovative services enabling them to reduce their own impacts on the environment (saving raw material and/or energy, avoiding traffic, reducing the need for hardware, offering the possibility of hardware replacement etc.)

HT deals responsibly with the waste generated in the business processes, in accordance with the procedures of the certified Integrated Environmental Management System, Waste Management procedure. Waste prevention by encouraging the reuse of unnecessary assets, reducing wastage to a minimum, separate collection of waste containing useful components to enabling its recycling and proper disposal are the backbone of the activities in the field of waste management. All waste generated in the business process is to be sorted according to the place of origin, and is collected in separate containers and delivered for further care to authorised companies and concessionaires. For the purpose of reuse of unnecessary assets, a prescribed procedure for its sale to interested external customers as well as employees of the company is conducted. In this way the amount of waste produced is significantly

reduced, the lifespan of sold tangible assets is expanded and savings on resources (raw materials) required in the production of new equipment and devices are achieved.

The total weight of waste is determined by weighing. In 2016, a total of 782 tons of various types of waste was collected and disposed, of which 102 tons were hazardous waste. The quantity of hazardous waste was reduced by 43% compared to 2015, as a result of the sale of old equipment and devices previously disposed of as electronic waste, and as such classified as hazardous waste

According to Croatian regulations, HT provided its customers in all sales points with the possibility to return their old mobile phones and batteries or, respectively, old electronic devices from its portfolio. By means of various campaigns of environmentally friendly disposal of used mobile handsets organised by HT since 2005, until now, more than 137,000 used mobile devices were taken care of.

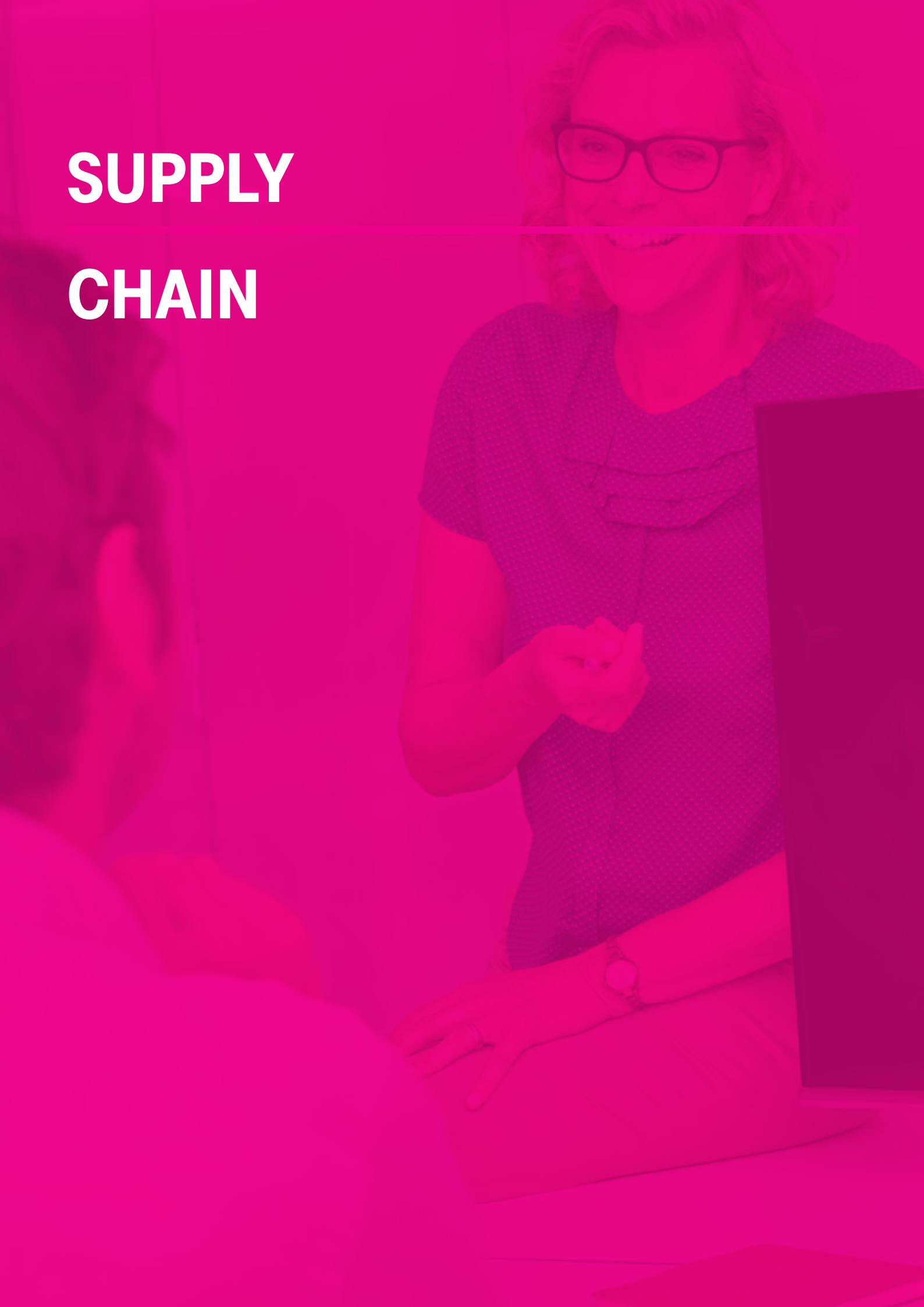
Communication with individuals and customers on environmental protection may be realised either in written or in verbal form. The dedicated e-mail address for inquiries regarding environmental protection in HT is: zastita.okolisa@t.ht.hr. Other marketing ways of communication are announcements in newspapers, ads, websites, flyers, brochures, press conferences, and announcements of annual results in environmental management, media conferences on the occasion of launching environmental projects and on other occasions related to environmental protection.

The quantity of hazardous waste was reduced by:

43%



SUPPLY CHAIN



MANAGEMENT APPROACH

Management of supplier relations and processes lies within the responsibility of Procurement. Procurement makes sure that supplier relations are managed cross-functionally, taking into consideration the supplier's overall lifetime. HT's Procurement manages cash outflow, except in the case of taxes, salaries, acquisition and merger transactions, and mobile device subsidies, in one of the following ways:

- By integration of procurement under Procurement's direct responsibility;
- By allocation of mandates to the respective customer facing / functional units to perform procurement activities; or
- By defining exceptions to Procurement.

Procurement is responsible for achievement of best value for the Company in the procurement of goods or services, including measures required for implementation, management and monitoring of the respective processes, such as:

- Definition of procurement strategy and supply chain;
- Prescribing activities and responsibilities related to execution of the annual Procurement Plan in order to create the basis for achievement of optimum procurement conditions;
- Leading and management of needs, as well as cost management aimed at increase of overall savings and avoidance of unnecessary costs.

Management of supplier relations and procurement contracts, including continuous improvement programmes with logistic partners – as a rule, HT avoids doing business with suppliers which might have a detrimental impact on the reputation or pose any other risk. Therefore, Procurement has to ensure that the following companies be not invited to the tendering process:

- Companies included in the list of undesirable suppliers; or
- Companies which have failed the organisational unit's compliance check.

By means of its internal documents, Hrvatski Telekom has strictly

defined important ethical topics in business relations with partners. Therefore, HT:

- Does not tolerate corruption;
- Avoids and suppresses all situations that imply conflict of interest on any side of the business relationship;
- Strictly defines rules on giving and receiving gifts among business partners;
- Does not support reciprocal transactions and is committed to full transparency of all business processes;
- Has implemented and is maintaining internal control systems according to the highest standards;
- Requires its partners to accept the principles set forth in the five Guiding Principles and the Code of Ethics.

HT has also put into place a certified environmental management system in compliance with the ISO 14001 standard. This international standard sets forth that all subjects performing work on behalf and in the name of HT, must be made aware of the environmental protection principles, which includes suppliers of goods and services and other contractual partners. Therefore, while being involved in the procurement process on the Hrvatski Telekom side, and particularly while they are working at locations in ownership or under jurisdiction of Hrvatski Telekom, suppliers are expected to:

- Proceed in line with applicable laws and other regulations dealing with environmental protection;
- Handle waste produced during performance of work in the manner as prescribed by the contract;
- Upon completion of maintenance work, dispose of replaced consumables, parts, and material themselves;
- Always proceed in line with the principles of best practice in environmental protection, regardless of whether they have their own certified environmental protection certificate in place or not.

All suppliers with whom Procurement establishes business cooperation are made aware of HT's anti-corruption policies, as an excerpt from HT's anti-corruption rules is included in all contracts.

BUSINESS SUSTAINABILITY QUESTIONNAIRE

In the regulation of relations with suppliers, HT also uses the “Business Sustainability Questionnaire” which contains two basic assessment components - observation of ethical principles in business operation and environmental protection. The above-mentioned Questionnaire is an obligatory document for all suppliers who wish to do business with HT. To this effect, in the course of 2016, all new suppliers were evaluated by application of environmental management criteria. In 2016, 156 suppliers had to complete the Business Sustainability Questionnaire. Out of the total budget, 88% is spent on local suppliers with whom HT directly enters into business relations and which are not defined in terms of geography. In addition to the 678 local suppliers, HT enters into contracts on services with so-called “global” suppliers with whom cooperation is established on DT Group level. In the case of engagement of security companies, HT enters into contracts on services with companies which operate in line with applicable statutory provisions and meet the conditions for performance of such activities.

During the procurement process, the company is asked to submit documents on the education and further continuous education of the security company employees. During the reporting period, none of the suppliers has been subject to analytical assessment due to possible significant potentially detrimental impact on the environment, nor has any significant risk been identified related corruption in the risk assessment of selected suppliers.





DIGITAL

SOCIETY

MANAGEMENT APPROACH

HT manages development of the digital society by means of strategically defined development plans, utilising digital access and applications, as well as by intensive collaboration with educational institutions and the academic community in the promotion of the digital society. HT is a forerunner in terms of automation and computerisation of business processes, document and material flows, as well as of task management. From the Human Resources aspect, HT influences digital inclusion through its STEM programme² which covers HT employees. They are not only participants, but act as ambassadors and mentors of STEM. HT is a company of STEM experts which continuously fosters lifelong learning and further education of its employees, thus enabling them to work

on new technologies, acquire new competencies and maintain their personal competitive position. Expert training, professional further education, internal transfer of know-how and an extensive online education programme which provides employees with the opportunity to learn when and where they want – all this is part of employee development which is given a lot of attention. Furthermore, the inclusion of HT employees in international projects within the scope of Deutsche Telekom Group allows them to gain access to new knowledge and to develop their competencies in an international environment. In collaboration with Croatian Makers, HT organises robotics workshops for children of its workers, where the little ones learn and work with mBot, Logo and micro:bit.

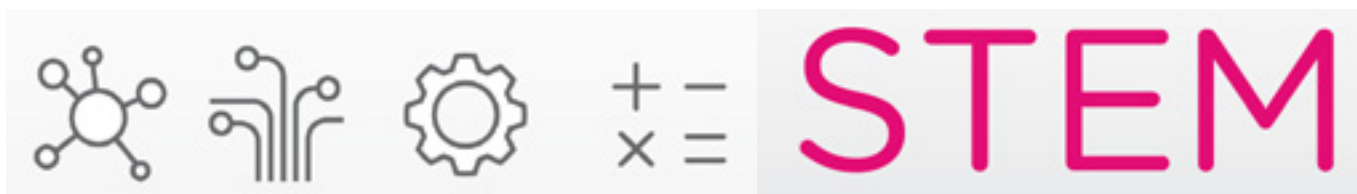
STEM PROGRAMME – ACADEMIC COMMUNITY

HT offers specialised internships for STEM students, offering them the opportunity to get familiar with specific jobs and company life and to acquire first work experience already during their study. Furthermore, the HT Innovation Camp was held, where students could learn more about the brand-new technologies.

HT experts are frequent experts are frequent guest lecturers at faculties, particularly in the area of ICT and IoT (Internet of Things). HT is also involved in the Private Sector Youth Initiative of the Croatian Employers Association and the European Bank for Reconstruction and Development whose main objective is to enable young people to acquire their first work experiences, mainly through practical training. In collaboration with the Knowledge in Action Foundation, secondary school students are given the opportunity to visit HT's business areas.

A five-year Framework Cooperation Agreement has been signed with the Faculty of Electrical Engineering and Computing (FER), covering work on science and research projects, involving university students in projects with HT, further education of HT employees, but also lectures given by HT experts to FER students. HT has an intensive cooperation with FER's Career Centre, actively supporting their programmes. HT is also involved in INNOSOC (Innovative ICT Solutions for the Societal Challenges), a joint project of eleven faculties from eight countries aimed at development of multidisciplinary international study programmes in the area of innovations based on information and communication technologies (ICT).

HT delivers access services, on a regular basis, to the academic community and educational institutions, employing tools for automatic monitoring and notifying upon completion of individual steps in procurement business processes, in the areas of network construction, cost control, and customer requests. HT plans to use advanced "big data" tools for analysis of customer needs.



DIGITAL LITERACY

Digital competency means confident use of IT society technology for work, entertainment, learning and communication.

It includes basic ICT skills: use of a computer for finding, accessing, storing, creating, presenting and exchanging information

and participation in collaborative peer networks via the Internet. Digital competency requires understanding and knowledge of the nature, role and capacity of technology in everyday situations: in personal and social life, and at work. This includes the major applications, such as text processing, spreadsheets, databases, storage and management, as well as understanding the possibilities and potential risks of the Internet and of communication via electronic media (e-mail, web tools) for work, leisure, exchange of information, collaboration, networking, learning and research.



PROJECT FOR PROMOTION DIGITAL LITERACY

For the promotion of digital literacy, HT organised the Hack it! hackathon, and in a very short period, more than 150 people applied, mostly developers, designers, marketing and business professionals from the marketing and business areas; among them, the 43 best candidates were selected and assigned into teams keeping in mind the balance between knowledge and skills. The teams have been presented with the task of developing the method of communication of the future. Be it augmented reality, virtual reality, or some other third technology, the innovation and development of an idea will be considered the most valuable, and the additional advantage will be given to the solutions with market potential. The winner of the hackathon was Maggie Team with a solution based on a personal digital communications assistant. Maggie Team provided a vision of a personal digital assistant that follows one's conversations through a mobile phone and hence, based on the data and patterns collected, predicts user requirements and wishes and acts accordingly (for example, it automatically schedules a meeting arranged during a conversation and enters it into the digital calendar).



HT and PlugSurfing GmbH (PS), an international company seated in Berlin, have signed a cooperation agreement on the joint promotion of e-Mobility across the Adriatic Region, to provide users of electric vehicles, by means of the PlugSurfing application, access to a wide network of charging stations all over Croatia, built by HT and its partners. The application registered 54,000 downloads on the iOS and Android platform and has 29,000 active users worldwide and 150 active users in Croatia.

HT has designed special packages for users aged over 60, which include a broadband line at favourable prices and lower-priced tablet computers with installed applications for newspaper reading and communication with the closest family members, all aimed at encouraging the seniors to use the Internet. Moreover, in the two largest cities,

HT provides free training for elderly users on how to use the Internet.

HT grants special prices of publicly available voice telephony services tailored to the needs of socially endangered groups of end-users – service users with special social needs (war and military invalids and civil invalids of the Homeland War, members of the close family of killed and missing Homeland War veterans and associations, and persons with disabilities – members of the association).

HT and IN2 started the implementation of the mNurse system in Zagreb Children's Hospital and Zabok General Hospital. The mNurse application is a mobile upgrade of the IN2 Hospital Information System (Bolnički informacijski sustav – BIS) intended for nurses working in hospital wards. The mNurse application will enable the ward nurses to enter all their observations and required information in the hospital system on the spot during their regular checks and conversations with patients within all hospital premises. The graphic display of data in the application ensures better visibility of the patient data, and the data records are adjusted to the working process of the ward nurses. The users of the application have a full insight into the ward activity list, which, in a simple way, provides an overview of the prescribed and applied therapies and interventions for all patients.

The Red Noses Foundation, Microsoft Hrvatska and HT have provided the youngest patients at the Oncology Institute of the University Clinic for Tumours with the opportunity to communicate with clown doctors. During 2016, the project generated 98 Skype calls with the participation of approximately 500 children.

HT and the Croatian Society for Alzheimer's disease conducted a DT Group project on the territory of Croatia – Sea Hero Quest. This is an innovative mobile game, specifically designed to create the world's largest crowd sourced data set benchmarking human spatial navigation. The database will help bring scientists one step closer to developing new diagnostic tests for dementia. Within six months from its launch, the game has attracted more than two and a half million users worldwide. The data collected through the game are submitted to the scientists participating in the project, as well as to the Alzheimer's Research, and will hence be comprehensively analysed which is expected to last two more years. The next project step is to use the mobile game Sea Hero Quest in early diagnosing of dementia and in patient treatment, as well as in the analysis of the drug effectiveness. This research is likely to be a real breakthrough in the fight against dementia which, according to estimates, is expected to affect 131 million people by 2050 at the global level.

HT is the sponsor of a unique mobile application - Bebin kalendar dohrane (Baby's calendar of complementary feeding). The free application aims to help parents in introducing complementary food to their babies' diet on a daily basis and is a straightforward and comprehensible method to present a recommended plan of introduction

of complementary food into baby's diet starting from six months of age to the age of two. Number of direct app users: 6,045 (iOS 631, Android 5,414). The users' average rating of the app is 4.9, which makes this app the best rated Croatian application.

DIGITAL INCLUSION

Access to broadband services

HT holds the leading market position in the provision of digital broadband services. According to the access network development strategy, HT plans and constructs fixed and mobile broadband networks in all parts of Croatia where sufficient commercial interest can be identified. HT owns, manages and maintains most of the electronic communications infrastructure (ECI) in Croatia.

In areas lacking sufficient commercial interest, or in areas of special state concern and islands, HT closely collaborates with the Regulator and the local community with regard to supported and subsidised construction of ECI. HAKOM defines which instituti-

ons need to have broadband Internet and invites tenders for the defined locations. HT submits a tender and offers establishment of the service, while HAKOM allocates the necessary funds based on the tender. HT is obligated to provide a minimum of 2 Mbps within six months from the date of signature of the subsidy contract, and 30 Mbps within two years, to the institutions (schools, nursery schools, public institutions) in areas of special state concern. Since 2014, when HT had signed the contract with HAKOM, implementation is ongoing in 2016 as well in various institutions and organisations in the following areas: Lika-Senj County, Požega-Slavonia County, Dubrovnik-Neretva County and Lika-Senj County, more specifically, the Zrinski and Frankopan Primary School, Lipovlje Primary Branch School, the D. Lerman Brestovac Primary School – Skenderovci Primary Branch School, the Stjepan Radić Primary School – Ruševo Primary Branch School, the Žuljana Volunteer Fire Department, the Gospić Vocational School, the Gospić Grammar School and the Gospić Medical Centre. Implementation will continue in 2017.



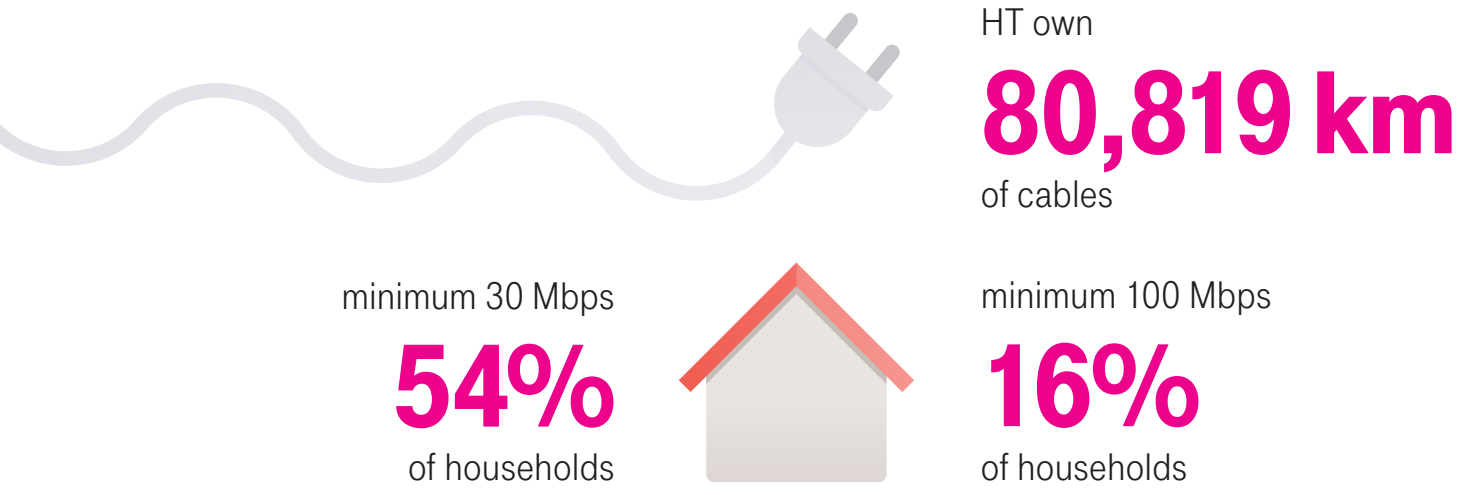
Being an infrastructure operator, HT is actively participating in state programmes for broadband Internet development financed by EU structural funds. The respective programmes are: the National Framework Programme for the Development of Broadband Infrastructure in Areas Lacking Sufficient Commercial Interest for Investments, and the National Programme for the Development of Broadband Aggregate Infrastructure in Areas Lacking Sufficient Commercial Interest for Investments, as a prerequisite for the development of next generation access (NGA) networks.

By its regular commercial operations, HT is contributing to realisation of the goals of the EU Digital Agenda (DAE) which requires that broadband access speeds of at least 30 Mbit/s be made available to 100% of the population and 100 Mbit/s to a minimum of 50% of the population. The Republic of Croatia is operationally implementing the DAE goals through a formally approved programme of state subsidies for development of broadband infrastructure in areas lacking sufficient commercial interest for investments; in practice, the programme will be implemented by grant calls from the Operational Programme Competitiveness and Cohesion 2014-2020. (OPCC). Eligible applicants to the planned grant call within the scope of the OPCC are local/regional units which, before applying for the grant, will select by public procurement procedure a private partner (network operator), with whom they will further prepare the project for application to the grant call. It is the business interest of HT to be selected as private telecom operator to as many public procurement procedures as possible, for which HT is making intensive preparations presently, actively participating in all preparatory procedures (public consultations). If selected, HT will co-finance the construction of the subsidised broadband network and manage the same by applying the

wholesale model. This way, HT will make a maximum contribution to realisation of DEA goals in non-commercial areas of the Republic of Croatia. Particularly in the case of large infrastructure companies, such as HT, which are much more exposed to the public eye, and whose every move is given much more attention, they have additional responsibility for infrastructure which, in the specific case of HT, is the digitalisation of the society and development of awareness of digitalisation, and of the infrastructure enabling such digitalisation, including all other related factors.

By fulfilment of the prerequisites for broadband Internet access, HT increases efficiency and fosters digital business operation in all segments of the society – government institutions, local authorities, entrepreneurship, infrastructure companies, educational institutions, culture and sports institutions, the academic community, etc.

- HT own 80,819 km of cables in transport, aggregation and access networks;
- HT provides broadband Internet access services at speeds of at least 30 Mbps for 54% of households, and 100 Mbps for 16% of households;
- Mobile broadband service coverage with a minimum download speed of 1 Mbps is 79% for the territory of the RoC or, respectively, 97% for the population of the RoC.
- HT participated in all tender procedures related to grant calls for subsidised construction of ECI conducted by the Regulator, thus providing broadband lines for 215 institutions.



Use of electronic communications infrastructure

HT leases its own ECI or capacities (manholes, ducts, cables, masts, facilities, signal transmission, data transmission etc.) on a commercial basis, or at regulated rates, to participants in the society – to telecommunications operators, service providers transmitting programmes or signals for multimedia publishers, the firefighting community, power supply companies, local authorities, non-profit organisations etc. HT enters into partnerships with other operators and other entities, and takes on lease of the ECI from other legal entities.

In the case of critical infrastructure such as for telecommunications, energy, water supply etc., HT maintains a strategic focus on utilisation of existing infrastructure (e.g. masts of the power supply distribution network) and therefore enters into partnerships with strategic companies in the Republic of Croatia.

HT was designated as the Universal Services Provider in the Republic of Croatia at fixed location for voice, telefax and data communications which permit functional Internet access. Furthermore, being a Universal Services Provider, HT installs and maintains public pay telephones, provides special measures for disabled persons and offers a special pricing system adjusted to groups of end users with special social needs.

Being a provider of the above mentioned universal services, HT contributes to the social inclusion of individuals, enabling them

to enjoy the benefits of the digital society even when it is not commercially profitable for HT.

HT:

- Leases 6,821 km of pipes and 233,000 copper cable pairs for the ULL;
- Takes lease of and uses four fibre optic distribution networks constructed and maintained by other telecommunications operators;
- Exchanges more than 100 antenna masts with other operators;
- Takes lease of 78,100 masts of the power supply distribution network;
- Takes lease of 51 km of pipes;
- Takes lease of 91,100 m² of space/property for accommodation of mobile network ECI and 10,914 m² space/property for accommodation of fixed network ECI;
- Has 19,707 users of universal services on the territory of the Republic of Croatia



Innovative use of infrastructure related to innovative services

HT is continuously investing in the development and implementation of innovative products that contribute to increased cost-effectiveness of infrastructure use and thus to increased availability of services. On the mobile network, HT proactively tests and implements new standards for the Internet of Things concept, which entails millions of telemetric devices for transmission of small quantities of data.

- HT offers the MaxNetMini service for more than 15,000 households. The service uses mobile network resources for provision of fixed telephony and Internet access services with reduced performances due to the limitations of the mobile network resources;

- HT started to implement the Fixed Wireless Access pilot services in order to test the possibilities of provision of fixed services based on use of the radio network and a dedicated spectrum.
- HT started testing of the mobile network's LTE Narrow Band IoT functionality.

In March 2016, HT launched Magenta 1, a unique concept of integrated services offering. For residential customers using fixed and mobile services, HT provides the fastest Internet access and the widest choice of TV content on MAXtv. For business customers, the Magenta 1 Business Package provides the best from the fixed, mobile and cloud world in one place.

Proactivity in the launch of modern user equipment

HT provides permanent offers for replacement of user equipment, or performs such replacements on its own, in line with the needs in network modernisation.

- With the introduction of the VDSL service, HT has replaced modems at all fixed network access nodes which are now supporting VDSL and Vectoring VDSL;
- HT provides permanent offers for mobile handset replacement to enable customers to use all modern mobile network functions;

- HT is preparing the replacement of STB devices for IPTV;
- During fault repair, as a rule, customers' access units are replaced by new generation units.



Development of ICT services for small, medium and large business customers

HT participates in the development of ICT services for small, medium and large business customers and has prepared two service packages for them: Return to Growth which include development of new digital business operation.

HT has the broadest ICT and Cloud service portfolio in Croatia. Cloud services enable business customers to operate their business more efficiently. The service costs are foreseeable, so that there are no initial investments – the service will be charged in monthly fees, depending on use. The services are scalable, i.e. the number of licenses may be

reduced or increased as needed.

- In 2016, total ICT revenue amounted to HRK 683 million;
- In 2016, HT had a total of 23 standard ICT services.



Total ICT revenue amounted to

HRK 683
million

Petitions to HT regarding broadband Internet infrastructure development

HT occasionally gets citizens' petitions from areas insufficiently covered by the mobile signal or lacking sufficient speed of access to the fixed network. In such cases, HT takes the following steps:

- Technical analysis of the area is performed in the same manner as in regular network planning;
- A cost-effectiveness analysis is performed in terms of marketing and finance, the result of which indicates the individual area's or individual solution's profitability.
- A profitable solution will be planned for implementation, according to priority, either for the current or for the next two years, and the citizens are provided with feedback.
- If the individual area is covered by an EU BB project proposal, and HT has no commercial interest, the citizens

are instructed to seek further information at the local administrative units.

- In places where modernisation of ECI (electronic communications network) is required, activities were started for preparation of design and investment documents. Obtaining necessary building permits in line with applicable laws of the Republic of Croatia is an essential prerequisite for realisation of planned interventions.

In 2016, three requests were received – petitions of citizens/local community based on development of broadband access. The petitions dealt with the topic of improvement of the Internet connection and mobile network in the area of the towns of Kaniža, Šumeće, Zbjeg, Dubočac and Bebrina, telephone signal and Internet speed boost in the towns of Bogdanovići and Sitno in the area of Prgomet municipality, and telephone signal and Internet speed boost in the Pušća municipality.



RELATIONS WITH THE LOCAL COMMUNITIES



TOGETHER WE ARE STRONGER

In the course of the year 2016, HT has donated almost HRK one million for various projects. The primary donation project was this year's donation contest Together We Are Stronger which, in 2016, was announced in two categories – Technology and Science. It was aimed at primary school children to promote STEM education in Croatia. The donation fund of the contest amounted to HRK 700,000.

Together We Are Stronger is a project conducted by HT since 2004. Since the launch of this initiative, HT has donated almost HRK 10 million, supporting the realisation of approximately 300 projects that made a positive contribution to various segments of the society. Within the scope of the contest of 2016, 39 applications were submitted in two categories (New Technologies and Science), and the focus was primarily on those who promote STEM education amongst primary school pupils in the most effective way. HT Group employees selected five finalists in each category through an internal selection, while the winners were selected by the expert panel comprised of Hrvatski Telekom representatives and experts from competent institutions and associations. The winning projects were "Internet of Things in Croatian Primary Schools 2016" of the Institute for Youth Development and Innovativity and "HT Campus" of the Višnjan-based Astronomical Society. The project "In-

ternet of Things in Croatian Primary Schools 2016" included more than 450 pupils from 55 primary schools and organisations from all over Croatia, providing them with access to advanced digital technologies such as IoT and Logo. Education on technologies that are becoming indispensable in the development of new products and services was provided not only to pupils, but also to more than 60 teachers in primary schools across Croatia. The "HT Campus" project helped to equip a new interdisciplinary lab which is unique in Croatia and which enables pupils to conduct interdisciplinary research. It can be adapted to highly specialised projects from the fields of biology, astrobiology and chemistry. The construction and equipping of the laboratory enables the implementation of year-long programmes of a higher level of quality, in addition to providing pupil comfort and safety. Due to its equipment, the laboratory meets the requirements for conducting the introductory practice to work in chemistry, microbiology, biology, and astrobiology laboratory for elementary school pupils, as well as the requirements of specialised projects for secondary school pupils. In addition to equipping the laboratory, the Astronomical Society Višnjan, due to the donation made through the Together We Are Stronger contest, tripled the number of pupils of both elementary and secondary schools attending the workshops and programmes within the introductory programme to science. The donation ensured the involvement of a larger number of teachers, mentors, assistants, and volunteers working with young people in STEM fields. Consequently, up to 450 children will be educated at the Camp in the future, as well as teachers, mentors, assistants, and volunteers involved in work with youth in STEM fields. The project has been developed within the Višnjan-based Science and Education Centre.



HT - 2016 ZAJEDNO SMO JAČI (TOGETHER WE ARE STRONGER)

HRK 700,000

were invested in the two largest STEM programs

1

INTERNET OF THINGS IN CROATIAN ELEMENTARY SCHOOLS

We carried out **165 STEM projects** through the two programs.

We shared STEM knowledge with **1,630 students** and **130 teachers** from **74 schools**.

2

HT-CAMPUS

HT is in partnership with 2 STEM partners: IRIM and the VIŠNJAN ASTRONOMICAL SOCIETY.

1

WITH THE INTERNET OF THINGS PROGRAM IN CROATIAN ELEMENTARY SCHOOLS



We carried out **70** interesting and innovative projects.



We included **more than 55** elementary schools and associations across Croatia in the program.



We educated **more than 450** students.



We educated **more than 60** teachers.



We produced **more than 70** educational materials for further work with the students.



We additionally educated **400** students in schools that were not part of the project.



We carried out an additional collaborative project, in which **more than 35** elementary schools participated simultaneously.



AN AUTOMATED BATTERY RECYCLING CONTAINER



A DEVICE FOR MONITORING WATER LEVELS AND FLOOD PROTECTION

WITH THE HT CAMPUS PROGRAM



We carried out **95 initiatives**, with **19 schools** participating in them.



More than 310 students, ages 8–18, participated in the residential programs (schools and camps).



More than **90 assistants, mentors, teachers and lecturers** participated in the program.



More than 470 students participated in half-day workshops and lectures in cooperation with the Ministry of Science and Education in less economically developed regions in Croatia.



More than 70 teachers attended additional seminars and courses.



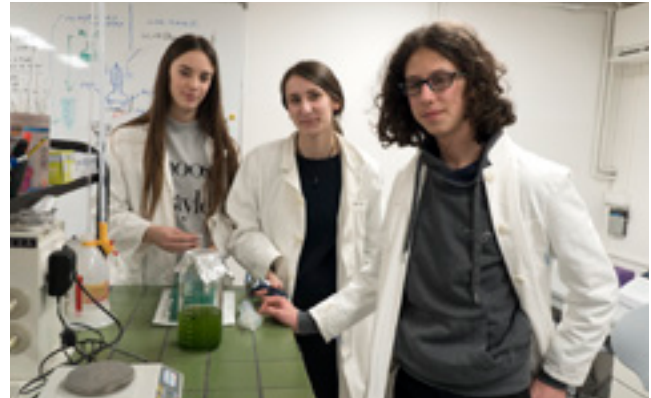
Schools from **19 counties** participated in the program.



Volunteers spent **over 4,700 hours** on various activities and the employees at the Observatory another 3,000 hours.



More than **6,000 visitors** of the Observatory learned about HT Campus activities.



WE CONTINUE TO INVEST IN STEM IN 2017 AS WELL!

Student education

—
**donation of
HRK 200,000**

Teacher/professor education

—
**donation of
HRK 300,000**

Innovations

—
**donation of
HRK 200,000**

More information is available at www.zajednosmojaci.hr

Having recognised the importance of investing in the STEM field and in education of present and future generations of experts, in May 2016, with the Faculty of Electrical Engineering and Computing acting as its first partner, HT has launched STEM HUB, an incubator intended to encourage the development of skills in science, technology, engineering, and mathematics. Through HT STEM HUB, students can acquire new knowledge in the STEM area, and develop and apply it in practice by participating in national and international projects. They also receive an opportunity to win a scholarship or even a job. Last year, HT awarded scholarships of HRK 3,000³ to the highest achieving FER students. Although demand for experts from the fields of science, technology, engineering and mathematics is constantly rising due to the general trend of digitalisation, the number of young people

selecting natural science faculties for their education and professional development is decreasing.

HT has close links with the academic community, particularly with the Faculty of Electrical Engineering and Computing (FER). The Company promotes the transfer of knowledge and focuses this long-standing cooperation on joint project work, scientific research, and development activities. In 2016, HT and FER signed a five-year collaboration contract, providing for the best exchange of knowledge and practices among students and employees in the STEM area. In addition to regular professional training of HTs employees and the scholarship and mentoring scheme for the best final year students, the contract provides students with a better opportunity to participate in international projects.

HT CAMPUS OF THE ASTRONOMICAL SOCIETY OF VIŠNAN

Within the scope of the donation contest oriented towards socially responsible projects, HT selected two projects in 2016. The first one is Internet of Things in Croatian primary schools of the Institute for Youth Development and Innovativity, and the second one is "HT Campus" of the Astronomical Society of Višnjan. The selected projects focus on education of children in the fields of science, technology, engineering, and mathematics, which will contribute to creating new generations of young experts. A total of 1,630 pupils and 130 teachers from 74 schools are directly involved in the projects.

Together with its partners, HT Group is also attracting EU

grants to all regions of Croatia, within the scope of high-tech IoT (Internet of Things) programmes (e.g. Smart City Dubrovnik), and will continue to do so at an even faster pace.

A partnership was established with the Homeland War Multimedia Centre in Vukovar on the project of the virtual stroll through the premises of the Vukovar Homeland War Memorial Centre. This way, visitors were given the opportunity to learn about the recent past of Vukovar via the Memorial Centre's website. Since its launch, the website has recorded 7,400 visitors who have spent an average of 46 seconds on the website, browsing through its content.

³ source: Annual Report 2016





GROUP

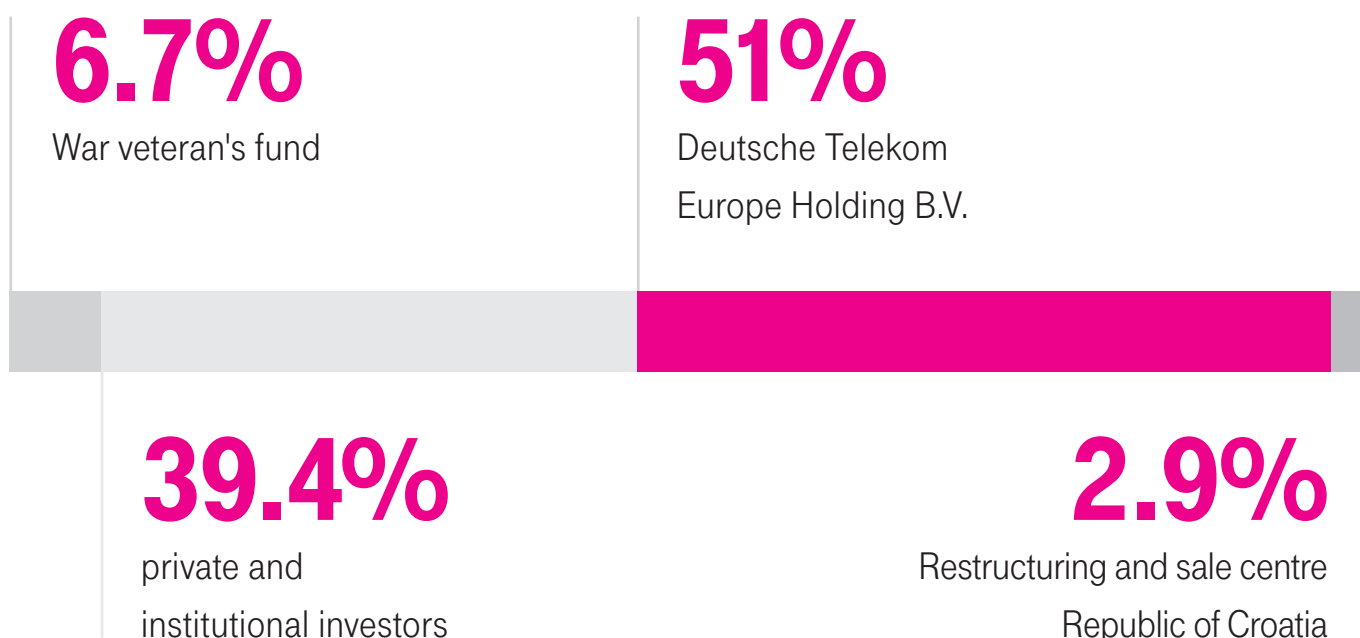
PROFILE

HT d.d. is the leading provider of telecommunications services in Croatia. In addition to HT, the HT Group also includes Iskon Internet d.d., Combis d.o.o., KDS d.o.o., E-tours d.o.o., and since 2014, OT-Optima Telekom d.d. The main activities of the Group include providing mobile and fixed telephony, design and construction of communications networks in the territory of the Republic of Croatia, and broadband Internet

and data transmission services. HT also has shares in two companies in Bosnia and Herzegovina – HP d.o.o. Mostar and HT d.d. Mostar.

HT is a joint-stock company in majority ownership of CMobil B.V. with a share of 51%. As at 31 December 2016, significant Company shareholders are as follows:

OWNERSHIP STRUCTURE



Deutsche Telekom Europe B.V. is the majority shareholder with a 51% holding (Deutsche Telekom Europe B.V. is wholly owned by Deutsche Telekom Europe Holding B.V., whose sole owner is Deutsche Telekom Europe Holding GmbH (formerly T-Mobile Global Holding No. 2 GmbH). Deutsche Telekom Europe Holding GmbH is wholly owned by Deutsche Telekom AG). The Croatian War Veterans' Fund owns 6.7% of shares in the Company, the Restructuring and Sale Centre (RSC) of the Republic of Croatia (a legal successor to the Government Asset Management Agency) owns 2.9% of shares in the Company. Croatian citizens, domestic and foreign institutional investors own the remaining 39.4% of shares.

Raiffeisen Mandatory Pension Funds are investors with the largest shareholding among the private and institutional investors

(category A and category B) which own 8.9% of Company shares. An up to date list of the top ten shareholders of the Company can be found on the website of the Central Depository & Clearing Company.

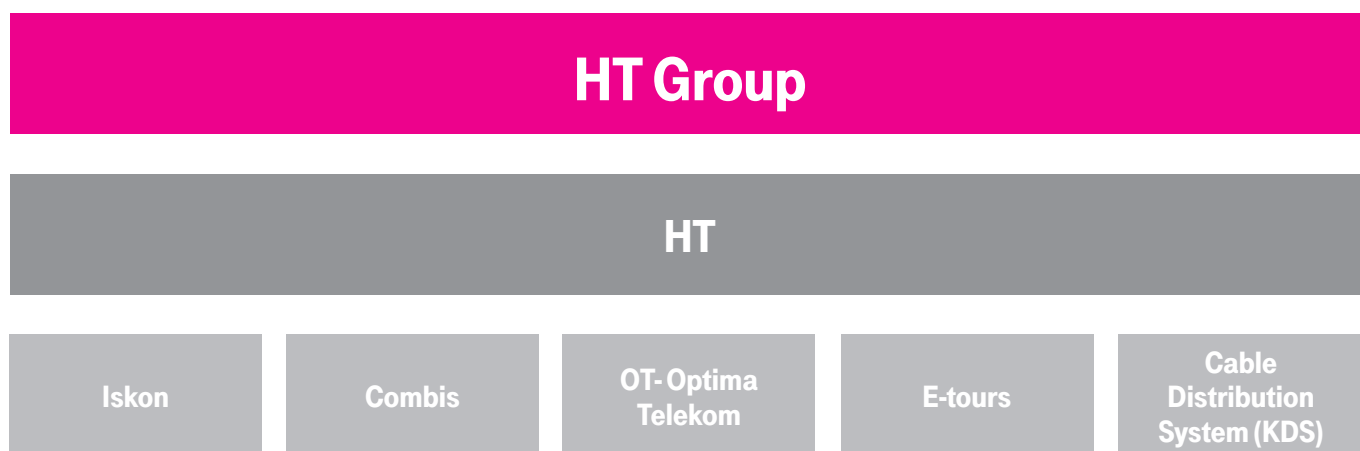
The core activities of Hrvatski Telekom d.d. (HT d.d. or the Company) and its subsidiary companies comprise the provision of electronic communications services and design and construction of electronic communications networks within the Republic of Croatia. In addition to the provision of fixed telephony services (fixed telephony line access and traffic, as well as fixed network supplementary services), the Group also provides Internet, IPTV and ICT services, data transmission services (lease of lines, Metro-Ethernet, IP/MPLS, ATM), operating with GSM, UMTS and LTE mobile telephone networks.

Fixed telephony and Internet - HT Group provides all telecommunication services related to fixed telephony, Internet, IPTV and international communications. Mobile networks - HT mobile networks cover about 98% of Croatian territory, and outside of the home network our users are covered by more than 200 GSM operators in our global roaming network. HT is the market leader - covering about 47% of all users on the Croatian mobile communications market.

Data services – As the leading provider of data services on the market, HT provides customers with various data services – leased lines, Metro-Ethernet, IP/MPLS, ATM.

The consolidated financial statements include the financial statements of Croatian Telecom Inc. and the following subsidiaries comprise together HT Group (“Group“):

Schematic Overview of the HT Group



The Company applies a dualistic structure of Company bodies whose main characteristic is a strict division of responsibilities between the two bodies of the Company, the Supervisory Board on one side and the Management Board on the other side. The Supervisory Board has a supervisory function, while the Management Board is in charge of managing the business operations of the Company. The General Assembly is comprised of the Company’s shareholders. At the General Assembly, the

shareholders exercise their managerial and property rights. HT conducts the annual Sustainability Questionnaire which also takes into consideration the external stakeholders’ perception of the level of required and performed protection, thus providing additional information in the revision process of optimal risk management. Open and transparent communication with customers, employees, investors and all other groups forms the basis of all of HT’s relations.

HT cooperates with its stakeholders on various bases and platforms, which is presented in detail within the scope of each individual material topic:

- Customers
- Shareholders
- Suppliers
- Employees
- Trade unions
- Business interest organisations
- Community
- State administration and regulators
- Non-governmental organisations



STRATEGY AND GOVERNANCE

Risk management

Application of the precautionary principle in risk management means inclusion of all units of HT into the risk management system. The Corporate Risk Management Committee, the Management Board of the Company and the HT d.d. Audit Committee examine the overall risk portfolio in the HT Group Corporate Risk Report. Risk assessment is performed according to a standardised methodology; all risks are monitored, regardless of the materiality limits, for early recognition and monitoring of trends and risk factor development. With regard to probability of occurrence, impacts of risks with a likely probability of occurrence (>50%) are subject to a process of business planning and forecasting as well as making cost provisions, while impacts of risks with a lower probability of occurrence are, if required in terms of materiality limits, are the subject of contingent liabilities in financial reports according to the International Accounting Standard No. 37.

HT's risk management system has been organised by following the principle, of transparent and risk-appropriate decision making in line with the risk management standards of Deutsche Telekom Group and locally applicable risk management standards of economic operators, such as the Corporate Governance Code of the Zagreb Stock Exchange, the Capital Market Act, the Companies Act, and other applicable standards.

Risk management is performed by monitoring of changes in external and internal business environment factors that might have a negative impact on the business of HT, including its affiliates. An independent area within the framework of the Internal Control, Audit and Risk Department monitors the overall risk exposure and reports the risks to the Corporate Risk Management Committee, the Management Board of the Company and the HT d.d. Audit Committee.

Measures of mitigation, transfer and acceptance of risks are based on the Company's strategy, executive business plans and

safety standards for management of specific risks. In addition to supervision of the overall risk exposure, HT also has special areas for management of individual risk groups, such as the Compliance Committee for control of risks of embezzlement, corruption and other forms of criminal behaviour, occupational safety activities within the HR Services Section with regard for risks to human health and safety, the IT Security Section for various risks in IT operations, the Corporate Security Department for security risks, IT security and data protection, and management of the Company's business continuity, the Privacy and Personal Data Protection Section for protection of personal data and privacy, as well as other organisational areas responsible for individual risks.

Risk management activities in HT include, among other things, regular certification corresponding to the ISO 27001 IT security requirements, to the Payment Card Industry Data Security Standard PCI DSS, and to the guidelines of the ISO 31000:2009 standard for risk management. All major risks are regularly shown in the financial reports and other media announcements made by HT Group.

The Management Board and the management of HT are obligated to perform optimum risk management, in line with the long-term business development strategy. Optimum risk management means transparency in risks and yields when making decisions on investments, both in the creation of new value and in protection of existing assets. Investments in creation of new value and protection of existing assets mean capital investments. HT as an organisation is managing a significant investment budget and is responsible for investment management in order to ensure maximum benefit for the company and the shareholders by a carefully balanced investment portfolio. Decisions on capital investments are supported by decision-making tools, including, among others, by the business case analysis tool. In addition to providing information on economic efficiency (profitability etc.), this tool quantifies expected return, the best alternative, and presents risks in form of sensitivity to input parameter change. The basic method used by the tool is the net present value method which compares receipts of the economic flow (revenue) and expenditures (operating costs and capital investments) that were incurred due to investment in the project. The essence of the method is the calculation whether the investor's assets have been increased or decreased when the investment's overall li-

lifetime is taken into consideration. Risk is taken into account by analysis of the sensitivity of the final result (asset value) to input parameter changes (negative situations during the project's lifetime), where projects with higher risks will have a higher sensitivity or, respectively, result dispersion.

Project portfolio management or, respectively, their prioritisation and scoring model is performed in line with the applicable business strategy. Prioritisation criteria for each investment category are determined by a combination of the following elements: financial KPIs calculated in the business case and the top-down guideline factor provided by the Management Board. Each project will be evaluated and ranked on the basis of these criteria. The project lists with an indication of the ranking within each investment category will then be reconciled with the available budget for the respective period.

HT systematically monitors and regularly reports on significant business risks: regulatory and legal risks, financial risks, liquidity risks, credit, market, and operating risks, as well as risks related to potential impacts on the health, the environment, and business operations in the community. Such systematic approach to risk monitoring and reporting is conducted on a quarterly basis and, where necessary, ad hoc, with a focus on the Management Board and supervisory controlling bodies: the Audit Committee, the Supervisory Board, and Internal and External Audit. The risk management process also makes an integral part of the business planning process and financial reporting.

The company's strategic focus on corporate responsibility and sustainability is one of the key elements of risk management. Three main risk areas were identified by internal assessment and through consultations with individual groups: corruption, personal data protection and employee health protection.

In December 2016, the central internal audit of HT's Integrated Environment, Health, and Security Management System, as part of the DTAG's Integrated Management System, was successfully conducted by DTAG's auditors, in line with the requirements of the ISO 14001 and OHSAS 18001 standards. The audit confirmed the integration of environmental care into all relevant work processes and a high level of environmental awareness of employees. The external certification company DEKRA has issued new ISO 14001 and OHSAS 18001 certificates for the period of the following three years.

In HT, the annual compliance risk assessment process included an assessment of the whole organisation. Risk assessment is conducted in line with the methods and in collaboration with the compliance functions of DTAG. This process includes the assessment of risks associated with active and passive corruption, including workshops with the members of the Management Board and heads on assessing the control environment efficiency and determining the residual risk, as well as measures to cover the residual risk. In the process of annual compliance risk assessment, no material corruption-related risks were identified, and the control environment within the company was found to be adequate.



PREVENTION OF CORRUPTION AND OTHER CONFLICTS OF INTEREST

At the end of 2010, HT adopted an Anti-Corruption Policy clearly stating HT's position towards all negative occurrences in business operations and laying down a clear framework for the behaviour of all its employees and managerial staff. The Anti-Corruption Policy introduced clear criteria and responsibilities for the assessment of correctness in business operations and defined procedures for all matters of conflicts of interest. The Compliance Section is responsible for the interpretation of all provisions of the Anti-Corruption Policy, while the Compliance Committee evaluates individual cases and proposes corrective measures.

Following Deutsche Telekom (DT) Group's endeavour to standardise the approach to fighting corruption and the approach to business compliance, HT continued adopting new policies regulating the essential areas of business compliance, and thus adopted three corporate policies: the Policy on Avoiding Corruption Risks when Working with Consultants, the Antitrust Policy, and the Guidelines for Prevention of Conflicts of Interest. All policies building on the Anti-Corruption Policy relate to the issues such as accepting and granting benefits, work with external consultants, organisation of business events, and prevention of conflicts of interest, are harmonised with the relevant legal framework and include practical provisions on allowed and improper behaviour in business operations. At an annual level, HT conducts risk assessment, including the assessment of risks related to active and passive corruption.

Besides corruption, conflicts of interest on individual level are also possible. This relates, for instance, to performing free time activities that may be competitive. Moreover, this also includes performance of secondary private jobs during working hours regardless of whether HT equipment is used in the performance of such activities.

Each employee can report any misconduct or violations of the Code of Conduct. To that end, the Ethics Line has been established as a system providing the employees with a confidential and, if desired, anonymous means of reporting. The Ethics Line can be contacted by mail, phone, fax, e-mail, or a special tool available on the Internet.

In Hrvatski Telekom, the annual compliance risk assessment process included an assessment of the whole organisation. Risk assessment is conducted in line with the methods and in collaboration with the compliance functions of DTAG. This process includes the

assessment of risks associated with active and passive corruption, including workshops with the members of the Management Board and heads on assessing the control environment efficiency and determining the residual risk, as well as measures to cover the residual risk. In the process of annual compliance risk assessment, no material corruption-related risks were identified, and the control environment within the company was found to be adequate.

All activities undertaken by HT are aligned with the basic principles provided for in the corporate Code of Conduct, in particular the principle "Respect and integrity guide our behaviour". In order to regulate its relations to political parties, HT adopted the Policy on Prevention of Corruption and Other Conflicts of Interest, prohibiting contributions to political parties. Apart from political parties, the HT Group neither donates nor sponsors working groups, youth organisations, and associations of political parties. The only exceptions are independent institutions, such as independent political foundations not related to any particular party.

Cash payments and donations in kind to Members of Parliament and holders of public offices are not allowed, except if donations in kind are expressly allowed by a code of conduct applied to the person seeking donation.

In 2016, three proceedings of HT were conducted before the Croatian Competition Agency (CCA)

- Proceedings initiated by the CCA against HT concerning the alleged abuse of a dominant position as a result of distribution of premium football content exclusively via the MAXtv service. The proceedings are still in progress;
- Proceedings initiated by H1 Telekom before the CCA concerning the alleged abuse of a dominant position on wholesale markets, for having failed to remove faults and interferences and to realise services within the prescribed time limits. The matter was referred back to rehearing by decision of the High Administration Court. The first decision by the CCA had been positive for HT;
- Proceedings for assessment of admissibility of concentration of the companies HT and OT-Optima Telekom. HT had filed an application for prolongation of management control over OT-Optima Telekom over an additional period of time. The proceedings are in progress.

MANAGEMENT BOARD

Members and the President of the Management Board are appointed and removed by the Supervisory Board. Their term of office is up to five years, with the possibility of re-appointment. According to the Company's Articles of Association, the Management Board is comprised of five to seven members. In its current composition, the Management Board includes seven positions: President of the Management Board and CEO, Davor Tomašković; MB Member and Chief Financial Officer (CFO); (CFO), Josef Jakob Matthias Thürriegl; MB Member and Chief Operating Officer Residential (COO Residential), Nataša Rapaić; MB Member and Chief Operating Officer Business (COO Business), Saša Kramar; MB Member and Chief Technical and Information Officer (CTIO), Boris Drilo; MB Member and Chief Human Resources Officer (CHRO), Marija Felkel, and Member of the Management Board and Chief Customer Experience Officer (CCO), Boris Batelić. Detailed data on the MB Members' age, education and career are included in the Annual Report on the Status and Business Operations of the Company and HT Group for the business year 2016. All senior executives employed have been drawn from the local community, only the MB Member and CFO is a German, coming from Deutsche Telekom.

Pursuant to the Companies Act, the Company's Articles of Association, and the By-Laws on the Work of the Management Board, the Management Board is responsible for managing the business affairs of the Company. It is obligated and authorised to perform all activities and make decisions that it considers necessary

for successful management of the Company's business affairs, subject to approvals as may be required from the Supervisory Board for certain matters and decisions (certain major transactions, the assumption of long-term indebtedness or significant appointments).

The Articles of Association set forth that any two members of the Management Board may represent the Company jointly. The Management Board holds sessions when required by circumstances, as a rule once a week. By way of exception, MB decisions may also be adopted out of session, by written vote, telephone, telegraph, telefax, via video conferencing, or use of other suitable technical means, if no objection is lodged to such method immediately by any MB Member prior to its application.

The quorum for a MB session is formed by four Members of the Management Board; decisions are passed with the majority of votes of MB Members present or represented. In the event of an equal number of votes submitted for and against a certain decision, the President of the Management Board has the casting vote.

SUPERVISORY BOARD

Pursuant to the provisions of the Company's Articles of Association, the Supervisory Board consists of nine members: five members representing Deutsche Telekom AG (Jonathan Richard Talbot, Oliver Knipping, Ph.D., Eva Somorjai-Tamassy, Marc Stehle and Eirini Nikolaidi), one member nominated by the Raiffeisen Mandatory Pension Funds (Damir Grbavac), two independent members (Ivan Mišetić, Ph.D. and Dolly Predovic) and one member appointed by the Workers' Council of HT d.d. (Vesna Mamić).

The Supervisory Board is responsible for appointment and removal of Members of the Management Board and for supervision of the managing of the Company's business operations in accordance with the Companies Act, the Articles of Association of the Company, and the By-Laws on the Work of the Supervisory Board of the Company. For individual major transactions, the assumption of long-term indebtedness or significant appointments, the consent of the Supervisory Board is required.

Sessions of the Supervisory Board are held at least four times

a year: SB Members who cannot be physically present at the Supervisory Board session may cast a written vote. SB decisions may also be adopted out of session, by written vote, telephone, telegraph, telefax, via video conferencing, or use of other suitable technical means, if no objection is lodged to such method by any SB Member within an appropriate time limit set by the Chairman of the Supervisory Board. The quorum for a SB session is formed by five Members of the Supervisory Board; decisions are passed with the majority of votes of SB Members present or represented.

The major topics included in the agendas of SB sessions are stated in the Supervisory Board's Report on the Performed Supervision of Business Operations Management of the Company in the business year 2016 which has been published on the Company's website.



GENERAL ASSEMBLY

The shareholders' membership rights are divided into managerial and proprietary rights. The basic managerial rights of the shareholders are: the right to participate in the General Assembly of the Company including the right to take part in discussions, the right to information, the right to vote and the right to challenge decisions of the General Assembly.

The right to participate in the General Assembly of the Company including the right to debate belongs to all shareholders and cannot be taken away. This right is a prerequisite for the realisation of other managerial rights exercised exclusively at the General Assembly (i.e. the right to vote) or mostly at the General Assembly (i.e. the right to information). In accordance with the Companies Act, as the condition to participate in the General Assembly, the Articles of Association of the Company provide that the shareholders must apply to participate in the General Assembly, and that the application for participation must be delivered to the Company no later than six days before the General Assembly (this period does not include the day the application is delivered to the Company). The right to participate in the General Assembly can be exercised through a proxy.

The invitation to the General Assembly containing the proposal of the agenda and proposed decisions on items of the agenda, instructions to the shareholders for the participation in the General Assembly and an explanation of certain proposals of Decisions of the General Assembly are delivered to the shareholders by the Company via electronic communication.

According to the Company's Articles of Association, the General Assembly cannot pass valid decisions, unless shareholders are present at its session personally or by proxy who hold shares whose nominal value exceeds one half (50%) of the Company's share capital (quorum). At the general assembly held on 21 April 2016, 72.60% of the Company's share capital was present.

Shareholders exercise the right to information through annual financial statements and reports on the status of the Company,

the Report of the Supervisory Board and the Auditor's Report, which are submitted to shareholders at the Company's General Assembly. Also, during the General Assembly the Management Board gives to each shareholder, upon their request, information about the operations of the Company, if that is necessary for understanding the items of the agenda.

The right to vote is a fundamental managerial right of shareholders exercised at the General Assembly by voting on the proposal of the decision put to a vote. The right to vote is exercised by a shareholder at the General Assembly either in person or by proxy, according to nominal amounts of shares held, with each share representing one vote.

Among managerial rights of shareholders are some of the powers that a qualified minority of shareholders possess. Thus, for example, shareholders who together hold shares in the amount of 1/20 of the Company's share capital have the right to request the convening of the General Assembly and propose to publish additional issue to be decided, and each shareholder has the right to make counterproposals to the proposals of the Management Board and/or Supervisory Board. A proprietary right of shareholders is, for example, the right to receive payment of the dividend. The Company's dividend policy is defined in the Prospectus for the initial public offering from October 2007. Future dividend policy should be that all dividends declared and paid in respect of any year following the year after the IPO will range from 50% to 100% of distributable profits of the Company acquired in the previous year. Any annual dividend will depend on the overall financial position of the Company and its needs for working capital in the relevant period.

As at 21 April 2016, the General Assembly approved the payment of the dividend to shareholders for the financial year 2015 in the amount of HRK 491,307,624.00 (HRK 6.00 per share), representing a dividend distribution ratio compared to realised profits of 55.0%. The dividend was paid in May 2016. Information on the General Assembly in 2016 and on decisions adopted at the General Assembly are available on the Company's website.



the payment of the dividend to shareholders for the financial year 2015

HRK 491,307,624.00

SHAREHOLDERS

HT attaches considerable importance to transparent communication with investors in order for them to get a realistic picture of the current status and potential of the Group and to have the opportunity of fair valuation of the company. This communication includes quarterly business results and accompanying conference calls, ad hoc press releases for stock exchanges and for the public, and professional exchange of information and opinions.

Emphasis is placed on quickly finding a solution to the problem and on the fair treatment of all shareholders, for which regular annual assemblies of shareholders and individual meetings are also used as a continuous activity throughout the year. Thus, in 2016, HT held more than 30 individual meetings with investors and attended several investor conferences. Direct contact can be established also by phone and e-mail.

STATE ADMINISTRATION AND REGULATORS

Collaborative relations comprise exchange of opinions and collaboration with politically elected representatives, public administration and agencies, and authorities in charge of supervising the markets in which HT operates, as well as consultations

on acts and procedures. Furthermore, HT directly collaborates, exchanges opinions, and collects data on good practices to eliminate unsustainable practices and increase its competitive strength, as well as to eliminate and avoid legal compliance.

NON-GOVERNMENTAL ORGANISATIONS

Where necessary and at regular intervals, HT exchanges information and opinions with certain non-governmental organisations, supervises the implementation of supported projects and initiatives, and reports on sustainability (two-way communication, donations,

and partnerships). To that end, an e-mail address is made available to the public for all questions and information – donacije@t.ht.hr.



BUSINESS INTEREST ORGANISATIONS

HT's collaboration with business interest organisations is focused on information exchange and development of good practices in business operations, as well as mutual and public exchange of opinions. In addition to acting independently through public appearances in the media and the participation in round tables and conferences, HT, as an electronic communications services operator, acts at the national level by participating in the work of the Mobile Communications Association of Croatia and the Telecommunications Association at the Croatian Chamber of Commerce, which publicly represent common interests of the member operators. Moreover, HT is a member of the European Telecommunications Network Operators' Association (ETNO) and of the GSM Association which are engaged in promoting the interests of the operators in the electronic communications sector at the EU level.

Since 2007, HT is a signatory to the UN Global Compact initiative which establishes connections between the business sector and UN agencies, governments and the civil society in supporting fundamental social values from the areas of human rights, labour rights, environmental protection and fight against corruption.

HT is a member of the Croatian Business Council for Sustainable

HT has also been actively participating in the work of the Energy Association with the Croatian Employers' Association since its inception in 2013. The goal of the Energy Association is to provide a better and more sustainable economic environment by including energy production in the national strategic plan.

Development (HR PSOR), a non-profit institution established in 1997 that caters primarily to the private sector, promotes sustainable development in the economy, and represents the economy in sustainable development. Its members – representatives of the Croatian economy, public institutions, and non-governmental organisations – are pooling know-how, innovative capacity, and responsibility in the search for development paths that will balance business success, social well-being, and environmental protection. HT is a member of the Association for Environmental Protection in the Economy at the Croatian Chamber of Economy.



CERTIFICATES

Since 2002, HT has been the holder of the ISO 14001 certificate, and since 2013 also of the certificate under the OHSAS 18001 standard. In May 2014, HT established an Integrated Environmental, Health, and Safety at Work Management System (Integrated System) which is subject to checks on a regular basis. In compliance with the requirements of the specified standards, in June 2014, Deutsche Telekom conducted an audit of the HT's Integrated System as part of the Integrated Management System of Deutsche Telekom Aktiengesellschaft, which confirmed HT's compliance with all requirements of the standards and the company. The renowned international certification organisation DEKRA has issued new ISO 14001 and

OHSAS 18001 certificates for the period of the next three years.

HT also has the ISO 27001 certificate for information security. Furthermore, the management systems have also been certified to the ISO 9001 standard in HT's organisational units related to human resources and corporate strategy and business development.



AWARDS

For the third year in a row, on 3 March 2016, HT has been awarded the prestigious Employer Partner Certificate for excellence in human resources management and thus reaffirmed its position among companies with the best business practice in the area of development, monitoring, motivating, and rewarding of its employees. Particularly in the area of rewarding employees based on achievement of strategic targets, HT has achieved the best possible result.

"The Employer Partner Certificate is an important acknowledgement for HT, but also for each of our employees in the human resources area, as it constitutes an official confirmation that we are doing a good job, which can be summed up in one sentence – employee satisfaction is our primary goal. The employees' opinion about all factors of company culture forms the basis for improvement of satisfaction, and key tool for that is open and two-way communication. In addition to employee rewarding and motivation, where HT is achieving the best results on the market, it is creating an environment that enables professional development and improvement of personal competitiveness, while at the

same time establishing a work-life balance. And this is also why HT is a company with 43 per cent of women at top managerial positions, which makes us extremely proud," said Marija Felkel, Member of the Management Board and Chief Human Resources Officer at Hrvatski Telekom. The Certificate was handed over to her by Aleksandar Zemunić, Member of the Management Board of the certificate awarding SELECTIO company.

The company is also paying particular attention to the preservation of health of its employees, therefore, in addition to numerous campaigns aimed at health promotion and stress prevention, the company acts, for the second consecutive year, as the General Sponsor of the B2B Run, the first business running competition in Croatia, which, this year, will gather several thousand runners from Split, Rijeka, Osijek, and Zagreb. The Employer Certificate project is supported by the MojPosao portal as the general sponsor and by the Lider business weekly as the media sponsor.

HT is the winner of the CSR Index award for socially responsible community relations, awarded by the Croatian Business Council for Sustainable Development and the Croatian Chamber of Economy. This award was given to HT at the 8th CSR Conference on Socially Responsible Business. This recognition is an additional impetus to Hrvatski Telekom to continue, as a leading telecom operator, to encourage the development of community as a whole through investment in infrastructure development and broadband Internet access services.

TABLES

102-8 Total workforce by employment type, employment contract, and gender

HT	2013	2014	2015	2016
Total workforce	5,232	4,325	3,992	3,731
■ Males	3,270	2,528	2,377	2,253
■ Females	1,962	1,797	1,615	1,478
Employed for an indefinite period	4,984	4,115	3,772	3,581
■ Males	3,159	2,426	2,257	2,171
■ Females	1,825	1,689	1,515	1,410
Employed for a definite period	248	210	220	151
■ Males	111	102	120	83
■ Females	137	108	100	68
Full-time contract	5,231	4,325	3,992	3,731
■ Males	3,269	2,528	2,377	2,253
■ Females	1,962	1,797	1,615	1,478
Part-time contract	1	0	0	0
■ Males	1	0	0	0
■ Females	0	0	0	0
Share of workers performing individual activities of HT-a, but who are not employees (agency workers, other forms of engagement –students)	1,293	1,692	1,527	1,754
■ Agency workers	128	622	883	1,114
■ Students	1,165	1,070	644	640

Data collected by means of the HR Net system

201-1 Direct economic value generated and distributed – HT Group

a) Direct economic value generated and distributed (EVG&D) on an accrual basis

in HRK million

1	Operating income	6,970
2	Profit from income from the disposition of non-current assets	36
3	Lease income	31
4	Financial income	64
5	Dividend from HT Mostar	3
	TOTAL	7,104

i. Economic value distributed:

- 1) Operating costs
- 2) Staff costs (salaries and benefits)
- 3) Payments to providers of capital
- 4) Payments to the Government of RoC
- 5) Community investments

in HRK million

1	Operating costs (incl. salaries of those who are not HT Group employees) (excluding staff costs and value adjustments)	4,822
2	Staff costs (salaries and benefits) (HT Group employees) (all employee benefits, incl. voluntary pension fund, insurance, company cars, health protection (full medical checks, interest subsidies on housing loans, public transport, severance payments))	Staff costs 987
3	Payments to providers of capital	Dividend 491 Cost of interest 93 Total 584
4	Payments to the Government of the RoC (profit tax and property tax, (excl. deferred taxes), fines and penalties on all levels, national and local.	Profit tax 234
5	Community investments (voluntary contributions to charities and research institutes (unrelated to the company's commercial research), NGOs, funds to support community infrastructure, such as recreational facilities, direct costs of social programmes, including arts and educational events). Such investments exclude investments where the purpose is commercial or driven primarily by core business needs.	1
	TOTAL	6,628

ii. Economic value retained (“direct economic value generated” less “economic value distributed”)

U milijunima kuna.

1	Direct economic value generated	7,104
2	Economic value distributed	6,628
	TOTAL	476

b) Where significant, report EVG&D separately at country

- Not significant in the case of HT Group

201-4 Significant financial assistance received from government FOR HT GROUP

U milijunima kuna.

1	Significant financial assistance received from the Government, including: tax relief, subsidies, investment grants, research and development grants, awards, royalty holidays, financial incentives, other	0
2	Participation of the Government of RoC in the ownership structure: indirectly via CERP (Restructuring and Sale centre) as at 31 Dec 2016	2.9%

301-1 Materials used by weight or volume

HT Materials used by weight or volume	2014	2015	2016
Paper consumption (in tons)	112	75	68

302-1 Energy consumption within the organisation

HT Direct energy consumption by primary energy source in GJ	2014	2015	2016
Total direct energy consumption (from non-renewable sources)	118,921	98,034	101,930
of which: natural gas	30,443	29,872	29,567
of which: fuels for the fleet / petrol, diesel, LNG	70,978	51,093	56,850
of which: other fuels	17,500	17,069	15,513
HT Total indirect energy consumption (from non-renewable energy sources)	2014	2015	2016
Total indirect energy consumption (from non-renewable energy sources) in GJ	490,343	476,746	226,570
of which: purchased electricity	472,062	458,746	210,714
of which: thermal energy from heating plants	18,281	18,173	15,865
HT Total indirect energy consumption (from renewable energy sources)	2014	2015	2016
Total indirect energy consumption (from renewable energy sources) in GJ (purchased electricity)	-	-	237,341

305 Emissions – direct and indirect greenhouse gas emissions

HT Total direct and indirect greenhouse gas emissions by weight (in tons CO2)	2014	2015	2016
Total greenhouse gas emissions (sum of direct and indirect emissions)	49,508	47,723	26,397
of which: total direct emissions of CO2 (from non-renewable sources)	7,965	6,529	6,820
of which: natural gas	1,475	1,448	1,433
of which: fuels for the fleet (petrol, diesel, LNG)	4,958	3,586	4,029
of which: fuel oil	1,532	1,495	1,358
of which: total indirect emission of CO2	41,543	41,194	19,577

Calculation sources: 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

GRI 305-7 NOx, SOx and other significant air emissions by type and weight

HT NOx, SOx and other significant air emissions by type and weight, in tons (for boiler rooms above 100 kW)	2011	2012	2013	2014	2015	2016
Total NO2 emission	6.12	1.86	4.73	0.99	4.00	1.34
Total SO2 emission	7.13	5.69	4.60	3.92	4.22	3.45

GRI 306-2 Total weight of waste by type and disposal method

HT Total weight of waste by type and disposal method in tons	2014	2015	2016
Total weight of waste	921	595	782
- of which: hazardous waste	178	179	102
- of which: non-hazardous waste	744	416	679

GRI 401-1 Total number of new employee hires and employee turnover by age group and gender

HT	Up to 30	From 30 to 50	Over 50	Total
Termination of employment in 2016	68	297	88	453
■ Males	32	150	51	233
■ Females	36	147	37	220
Employment in 2016	117	72	2	191
■ Males	61	47	0	108
■ Females	56	25	2	83

These data relate to the full reporting period (2016)

GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities

HT	Number of injuries	Working hours lost	Working days lost	By gender
Work-related injuries	37	7,216	902	M 25, F 12
■ In the work process	18	2,352	294	M 14, F 4
■ Outside the work process	19	4,864	608	M 11, F 8

GRI 404-1 Average hours of training per year per employee category

HT	Total hours	HC	Average hours per employee
Total by type of workplace	64,282	3,728	17.24
■ Executive	46,597	3,105	15.00
■ Manager	17,658	623	28.34
Ukupno prema spolu	64,282	3,728	17.24
■ Males	34,125	2,252	15.15
■ Females	30,157	1,476	20.43

Data on the preparation of the Sustainability Report

HT has prepared its Sustainability Report 2016 in accordance with the GRI Standards: Core Option. In the preparation of the Report, HT was also guided by the criteria for the Advanced Reporting Level based on the principles of the UN Global Compact initiative.

Contact person for questions about the report:

Lada Aškić

Corporate Communication Department

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Advanced Reporting Level - Criteria	Sustainability Report 2016
Commitment and leadership of the President of the Management Board	Statement of the President of the Management Board
High standards of transparency and providing information	Company Profile
Election of the Management Board and supervision	Strategy and governance Management Board, Supervisory Board, General Assembly Application of precautionary principles
Integration of sustainability into corporate functions and business units	Management approach to material topics
Stakeholder inclusion	Selection of material topics Customer and employee satisfaction survey, projects and initiatives
Global sustainability goals	Material topics of HT
Human rights	Commitment, strategies and policies with regard to ethics and employee dignity, trade unions and collective bargaining, protection of customer rights and the right to privacy, management and monitoring
Employee relations	Commitment, strategies and policies with regard to work conditions, Management Board and employee relations, health and safety at work, training and education, diversity and equal opportunities and anti-discrimination, mechanisms for protection of workers' rights, management and monitoring
Environment	Commitment, strategies and policies with regard to use of materials, energy, waste, products and services, emissions, management and monitoring
Fight against corruption	Commitment, strategies and policies with regard to prevention of corruption and other conflicts of interest, risk assessment related to corruption, management and monitoring
Supply chain	Commitment, strategies and policies with regard to supplier relations management and supplier evaluation, management and monitoring

GRI INDICATOR	INFORMATION	CHAPTER	UN GLOBAL COMPACT
ORGANISATIONAL PROFILE			
102-1	Name of the organisation	10. Group Profile	<input type="checkbox"/>
102-2	Activities, brands, products, and services	10. Group Profile	<input type="checkbox"/>
102-3	Location of headquarters	10. Group Profile	<input type="checkbox"/>
102-4	Location of operations	10. Group Profile	<input type="checkbox"/>
102-5	Ownership structure	10. Group Profile	<input type="checkbox"/>
102-6	Markets served	10. Group Profile	<input type="checkbox"/>
102-7	Scale of the organisation	10. Group Profile	<input type="checkbox"/>
102-8	Employees and other workers	Table 102-8	<input type="checkbox"/>
102-9	Supply chain	7. Supply chain	<input type="checkbox"/>
102-10	Significant changes to the organisation and its supply chain	7. Supply chain	<input type="checkbox"/>
102-11	Precautionary principle approach	10. Group Profile	<input type="checkbox"/>
102-12	External initiatives	10. Group Profile	<input type="checkbox"/>
102-13	Membership of associations	10. Group Profile	<input type="checkbox"/>
STRATEGY			
102-14	Statement from the most senior decision-maker of the organisation	1. Statement of the President of the Management Board of HT	<input type="checkbox"/>
102-15	Key impacts, risks, and opportunities	2. Material topics of HT 10. Group Profile	<input type="checkbox"/>
ETHICS AND INTEGRITY			
102-16	Values, standards, principles and norms of behaviour	10. Group Profile 12. Impact on employees / Corporate values	<input type="checkbox"/>
GOVERNANCE			
102-18	Governance structure	10. Group Profile	<input type="checkbox"/>
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholders	10. Group Profile	<input type="checkbox"/>
102-41	Collective bargaining agreements	4. Impact on employees / Trade unions	<input type="checkbox"/>
102-42	Identifying and selecting stakeholders	2. Material topics of HT	<input type="checkbox"/>
102-43	Approach to stakeholder engagement	2. Material topics of HT 4. Impact on employees 5. Customer relations	<input type="checkbox"/>
102-44	Key topics and concerns raised	2. Material topics of HT 10. Group Profile / Strategy and governance	<input type="checkbox"/>

GRI INDICATOR	INFORMATION	CHAPTER	UN GLOBAL COMPACT
REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	3. Economic value	<input type="checkbox"/>
102-46	Defining report content and topic boundaries	2. Material topics of HT	<input type="checkbox"/>
102-47	List of material topics	2. Material topics of HT	<input type="checkbox"/>
102-48	Restatements of information	3. Economic value	<input type="checkbox"/>
102-49	Changes in reporting	3. Economic value	<input type="checkbox"/>
102-50	Reporting period	Data about the Sustainability Report preparation method	<input type="checkbox"/>
102-51	Date of most recent report	Data about the Sustainability Report preparation method	<input type="checkbox"/>
102-52	Reporting cycle	Data about the Sustainability Report preparation method	<input type="checkbox"/>
102-53	Contact point	Data about the Sustainability Report preparation method	<input type="checkbox"/>
102-54	Claims of reporting in accordance with the GRI standard	Data about the Sustainability Report preparation method	<input type="checkbox"/>
102-55	GRI content index	Data about the Sustainability Report preparation method	<input type="checkbox"/>
ECONOMIC PERFORMANCE			
201-1	Direct economic value generated and distributed	3. Economic value Table 201-1	
201-2	Financial implications and other risks and opportunities due to climate change	6. Climate changes, environment and health	
201-3	Obligations of the organisation related to defined retirement plan	2. Impact on employees	<input type="checkbox"/>
MARKET PRESENCE			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	2. Impact on employees	<input type="checkbox"/>
202-2	Proportion of senior management hired from the local community	10. Group Profile	<input type="checkbox"/>
INDIRECT ECONOMIC IMPACTS			
203-1	Infrastructure investments and services supported	8. Digital society	
203-2	Significant indirect economic impacts	3. Economic value	

GRI INDICATOR	INFORMATION	CHAPTER	UN GLOBAL COMPACT
SUPPLY CHAIN MANAGEMENT			
204-1	Proportion of spending on local suppliers	7. Supply chain	
ANTI-CORRUPTION			
205-1	Percentage and total number of operations assessed for risks related to corruption	10. Group Profile / Prevention of corruption and other conflicts of interest	<input type="checkbox"/>
205-2	Communication and training about anti-corruption policies and procedures	2. Impact on employees	<input type="checkbox"/>
205-3	Confirmed incidents of corruption and actions taken	2. Impact on employees	<input type="checkbox"/>
ANTI-COMPETITIVE BEHAVIOUR			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	10. Group Profile	
MATERIALS			
301-1	Materials used by weight or volume	6. Climate changes, environment and health Table 301-1	<input type="checkbox"/>
ENERGY			
302-1	Energy consumption within the organisation	6. Climate changes, environment and health Table 302-1	<input type="checkbox"/>
302-4	Reduction of energy consumption	6. Climate changes, environment and health	<input type="checkbox"/>
302-5	Reductions in energy requirements of products and services	6. Climate changes, environment and health 7. Supply chain 8. Digital society	<input type="checkbox"/>
WATER			
303-1	Water consumption	6. Climate changes, environment and health / Measures taken to reduce water consumption	<input type="checkbox"/>
BIODIVERSITY			
303-1	Description of significant impacts of activities, products, and services on biodiversity	6. Climate changes, environment and health 8. Digital society	<input type="checkbox"/>
EMISSIONS			
305-1	Direct (Scope 1) GHG emissions	6. Climate changes, environment and health Table 305 – Direct and indirect GHG emissions	<input type="checkbox"/>
305-2	Indirect (Scope 2) GHG emissions by weight	6. Climate changes, environment and health Table 305 – Direct and indirect GHG emissions	<input type="checkbox"/>
305-7	NOx, SOx and other significant air emissions by type and weight	6. Climate changes, environment and health Table 305-7	<input type="checkbox"/>

GRI INDICATOR	INFORMATION	CHAPTER	UN GLOBAL COMPACT
WASTE			
306-2	Total weight of waste by type and disposal method	6. Climate changes, environment and health Table 306-2	<input type="checkbox"/>
SUPPLIER ENVIRONMENTAL ASSESSMENT			
308-1	New suppliers that were screened using environmental criteria	7. Supply chain	<input type="checkbox"/>
308-2	Negative environmental impacts in the supply chain and actions taken		<input type="checkbox"/>
EMPLOYMENT			
401-1	New employee hires and employee turnover	4. Impact on employees Table 401-1	<input type="checkbox"/>
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4. Impact on employees	<input type="checkbox"/>
401-3	Parental leave	4. Impact on employees	
LABOUR/MANAGEMENT RELATIONS			
402-1	Minimum notice periods regarding operational changes	4. Impact on employees	<input type="checkbox"/>
OCCUPATIONAL HEALTH AND SAFETY			
403-1	Workers representation in formal joint management-worker health and safety committees	4. Impact on employees	<input type="checkbox"/>
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	4. Impact on employees Table 403-2	<input type="checkbox"/>
403-3	Workers with high incidence or high-risk diseases related to their occupation	4. Impact on employees	<input type="checkbox"/>
403-4	Health and safety topics covered in formal agreements with trade unions	4. Impact on employees	<input type="checkbox"/>
TRAINING AND EDUCATION			
404-1	Average hours of training per year, per employee category	4. Impact on employees Table 404-1	<input type="checkbox"/>
404-2	Programmes for upgrading employee skills and lifelong learning and transition assistance programmes to facilitate continued employability and the management of career endings	4. Impact on employees	<input type="checkbox"/>
404-3	Percentage of employees receiving regular performance and career development reviews	4. Impact on employees	<input type="checkbox"/>

GRI INDICATOR	INFORMATION	CHAPTER	UN GLOBAL COMPACT
DIVERSITY AND EQUAL OPPORTUNITY			
405-1	Diversity of governance bodies and employees	4. Impact on employees 10. Group Profile	<input type="checkbox"/>
405-2	Ratio of basic salary and remuneration of women to men, by employee category	4. Impact on employees	<input type="checkbox"/>
NON-DISCRIMINATION			
406-1	Incidents of discrimination and corrective actions taken	4. Impact on employees	<input type="checkbox"/>
SECURITY PRACTICES			
410-1	Percentage of security personnel trained in human rights policies or procedures	7. Supply chain	<input type="checkbox"/>
HUMAN RIGHTS ASSESSMENT			
412-2	Employee training on human rights policies or procedures	10. Group Profile	<input type="checkbox"/>
LOCAL COMMUNITIES			
413-1	Operations with local community engagement, impact assessments, and development programs	8. Digital society 9. Relations with the local communities	<input type="checkbox"/>
SUPPLIER SOCIAL ASSESSMENT			
414-1	New suppliers that were screened using social criteria	7. Supply chain	<input type="checkbox"/>
414-2	Negative social impacts in the supply chain and actions taken	7. Supply chain	<input type="checkbox"/>
PUBLIC POLICY			
415-1	Political contributions	10. Group Profile	<input type="checkbox"/>
CUSTOMER HEALTH AND SAFETY			
416-1	Assessment of the health and safety impacts of product and service categories	6. Climate changes, environment and health	
MARKETING AND LABELING			
417-1	Requirements for product and service information and labelling	5. Customer relations	
417-2	Incidents of non-compliance concerning product and service information and labelling	5. Customer relations	
417-3	Incidents of non-compliance concerning marketing communications	5. Customer relations	
CUSTOMER PRIVACY			
418-1	Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data	5. Customer relations	