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# 2019 SUSTAINABILITY REPORT



# 2019 Sustainability Report

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# OUR APPROACH

## APPROACH TO GOVERNANCE

### A WORD FROM CEO

Sustainability, in its essence, has a long-term perspective, meaning we both as an organization and as individuals have a great responsibility to create a better tomorrow for future generations.

Hrvatski Telekom, as the leading telecommunication company in Croatia, is fully committed to this goal. Because of this in 2019, we made a promise to ourselves, our customers, our partners, and to the communities we work in to build a world of better possibilities. This was a bold promise, but it is an integral part of what we stand for and what we believe in. We are dedicated to actively take part in the development of society enriching people's lives in the process.

The year 2019 was yet another successful year for Hrvatski Telekom (HT) marked by excellent financial performance, increased transformation pace, and the biggest investments in the past ten years, with HRK 1.9 billion investments (up 4.1% YoY) in infrastructure and development of innovative services. This was accompanied with a modernization of the entire mobile network which resulted with achieving 4G coverage across the country and 5G preparedness, and also with doubling of the fiber rollout in the fixed segment, and large scale Smart City projects implementation, all of which are important milestones of future developments to come.

As a generation, we have the fortune of living in a time when technological advancements are available on every touchpoint, in a time marked by a continuous modernization, innovation and I am proud Hrvatski Telekom is at the helm of digitalization, constantly raising the bar, setting the new industry standard, and promoting the knowledge society, with the highest social, environmental and ethical criteria integrated and exemplified in our strategy, business model and above all in our corporate culture.

Our role as an industry leader and key enabler of connectivity, which ensures the society is moving forward, is in today's age crucial. By providing the essential technology, helping businesses digitize, and society bridge the digital divide, we are not only providing clear benefits for the economy and society, but we are also improving the quality of life and helping unlock the greater human potential. These are, at the same time, some of the core sustainability foundations on which Hrvatski Telekom is growing its business.

We will continue to invest in innovative technologies, we are looking forward to utilizing the opportunities the technology provides and we are committed to connecting individuals, businesses, and communities. This is our purpose, our goal, and our responsibility.

Kostas Nebis, CEO, Hrvatski Telekom

## OUR VALUES

Our vision is to connect everyone with the opportunities that digitalization brings and the creation of a world of better opportunities for all in Croatia. We believe that this vision will enable us to achieve our strategic goals:

- profitable growth of our business
- delivering the best customer experience on the market
- building a digital company that is also the most desirable employer
- to be a company that society recognizes as a leader in the digitalization of the entire country.

During 2019, we carried out an intensive transformation of the company, followed by significant investments in infrastructure development, innovation, and further improvement of the customer experience. The company is divided into the following functional units:

- business units
- support and management functions
- technical functions
- functions to improve customer experience.

[A system of corporate values](#) that guide Hrvatski Telekom in its daily operations, is called the Guiding Principles, which, together with the Code of Conduct, represent the basic guidelines for operation. Getting acquainted with our values is included in the Welcome and Onboarding Program for new employees, and conduct in accordance with the Guiding Principles is part of the Collective Agreement and the company's competency model, which means that all employees and the management are acquainted with them.

Hrvatski Telekom is guided by the following values:

- customer focus
- trust
- cooperation
- strengthening the delegation of powers and responsibilities
- innovation
- team affiliation
- communication with empathy towards others.

# KEY IMPACTS

## IMPACT ON ECONOMY, SOCIETY, AND ENVIRONMENT

Material topics are crucial for Hrvatski Telekom's sustainable business and show its most important impacts on the economy, society, and the environment. By investing in digital solutions and modern infrastructure, we ensure the possibility of economic and social development.

Our purpose is to develop interconnection with the most advanced solutions and to enable more modern business by developing cutting edge infrastructure such as the 5G network or by introducing cutting edge technologies such as the Internet of Things (IoT). Our role is to support companies and organizations in adapting to business in the digital age. This, in addition to business, has a significant social dimension because innovation and our relationships with stakeholders directly affect the development of education and the improvement of public service activities vital to the care of society. In doing so, we are constantly striving to improve the ways in which we do business to reduce negative environmental impacts.

In addition, we focus on developing various solutions that, in addition to reducing the impact of our day-to-day operations and products, also help reduce the impact on users and society in general, thus enabling the development of more environmentally and socially acceptable business. Our impacts and material topics include the responsibility of our contributions to society - responsible behavior towards our customers, shareholders, suppliers, employees, business partners, government administration, NGOs, and the communities in which we operate.

## PROCESS OF DETERMINING MATERIALITY

Defining material topics and areas is part of the comprehensive process of preparing our sustainability reports. In determining the material topics, we were guided by the guidelines prescribed by the GRI Standard, organizing the process in four phases: identifying material topics, determining their importance, confirming the importance, and presentation of material topics.

The first, analytical phase included a sector analysis, an overview of the key impacts of the ICT and telecom industry, and an overview of media coverage and other analytical presentations on all aspects of our business, as well as an overview of previous materiality matrices of Hrvatski Telekom. We also checked the list of our key stakeholders affected by Hrvatski Telekom's operations. In this process, we identified the following stakeholders: customers, owners' representatives, shareholders, employees, regulatory bodies, state administration bodies, local governments and communities, business partners, suppliers, financial institutions, academic and scientific institutions, educational institutions, interest and professional associations, civil society associations, and the media.

During the second phase, we held an internal workshop where members of our sustainability team discussed the impacts of Hrvatski Telekom on these stakeholder groups through three levels of impact - low, medium, and high. We discussed material topics in three thematic areas: economy, society, and environment. We aimed to determine whether there has been a shift or change in key impacts. In determining the material topics, we also considered the material topics of Deutsche Telekom. In addition, we examined the contribution of Hrvatski Telekom to the achievement of the United Nations Sustainable Development Goals.

The third phase included two rounds of stakeholder consultation. We conducted the first round through an anonymous online survey. The second round was organized through in-depth interviews with five prominent representatives from state administration, regulatory agency, scientific and educational community, and the civil sector. The aim was to provide a deeper insight into the challenges of sustainability, competitiveness, customer relations, management, and socially responsible business. After the collected evaluations of material topics and in-depth discussions, we finally determined the material topics and areas of Hrvatski Telekom's contribution to the Global Sustainable Development Goals.

The fourth phase included an overview of the material topics and goals of the UN's sustainable development. We established that the topics did not change significantly compared to earlier periods. However, accelerated technological developments and changes affecting business agility lead to different interpretations of material topics compared to earlier reporting periods. In considering material topics, stakeholders recognize the most significant influences of Hrvatski Telekom in the field of development and construction of sustainable infrastructure, support of digital literacy, responsibility for its employees, and development of responsible products and services with added social value. Furthermore, stakeholders recognize Hrvatski Telekom's significant investments in the development of digital and smart cities, digital literacy, and sustainable infrastructure. Investments in 5G connectivity, bringing a mobile network and high-speed internet to all parts of Croatia, and digital literacy are considered topics of great importance.

### What did our stakeholders say?

- “HT has a strong focus on innovation and development. It has been setting trends and has been a catalyst for positive change in society. We expect that in the future as well.”
- “For HT, building relationships and dialog with local communities is extremely important, especially in matters of infrastructure construction”.
- “The European Green Plan brings a change of business paradigm - telecoms in Croatia have always been the initiators of change, we expect that it will be the same for the European Green Plan.”
- “In the development of smart cities, HT must take into account the individual characteristics and needs of individual environments.”
- “The development of 5G infrastructure is key to the development of better living conditions in society. This technology can significantly contribute to the quality of life throughout Croatia. That should be HT's priority.”
- “HT must learn how to dance with millennials and generation Z who pay extreme importance to the social and environmental dimension of products and services.

Companies that don't understand that won't survive.”

- “HT has a responsibility to ensure that online business becomes available to everyone.”
- “Education and acquisition of STEM skills are critical to the development of an innovative and smart society.”
- “Digital literacy needs to be spread among the older population. No one should be excluded from the possibilities of a digital world that makes everyday life better.”

## **DETERMINING CONTRIBUTIONS TO THE GLOBAL SUSTAINABLE DEVELOPMENT GOALS**

We checked for 2019 as well the impacts of Hrvatski Telekom within the United Nations Sustainable Development Goals. Our goal for future remains to drive positive change that will enable all our stakeholders to further leverage their contribution to the goals of the 2030 Agenda of the United Nations by using our innovative products and services.

During the internal workshop and stakeholder consultation, we also examined the impacts of Hrvatski Telekom within the Global Sustainable Development Goals. During the workshop with the reporting team, we identified the goals that are most impacted by Hrvatski Telekom, guided by the guidelines of 17 goals and 169 specific sub-goals of the United Nations Agenda 2030. In linking the current and future activities of Hrvatski Telekom with the sustainable development goals and the indicators that Hrvatski Telekom has already reported on in the previous sustainability reports, this report applied the methodology of the International Expert Group which was presented in the document Joint Proposal of ICT Indicators for Sustainable Development Goal (SDG) indicator framework. In assessing the contribution to the Sustainable Development Goals, the stakeholders' view of Hrvatski Telekom's contribution to the goals coincides with the company's own assessment.

In most cases, Hrvatski Telekom's activities have multiplier effects, i.e., they often contribute to the achievement of multiple sustainable development goals and permeate through several material topics and are implemented by several organizational units at the same time. This supplies a holistic approach to managing the company's sustainable development, which all employees contribute to, both in their area of expertise and operations, and in activities carried out at the company level.



Global sustainable development goals, the realization of which we are proud to contribute to:



Ensure inclusive and fair quality education and promote lifelong learning opportunities for all

4.1 By 2030, provide all girls and boys with free, equal, and quality elementary and secondary education, leading to relevant and effective learning outcomes.

4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational, and higher education, including universities.

4.4 By 2030, significantly increase the number of young people and adults with relevant skills, including technical and vocational skills, for employment, decent work, and entrepreneurship.

4.5 By 2030, eliminate gender inequalities in education and ensure equal access to all levels of education and vocational training for vulnerable groups, including people with disabilities, indigenous peoples and children in vulnerable areas.

4.6 By 2030, ensure that all young people and a significant number of adults, men and women, are literate and know how to count.



Achieve gender equality and empower all women and girls

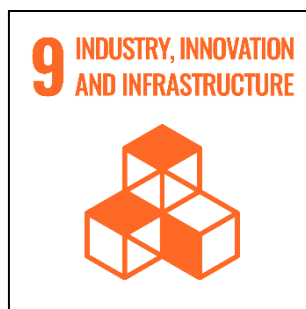
5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decisionmaking in political, economic and public life.

5.b Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women.



Promote continued, inclusive, and sustainable economic growth, full and productive employment and decent work for all

- 8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries
- 8.2. Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors
- 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
- 8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead.
- 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
- 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training.
- 8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products.
- 8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.



### Build resilient infrastructure, promote sustainable industrialization and foster innovation

9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.

9.b Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities.

9.c Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020.



### Make cities inclusive, safe, resilient and sustainable

11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.

11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

11.4 Strengthen efforts to protect and safeguard the world's cultural and natural heritage.

11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations.

11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

11.a Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning.

11.b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels.



### Ensure sustainable consumption and production patterns

12.2 By 2030, achieve the sustainable management and efficient use of natural resources.

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.





### Take urgent action to combat climate change and its impacts







13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

13.b Promote mechanisms for raising capacity for effective climate change-related planning and management, including focusing on women, youth and local and marginalized communities.

## **COMPARATIVE PRESENTATION OF MATERIAL TOPICS AND CONTRIBUTIONS TOWARDS SUSTAINABLE DEVELOPMENT GOALS**

Together with key stakeholders, we also discussed our material topics in the context of our contribution to achieving the UN's sustainable development goals. Hrvatski Telekom's direct contribution to the sustainable development goals and their connection with certain material topics was assessed during the final internal workshop, an anonymous online survey, and individual interviews with stakeholder representatives. We are aware of the need to achieve global sustainable development goals and we integrate them into our daily operations. We are especially proud that due to the multiplicative effects of our business, stakeholders consider us one of the key drivers of development.

MATERIAL TOPIC	MATERIALITY STATEMENT	AFFECTS THE ACHIEVEMENT OF SUSTAINABLE DEVELOPMENT GOALS
Digital society	We understand our responsibility as leaders in encouraging the accelerated and comprehensive digitalization of Croatia with the aim of shaping a society of equal opportunities for all. We focus on three segments of the development of the digital society and economy: digital literacy, digital responsibility, and digital inclusion. We are aware of the positive and negative impacts of digitalization on all areas of life and work, and we actively manage them so that everyone can fully realize their potential.	
Job with a purpose	Caring for employees today no longer means just being responsible for ensuring a great work environment, but also providing an opportunity to do work with purpose. The knowledge, enthusiasm, and work of each of our employees is embedded into our products and services, into the development of our solutions that enable customers to develop and do business, and help society use technology for development.	
Well-being of customers	We want to connect everyone in Croatia with the opportunities provided by the latest technologies today, while achieving the best customer experience on the market. Our promise is that we will connect everyone in Croatia, regardless of where they live, with the opportunities that digitalization brings and that we will carefully consider the possible negative impacts.	
Development of sustainable infrastructure	We continue to invest in digital infrastructure and improve internet access speeds, which are fundamental technologies for the development of the digital economy and society as a whole. By developing a sustainable and resilient infrastructure, we build the preconditions for reducing social and economic disparities and inequalities. We provide everyone with the right to access the internet as a public good.	
Contribution to the economy	As the largest private investor, Hrvatski Telekom has exceptional economic impacts on the Croatian economy. In addition to development projects, we strive to manage our supply chain sustainably and responsibly, and to encourage economic development and entrepreneurship with our products and services.	
Climate change and environmental protection	We continuously consider the impacts of our business activities on the environment and climate change. Our projects and initiatives are aimed at the fastest and easiest transition to a society with significantly reduced CO <sub>2</sub> emissions.	

# OUR CONTRIBUTION

## DIGITAL SOCIETY

As the driver of the digital economy in Croatia, Hrvatski Telekom contributes to the development of the digital society aiming to provide high-speed internet service to all citizens, always and everywhere. Digital society is one of the essential material topics for Hrvatski Telekom's responsible and sustainable business. The goal of the activities carried out by Hrvatski Telekom within this material topic is to enable citizens and business entities to make the best use of digital technology.

Hrvatski Telekom carries out its activities related to this material topic through three main areas: Digital Literacy, Digital Responsibility, and Digital Inclusion, proudly contributing to the Global Sustainable Development Goals:



### Digital Literacy

Digital literacy includes teaching literacy to young generations and future consumers, supporting the state's efforts in digital literacy programs, collaborating with the state on digital literacy projects, and contributing to the adoption of the STEM knowledge and skills needed to face a new wave of technological change.

### Digital Responsibility

As the leading telecom operator and a leader in digital transformation in Croatia, we feel a responsibility to ensure the safest possible environment in which citizens, especially young people, use new technologies. We encourage our employees to share their knowledge with people from the community in all parts of Croatia, and to promote the responsible use of new technologies.

### Digital Inclusion

We will help everyone use new technologies to live better. We invest in networks, develop solutions, and launch initiatives that will provide everyone with more opportunities for a better life and enable the use of the benefits of the digital society to all social groups.

## DIGITAL LITERACY

As the leader in Croatia's digital transformation, Hrvatski Telekom encourages the development of digital literacy and the acquisition of key skills for the use of modern technologies through educational programs, especially Generation Now, thus ensuring inclusive and quality education, equipping educational institutions with modern technologies and achieving a higher level of economic productivity through diversification, technological advancement, and innovation.

Hrvatski Telekom d.d. has a leading role in investing in STEM programs in Croatia. Investing in STEM directly contributes to the goal of promoting digital literacy, since STEM skills are crucial for society to successfully prepare for and embrace a new wave of technological change that will result in a better quality of life. Existing research on digital literacy in Croatia points to significant obstacles to the smarter use of digital technology. The results show a low level of media literacy and education on digital safety for young people, the existence of basic digital skills in the older population, while half of the Croatian population (49% of citizens in the age group 16-74) believe that they lack basic digital skills.

### Generation NOW



Hrvatski Telekom and the Institute for Youth Development and Innovation (IRIM) are preparing young people for the jobs of the future through a donation program. The aim is to integrate existing and new technology knowledge in designing creative IoT projects, develop creativity, and encourage innovation. We have supported 300 projects with more than HRK 10 million since 2004. STEM knowledge has been transferred to more than 2,000 students throughout Croatia and mentor trainings were conducted. In 2019, the project included 110 schools, associations, and libraries, three times more than the year before, with the donation of equipment and funds for the creation of IoT projects.

The expected results of the donation program are to enhance students' ability to integrate existing and emerging technology and engineering knowledge in the design of creative IoT projects, develop computer thinking, problem-solving skills and programming skills, and develop creativity and innovation through the design, development, and implementation of creative projects. Students will also be able to critically present, argue and evaluate their own and others' work with the development of entrepreneurship, understand that a particular problem can be solved in many ways, understand the principles of technology, as well as identify interests and preferences regarding continuing education and adopt the need for continuous training and lifelong learning.

Part of the project is the documentary 'Generation of Inspirations' in which girls and boys from diverse backgrounds showed that STEM knowledge gives them equal opportunities for success.



## Junior Engineer ACADEMY



With the project in cooperation with the education and business sector: Deutsche Telekom Fund, the Institute for Youth Development and Innovation, and Hrvatski Telekom, we are focused on developing competencies that will prepare young people for the future. IRIM selected 15 vocational schools, distributed advanced technology equipment, and financial donations, and educated mentors who will transfer the acquired knowledge to students and work with them on transforming creative ideas into solutions using IoT technologies. The second phase is to connect schools with the business sector. The goal is to establish permanent cooperation between the education and business sectors.

## Idea Knockout



As the regional technology leader, we strongly support the development of an innovative technology community. Hrvatski Telekom partnered with the sixth edition of 'Idea Knockout' 2019, the most important regional competition of technological ideas. 22 teams with fantastic technological ideas competed in knowledge, originality, and entrepreneurial talent fighting for the main prize, a trip to Las Vegas to the world's largest new technology fair, the famed CES. After taking part at CES, all the teams had global success, gaining many contacts and orders.

## Combis Scholarships



The leading IT service provider awarded scholarships to students of the Zagreb Faculty of Electrical Engineering and Computing. Combis is committed to providing students with experience in concrete development projects in the field of network technologies and security through its internal NeoStartup.

## DIGITAL RESPONSIBILITY

As the leading telecom operator and a leader in digital transformation in Croatia, we feel a responsibility to ensure the safest possible environment in which citizens, especially young people, use new technologies. We encourage our employees to share their knowledge with people from the community in all parts of Croatia, and to promote the responsible use of new technologies.

## Let's Play It Safe



We want to increase the awareness of young people and their parents about all the benefits and risks of the world of video games. Hrvatski Telekom, the Communications and Media Culture Association, and Hrabri telefon have launched the campaign. The first digital guide has been released with an overview of the positive aspects and risks of playing video games with concrete tips for parents. While some argue that video games are good because they develop reflexes, provide interactive entertainment and a chance to relax, others are afraid of addiction and excessive stimulation. The truth is, of course, somewhere in between. Luka, Filip, Jošua and

their mother told it from their perspective in the first domestic documentary about playing video games 'Children of Virtual Reality'.

### 'Let's CHALLENGE - IoT saves Croatia Trees'



We are proud of our high school students and their technological solution for saving Croatian forests. GVG Firefighters, a three-member team of high school students from Velika Gorica, won second place at the international challenge 'Let's CHALLENGE - NB-IoT saves Croatian Trees'. Hrvatski Telekom launched the challenge in 2018 to encourage the development of innovative solutions based on the Internet of Things technology, which will help in early fire detection and prevention. Teams from five countries participated in the challenge, and the two best solutions are from Croatia and Poland.

## DIGITAL INCLUSION

We will help everyone use new technologies to live better. We invest in networks, develop solutions, and launch initiatives that will provide everyone with more opportunities for a better life and enable the use of the benefits of the digital society to all social groups.

### Hrvatski Telekom brings high-speed internet to all parts of Croatia



Thanks to the innovative hybrid technology, Hrvatski Telekom has provided access to high speeds of up to 30 megabits per second in rural and less populated areas of Croatia. Through a combination of fixed and mobile technologies, optical infrastructure and an optically based access, we will provide residents of urban and rural areas with more opportunities for flexible working, entertainment, fast information retrieval, and communication. The importance of developing sustainable infrastructure is explained in detail within a separate material topic within this report.

### Women STEM Awards 2019



Croatia joined Deutsche Telekom's international project six years ago at the initiative of Hrvatski Telekom. The goal was to encourage young women to pursue careers in STEM areas and take on leadership positions. In an international competition, the best graduate or master's thesis and dissertation in the STEM field is selected from the papers of final year students from all over the world. Strategic topics for 2019 were Internet of Things, Artificial Intelligence, Cyber Security, Networks of the Future, and Cloud.

## Volunteer program



Our volunteers help many fellow citizens to make the best use of technology and improve their lives. Activities include educating teens about online safety, reminding them to respect the older generations, care about the environment, and enrich life in a variety of ways. Volunteering helps our employees by broadening their horizons, strengthening their social skills, and strengthening team spirit through helping others.

## JOB WITH A PURPOSE

We are the leader of digitalization of the Croatian economy and as such influence the development of the society as a whole. This is a great honor, but also a responsibility. Only competent and dedicated employees who love their jobs can do the job at the highest standards and achieve excellent results. Our role is to create work conditions in which employees work professionally and grow personally to achieve their full potential and feel well in their work environment at the same time.

In the big changes brought by the technology development, it is important for employees to be able to balance their private and business life. Hrvatski Telekom is undergoing an intensive digital transformation that aims to reshape jobs in line with the requirements of the digital era, define and apply new business models and strengthen digital competencies so that the organization could continue to attract the best talent and continue to provide a stimulating and productive work environment.

Our system of corporate values promotes ethical behavior, mutual respect, teamwork, achieving the best possible results in the simplest possible way, openly expressing opinions, taking responsibility and creating an environment in which exceptional results are encouraged, recognized, and valued. We want to attract and develop the most talented people. The focus is on personal development, supported by a number of tools, which encourages employees to take the initiative and responsibility for their own growth and development. We are also intensively developing agile skills so that our employees can fully enjoy the opportunities provided by digital technology, with a continuous contribution to the Global Sustainable Development Goals:



Table 1 - Number of employees

Hrvatski Telekom - permanent employees	4,280
Hrvatski Telekom - agency employees	1,012
Iskon	310
Combis	389
<b>TOTAL EMPLOYEES</b>	<b>5,991</b>

Table 2 - Rates of new hires and employee turnover

	Under 30 years of age		30 to 50 years of age		Over 50 years of age	
Sex	M	F	M	F	M	F
New hires	76	30	48	25	4	3
Left	95	39	156	88	100	15

## EDUCATION AND TRAINING



We constantly raise the level of knowledge in the organization. Employee development is our priority, and apart from classical education, we have introduced in 2017 digital learning through a platform that offers over 20,000 online courses. We are proud that in 2019, the number of digital educations completed has tripled compared to 2018, which proves that our employees gladly embrace modern learning tools and pursue continuous improvement on their own.



We have identified key talents from all areas of the company, and we develop their career individually, in order to maximize competencies, engagement, and motivation. In 2019, in collaboration with renowned lecturers from prestigious world faculties, talents worked on specific case studies and, at the end of the talent program, produced final papers, some of which ideas would be implemented into regular business processes. In the past year, 30% of employees were promoted to a higher position.

Table 3 - Training of employees

	TOTAL HOURS		Percentage of change	Number of employees		Percentage of change	Average hours per employee		Percentage of change
	2018	2019		2018	2019		2018	2019	
Total by type of workplace	119,390	169,556	42 %	4,216	4,280	1.52 %	28	40	42.86 %
Executive	99,390	164,756	66 %	3,689	4,145	12.36 %	27	40	48.15 %
Managing <sup>1</sup>	20,000	4,800	-76 %	527	135	-74.38 %	38	36	-5.26 %
Total by sex	119,390	169,556	42 %	4,216	4,280	1.52 %	28	40	42.86 %
men	62,000	87,000	40 %	2,603	2,600	-0.12 %	24	33	37.50 %
Women	57,390	82,556	44 %	1,613	1,680	4.15 %	36	49	36.11 %

Year	Total hours of internal education (*including digital hours)	Total hours of external education	Number of hours of internal training per employee	Number of hours of external training per employee	Total number of employees
2019	118,500	51,056	28.0	12.0	4,280
2018	110,702	63,866	26.2	15.2	4,215
2017	83,800	15,800	22.6	4.3	3,709

Digital learning platform with more than 10,000 learning content through the SAP Success Factors application.

'Let's Grow' program is one of the most important programs at the level of the DT Group, which changes us from a fixed to a 'growth mindset'.

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<sup>1</sup> The managing position in this report is considered to be those jobs that are hierarchically above the group leader, and for that reason the number of employees considered to be managerial in 2019 has been significantly reduced, and consequently a smaller total number of hours refers to managers. Relevant data: average number of hours per employee.

**Internal Hackathon** which encourages talents to apply for a competition of innovative ideas, with the possibility of being best implemented in work processes.

**Local talent program** was implemented in collaboration with the Institute of Innovation. Top experts from international universities evaluated the works of the students.

**Global talent program** with the aim of identifying top employees in the DT Group who have the possibility of global networking, various development opportunities and rotations within the Group.

**'Level UP Next Generation'** Deutsche Telekom's development program is divided into three aspects of leadership and is intended for employees who play a key role in transforming the company into an agile way of working.

**Frontline development program 2.0** with a set of various activities to provide support and empower employees who work in direct contact with customers.

**Knowledge Society** provides STEM students with internships, mentorships, and scholarships of HRK 1,600 per month, and the best of them also have the opportunity for employment.

**Student summer practices** allow them to apply the acquired knowledge in practice. They are for students of various faculties in Zagreb, Vinkovci, Split, and Rijeka.

**'Digital Workplace'** is Combis's vision of employee collaboration and communication within companies where no time is wasted on the things that technology can do for us.

**Volunteer club** of big-hearted enthusiasts eager to help those in need.

## PERFORMANCE MANAGEMENT



In 2019, considering the differences and specifics of different jobs, there are still several performance appraisal systems. All jobs are covered by some of the performance management systems which are divided into two groups:

- Frontline jobs (applies to 50% of employees)
- Non-Frontline jobs to which the 'Lead2Win' system is applied (applies to 50% of employees)

Thank you!! is the recognition and rewarding program for employees who put their souls into work. By doing so we do better, learn more, and provide top service. Because we are aware of the fact that as a technological leader, we set high standards of business, we also care about the balance of private and business life and the health of our employees. We have confirmed the status of Employer Partner for excellence in human resource management and continuous improvement of work processes and following of global trends.

### Forms of rewarding

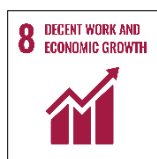
We have defined packages of rewards and benefits that we are constantly improving with new benefits. It is important to emphasize that most rewards are available to all employees regardless of the type of work they perform and work performance, which is a significant

investment by the company, while only some benefits are created for special situations or less targeted groups. In addition to benefits that are closely related to the implementation of the work process (e.g., transportation fees, performance reward, etc.). we are especially proud that we promote a healthy lifestyle and well-being in a broader sense through a range of benefits, in addition to financial support to employees. A physical exam is a good example of financial support, but also of the overall approach to keeping health, because employees perform a whole series of preventive examinations in a quick and easy way.

In 2019, we kept all forms of tangible and intangible rewards. We have upgraded several benefits with new services, favorable loans for HT employees have been in high demand since their launch as an acceptable form of financing, and a completely new benefit is aimed at encouraging healthy living through sports activities - a multisport card subsidized by the company.

MONETARY REWARDS
Christmas bonus
Gift for a child
Vacation bonus
One-time aid at the birth of a child
Financial aid (in case of death, serious illness of an employee and/or close family member, scholarships for children of deceased employees)
Transport compensation
Reward programs outside the bonus scheme and variable salary (e.g. Thank you!; ad-hoc bonuses, etc.)
Subsidizing parental leave
Credit cards
Severance pay above the legal minimum
Favorable conditions for banking and Telekom banking
NON-MONETARY REWARDS
Third pension pillar
Accident insurance (outside the legal minimum)
Physical exams (outside the legally prescribed)
Mobile phone for private use
Paid leave (for example for additional training)
Favorable loans in banks (HT's own loans)
Subsidized meals (more favorable prices in the restaurant)
Small incentives (cinema tickets and events, bookstores, birthday present ...)
Subsidized sports activities (HT Olympics)
Multisport card
Company products
Discounts for employees

## OCCUPATIONAL HEALTH AND SAFETY



The company has well-organized occupational safety and health, which operates through four Occupational Safety and Health Committees and the Central Occupational Safety and Health Committee. The committees meet quarterly and discuss the systematic improvement of the safety and health of employees and persons at work, the prevention of injuries at work, occupational diseases, and other work-related illnesses. Occupational safety regularly organizes trainings for safe work. The basic indicator they monitor are injuries at work and outside the work process. All employees have 24-hour insurance against accident, and are also covered by foreign travel health insurance.

Table 4 - Number of injuries at work

	NUMBER OF INJURIES		NUMBER OF INJURIES %		LOST MAN HOURS		LOST MAN DAYS	
	2018	2019	2018	2019	2018	2019	2018	2019
Injuries at work	34	32	0.81	1	8,889	9,688	1,108	1,211
In work process	18	21	0.43	0.49	4,185	6,744	520	843
Outside work process	16	11	0.38	0.26	4,704	2,944	588	368

### B2Run

For the fifth consecutive year, we are a partner of the largest business race in Croatia - HT B2Run. In recent years, HT B2RUN has grown into an indispensable event in which many Croatian companies take part. It also serves as an effective tool for strengthening corporate culture, employee satisfaction, connecting with the business community, and encouraging the adoption of healthy living habits.

The HT B2Run business race was held in Split, Rijeka, Osijek., and Zagreb, and 11,219 runners from 703 companies competed, making the HT B2Run 2019 season the cumulatively largest race in Croatia and the second largest business race in Europe. More than 95 percent of former participants of the HT B2Run business-sport event believe that sports activities improve productivity at work and positively influences the corporate culture of the company they work for. All participants could do a good deed with their 'race time'. Of the four cities, Split reached the finish line the fastest, and earned a digital literacy program for the local population rewarded by Hrvatski Telekom.

## DIVERSITY AND EQUAL OPPORTUNITIES



We are clearly committed to being a company of equal opportunities for all, respecting employee diversity. We oppose any form of discrimination, harassment, or sexual harassment. Hrvatski Telekom is the initial signatory of the Diversity Charter and the Social Charter, and we have incorporated these values into the Collective Agreement and the Code of Conduct, which prohibit any discrimination.

All internal and external stakeholders can report misconduct or violations of the Code of Conduct through the 'Tell Me' portal and the 'Ethics Line', a system available on the corporate intranet and website, which provides employees and third parties with complete confidentiality and anonymity of reports. In January 2018 and 2019, DT Group Compliance Management (GCM) measured the progress of employees' perceptions of DT Group's culture of compliance and ethics, and the HT Group showed an enviable, double-digit percentage growth in all segments of the survey. Increasing the participation rate together with great improvement in many areas shows a high standard of workplace ethics throughout the organization, and with the goal of further progress in compliance and business ethics we continue to develop measures and tools for reporting non-compliance (training, e-learning) and developing a culture of openness.

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

With a high female share of as much as 46 percent in its management team on December 31, 2019, Hrvatski Telekom is one of the leading Croatian, but also European telecommunications companies. We pay special attention to the balance of private and business life that is embedded in the core values of corporate culture.

Table 5 - Composition of governing bodies and structure of employees by categories according to sex, age group, belonging to a minority group, and other indicators of diversity

		TOTAL MEMBERS	SEX		AGE			MINORITY GROUPS
			M	F	UNDER 30	30 - 50	OVER 50	
2019	Management Board	6	5	1	0	5	1	unknown
	All employees	4,280	2,600	1,680	816	2,713	751	unknown
2018	Management Board	6	4	2	0	6	0	unknown
	All employees	4,210	2,602	1,608	808	2,683	719	unknown

Table 6 - Ratio of basic wages and salaries of men and women by employee category

EMPLOYEE CATEGORY	RATIO OF GROSS SALARY PAID TO WOMEN/MEN	EXPLANATION
Non-managers	97.10 %	Women have a 2.9% lower salary than men on average, which is a slight difference to the total number of Hrvatski Telekom employees.
Managers	86.60 %	Women have a 13.4% lower salary than men on average. However, this is a statistical deviation that is the result of a larger number of men, for example in the Management Board, which statistically affects the percentage.

### Parent-oriented programs

‘A day with mom and dad at work’ has become a tradition and is one of the most entertaining in our company. On their day, we showed the little ones how cutting-edge technology works. All employees - parents of first graders are given a day off on the first day of school to allow their children the most carefree transition to a new period of life. Hrvatski Telekom actively operates the ‘Zaklada PrijaTelj’ (Foundation Friend) to help employees and their children in case they find themselves in difficult situations due to various life circumstances.

# WELL-BEING OF CUSTOMERS

We promise, we will connect everyone in Croatia with the opportunities that digitalization brings

Customer care is of utmost importance to us to connect everything in Croatia with the opportunities given by the latest technologies today. Our promise is that we will connect everyone in Croatia, regardless of where they live, with the opportunities that digitalization brings.

Also, our goal is to achieve the best customer experience on the market. Our customers are also the first test of our credibility. Due to the proactive approach, customer complaints decreased by 22 percent compared to the same period last year.

In 2019, Hrvatski Telekom got two more awards, for the fastest mobile network in Croatia and for the best coverage. This is the result of our continued investment in the construction and modernization of the mobile network.

On December 31, 2019, Hrvatski Telekom records 839,000 fixed line users, 2,359,000 mobile network subscribers, 740,000 broadband access lines, and 490,000 TV service users.

We want our network infrastructure and products to be as efficient, environmentally friendly, and safe as possible for health. That is why we advocate for a responsible dialog on the topic of mobile communications and the potential impact on health, supplying transparent information based on objective, professional, and scientifically based knowledge. Our obligation to behave responsibly was confirmed back in 2005 through the decision of the HT Management Board to adopt the DT Group's electromagnetic field policy (Ten Guidelines on Electromagnetic Fields), with which Hrvatski Telekom continuously goes a step further than legal requirements, contributing to the following Global Sustainable Development Goals:



## DEVELOPMENT OF KEY SERVICES



To provide customers with the products and services that best suit them, we are constantly increasing the speed, the amount of data traffic included in the rate plans, and adding new, attractive content. We also enable a better customer experience by successfully switching users to digital communication channels.



## My Telecom App

My Telecom app gives customers a detailed overview of all telecommunications services in fixed and mobile networks. By late 2019, the application had reached a penetration of 32.2 percent, the number of customers paying their bills through the application had tripled, and the number of e-invoice users had reached 37 percent.

## Magenta 1

Our Magenta 1 concept, which combines mobile, fixed, and cloud offerings and offers premium service and content, is still the market leader with 31,000 business customers and 244,000 households. With Evo TV service, we further expanded the range of services on the growing Pay TV market in Croatia.

## Advanced solutions for digitalization of Croatian companies

One of the strategic determinants of the HT Group's companies is the digitalization of businesses of all sizes, be it digitalization of processes, documentation, or operations. The goals are to improve the efficiency, productivity, and competitiveness of business operations. Hrvatski Telekom and Combis stand out with the offered solutions for digital business transformation and work digitalization. In 2019, we significantly improved our data center by doubling our customer capacity and offering them access to the most advanced cloud solutions.

## EDI

Business digitalization is a prerequisite for competitiveness, and the advantages of switching to electronic document exchange are multiple. Business customers who use electronic document exchange through EDI service make substantial savings - there is no need for printing, archiving, and sending business documents, so they spend significantly less paper than before. Data processing procedures are automated, eliminating repetitive manual processes and reducing the possibility of a human error when creating and sending documents, thereby increasing the accuracy and correctness of the data.

## Business in cloud

In cooperation with Microsoft, Deutsche Telekom companies from Central and Eastern Europe, together with Hrvatski Telekom and Combis, continue to provide highly standardized digital transformation services through the Microsoft Azure platform, Dynamics 365, and Office 365 in nine countries, from Poland to Greece. They are automated services that allow customers, small and medium-sized enterprises, and large companies to switch to cloud services in a very short time. In this way, customers speed up their business and can save 30 to 50 percent of costs compared to a traditional IT operation they would perform within the company. With this cooperation, we make all the advantages of digitalization and modern technology more accessible to all companies in Croatia, which thus become more competitive in the domestic and global markets.

## SUSTAINABLE SOLUTIONS FOR SMART CITIES



We are strategically oriented towards the building of smart cities and their digital transformation, which involves the application of modern technologies to increase the quality of life of citizens, optimize local resources, and develop entrepreneurship. Last year, Hrvatski Telekom continued to develop solutions that improve the quality of life in Croatian cities, reduce greenhouse gas emissions, increase the level of public services and the efficiency of public spending. Some of these solutions are unique in the world. HT smart city solutions have been implemented in a total of 67 cities and municipalities in the Republic of Croatia.

### Smart parking

Estimates show that drivers searching for parking cause up to 30 percent of urban traffic. Smart parking enables faster and easier location of vacant parking spaces thanks to sensors built into them. Benefits for citizens are multiple - from less traffic jams and time and fuel savings, to less stress and lower emissions. The smart parking project was implemented in Split, Krk and Dubrovnik. We presented in Dubrovnik the largest smart city project in Croatia and the region and one of the largest smart parking projects implemented on the NB-IoT network in the world.

### EV charging stations

In 2019, 60 new EV charging stations were opened, so that Hrvatski Telekom's network includes 183 EV charging stations in Croatia and in foreign markets. That is twice as many EV charging stations than the year before. In addition to the existing charging stations in Albania, Romania, and Macedonia, EV charging stations have been introduced in three new markets - the Czech Republic, Montenegro, and Kosovo. With more than 160 EV charging stations in 80 cities, we have developed the widest network of electric charging stations in Croatia, which recorded almost 50 percent more use compared to 2018. EV charging station project helps significantly in environment protection, as it encourages an increasing number of drivers to use electric vehicles, thereby directly reducing emissions.

### Air quality monitoring sensors

Hrvatski Telekom, in collaboration with Smartsense, has developed an air quality control service ("Air Quality"). These are measuring devices that measure five types of harmful gases and three types of microparticles, temperature, and humidity in the air, air quality index, and ambient noise. The platform is available on the website and mobile application. The solution has been implemented in Koprivnica and Dubrovnik, Bonn, and Greece.

### Smart waste management

The Smart Waste system allows cities to address waste disposal and smart waste management more easily, and citizens to pay the service according to consumption. Smart waste containers with embedded chips (the so-called Bigbelly), announce in real time that

the container is full, after which the system independently plans and predicts the best collection schedule. The Bigbelly container is completely independent, powered by solar energy, presses mixed waste, and enables recycling. The solution has been implemented in Zagreb, Split, Dubrovnik, Korčula, Koprivnica, Makarska, Sv. Ivan Zelina, Dugo Selo, and Velika Gorica.

### Smart metering

Hrvatski Telekom continues to develop technologies for smart metering of gas and water consumption, and for measuring water flow in city pipes to reduce water loss. Smart metering technology enables users to monitor energy consumption on their mobile phones, control costs, and save by changing habits. Workers no longer must go out to the field to read meters, and if an error or problem occurs, alarms are triggered in real time and services can respond. This reduces water pipeline cracks and potentially dangerous gas pipeline problems. Hrvatski Telekom piloted a project in Sisak in which 200 water meters were delivered and tested on the NB-IoT network, which effectively measure water consumption in that city.

### Smart transport

When it comes to smart transport, Hrvatski Telekom plans to create a multimodal transport system in one place that will connect road, rail and shipping, and through which the user could buy all the tickets they need in one place. It is a set of hardware and software solutions for buying and reading tickets that will completely remove paper tickets. The sensor network will monitor all public transport and provide all key information to users and operators. Device (ticketing) and software solutions ("T-transport online booking", WiFi in buses and vehicle monitoring 'in the cloud') are now commercially available.

### WiFi in public transport and WiFi4EU

HT has enabled the introduction of an open, fast, and stable WiFi network in trams. The solution has been implemented in 80 of the 142 trams. Through the WiFi4EU project, the European Commission promotes the introduction of free WiFi in public spaces, such as parks, squares, public buildings, libraries, health care institutions, and museums, funding local government units to procure the most up-to-date equipment. As a technological partner, Hrvatski Telekom offers local governments units the best solutions for their needs. So far, Croatia has received 224 such projects.

## RECOGNITIONS AND AWARDS

### Two Ookla Awards

Two awards confirmed the superior quality of Hrvatski Telekom's mobile network - the Fastest Mobile network award and the Best Coverage Award. The awards were presented by Ookla, the world leader in internet testing and analysis, with over 10 million user-run tests a day,

while total telecom users worldwide performed more than 24 billion speed tests via the Speedtest platform. Testing on the Ookla Speedtest platform is free and users test the network through which they access the internet in a real environment and on their own devices, which gives the best insight into their user experience.

### Microsoft 2019 Partner of the Year

Microsoft recognized Hrvatski Telekom among best global partners for excellence in innovation and implementation of custom solutions based on Microsoft technology. The winners were selected from a group of over 2,900 participants from 115 countries. Hrvatski Telekom is recognized for providing outstanding solutions and services, as well as the excellent engagement of branches in Croatia. This recognition is a great compliment for our entire team, but also a strong incentive to further develop our cooperation. Collaboration of Hrvatski Telekom and Microsoft continues to provide highly standardized digital transformation services across the Microsoft Azure platform, Dynamics 365, and Office 365.

## CARING FOR HEALTH OF CUSTOMERS

The number of mobile telephony users grows daily, and many people today cannot imagine life without cell phones. Mobile phones improve everyday life in different segments of life - they allow us to be in touch with loved ones at all times, increase business efficiency, to the elderly and infirm they sometimes represent the only connection to the world, for many they mean salvation from dangerous situations. Therefore, the whole community benefits from mobile communications, whether they are used for business, social or emergency purposes. We take care of the impact on the health of users following all EU Directives, international and Croatian standards and regulations:

- All mobile devices that Hrvatski Telekom offers meet safety requirements according to the European Union Directive and the Croatian Ordinance on protection against electromagnetic fields. The SAR value (Specific Absorption Rate) of all cell phones put by HT to the market is under 2W/kg.
- As part of the mobile network radio equipment modernization during 2018 and 2019, the old equipment was replaced with new one, which has all the functionalities for the new technological generation. During 2019, Hrvatski Telekom requested and received measurements at over 1,300 of its base stations from measuring laboratories authorized by the Ministry of Health. The results were given to the Ministry of Health, which issued decisions for the use of sources. The Croatian Ordinance on protection from electromagnetic fields has imposed stricter limits in relation to the 1999/519/EC directive and the Guidelines of the International Commission on Non-ionizing Radiation Protection
- In 2019, Hrvatski Telekom deployed 19 test 5G base stations in the area of Zagreb, Samobor, Sveta Nedjelja, Osijek, and Krk, and measuring laboratories authorized by the Ministry of Health for protection against electromagnetic fields measured the levels of electromagnetic fields in their vicinity. The measured values were far below the Croatian prescribed limit, which is significantly stricter than the above international guidelines and the relevant EU directive. In 2019, the Croatian Employers' Association launched an educational and information campaign 'Connected We Are Safe' with the aim of

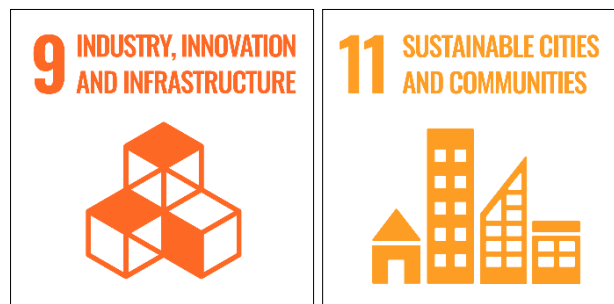
answering questions about technology and its impact on our lives and health, and we expect that this platform will increase the level of objective information in Croatian society.

Over the last few years, recognized professional organizations such as the World Health Organization and the International Commission on Non-Ionizing Radiation have repeatedly reviewed the current mobile communications thresholds based on the latest scientific knowledge and confirmed that, if these values are respected, the use of mobile technology is safe. The World Health Organization concludes on its official website: *"Given the very low level of exposure and research results collected to date, there is no compelling scientific evidence that weak radio frequency signals from base stations and wireless networks cause adverse health effects."* The radio exposure features of new wireless applications such as 5G are identical to those for existing mobile technologies. The expert committee of the European Commission concluded that current knowledge on how electromagnetic fields interact with the human body can be used to set exposure limits for the entire frequency range up to 300 GHz, and therefore existing health risk assessments apply to the entire frequency range, regardless of wireless technology.

## DEVELOPMENT OF SUSTAINABLE INFRASTRUCTURE

Regardless of where you live, we want to give everyone access to digital services with high speed internet

Basic infrastructure such as high-speed and high-quality Internet is a key prerequisite for the development of digitally intensive businesses and their ability to lead the economy to higher income levels and a better standard of living. High-speed internet in all regions of Croatia allows everyone to access digital services regardless of who they are and where they live. The development of sustainable infrastructure proved itself as a separate material topic of the Hrvatski Telekom Group during the 2019 materiality assessment. It is a strategic area of Hrvatski Telekom's activities as the largest company in the HT Group, which owns a fixed telecommunications infrastructure and a significant part of mobile infrastructure in the Republic of Croatia. Its activities within this topic contribute to achieving the Global Sustainable Development Goals:



[Coverage map](#)

Check the available internet speeds at your address and mobile signal coverage in Croatia and see how the speed can be increased by introducing new technological solutions.

## **STRONG INVESTMENTS AS A FOUNDATION FOR DIGITALIZATION AND FUTURE GROWTH**

Investments in digital infrastructure affect the sector of high technologies such as manufacturers of telecommunication equipment and software support, thus further improving the technological base and productivity of the Croatian economy. Investments in the mobile network have the greatest multiplier effect on GVA, since they involve the installation of high-tech telecommunication equipment domestically manufactured of high value added. Investments in digital infrastructure have both immediate and lasting effects on business improvement.

Between 2010 and 2018, the HT Group invested a total of HRK 12 billion, which is equal to HRK 1.35 billion of average investments in that period. During 2019, HRK 1.9 billion was invested in infrastructure and the development of innovative services, which is an increase in investment of 4.1% compared to the previous year.

## **MOBILE NETWORK**

*With investments of HRK one billion, we are increasing coverage and speeds with the same network quality*

At the beginning of 2018, Hrvatski Telekom launched a program worth more than HRK one billion for the modernization of the radio access network, which includes the modernization of infrastructure, expansion of transport capacities, and replacement of radio equipment.

The goal is to ensure, in addition to applying state-of-the-art implementation concepts in the industry, the possibility of introducing innovative solutions to improve service quality and mobile network performances, aiming to improve customer perceptions. During the modernization of the mobile network, in addition to replacing the existing equipment, the existing access network capacities are expanded, which enable:

- increased coverage of 3G and 4G mobile network services in the entire territory of the Republic of Croatia,
- the uniform quality of mobile network service in rural and urban areas as an important infrastructure precondition for development
- increased available data rates (up to 1 Gbps)
- increased quality of voice service
- additional capacity for access of an increased number of users during the tourist season.

Thanks to increased investments, at the end of 2019, the program of modernization of the radio access network was successfully completed. The modernization enabled the availability of LTE at almost all locations of HT's mobile network (98%), which enabled three times higher capacity and 75 percent higher bandwidth. In addition to improving 4G performance,

the modernization provided the prerequisites for the successful deployment of the 5G network. The mobile 4G coverage of the population inside is 89.1 percent, and outside 99.4 percent. We continued to increase the speed of the 4G network to download speeds of up to 350 Mbit/s for 79 percent of the population and to download speeds of up to 300 Mbit/s for 6 percent of the population.

## 5G

5G is not only a new telecommunications network, but also encompasses an entire system based on new advanced services. By implementing the 5G technology in real conditions, we are opening the door to the 4th industrial revolution and gig society in Croatia. We believe that in this way we can activate the potential of all corners of Croatia, stimulate positive economic trends, open up many new opportunities, and provide better living conditions for citizens across Croatia. The main features of 5G technology are a high maximum speed per user (over 1 Gbps), extremely fast network response of only a few milliseconds and a large capacity in terms of the number of users and simultaneously connected devices. New technology brings new opportunities related to the development of artificial intelligence, the Internet of Things and broadband internet access, and opens wide application in industry, agriculture, education, and healthcare and will encourage many innovations and contribute to stronger economic growth and greater global competence. 5G will also play a significant role for residential users and will enable broadband speeds to fixed internet users using mobile technology. You can find all relevant information and answers to questions related to 5G technology on the dedicated web page.

## FIXED NETWORK

**The first application of hybrid technology enabled high-speed internet in rural areas as well**  
In 2019, the focus of modernization of the new generation fixed access network (NGA) was on fiber optic networks, with the coverage of an additional 50,100 households with FTTH technology. Total fiber optic coverage to the apartment increased to 280,358 households. In addition, during 2019, additional intensive activities related to the hybrid approach were carried out for users who are out of reach of fixed high-speed networks. 110,356 users got higher speeds through the hybrid approach.

HT covered 60.2 percent of households with technologies that enable speeds >30 Mbit/s, of which 23.6 percent with technologies that enable speeds >100 Mbit/s. Optical Access Network (FTTx) is available for 438,000 households.

In addition to investments in optical infrastructure, in areas with the existing copper access network, the investments are aimed at shortening the length of the copper pair to provide users with speeds of at least thirty megabits per second, and to further implement advanced technological solutions such as the so-called supervectoring functionality that delivers user speeds over one hundred megabits per second to users connected via short length copper pairs.



Hrvatski Telekom was the first in the market to introduce a Hybrid Access fixed-mobile convergence service aiming to increase speeds for users on fixed connections that have the technical capability to achieve lower speeds. Thanks to this innovative hybrid technology, access to high speeds of up to thirty megabits per second is available in rural and less populated areas of Croatia. It is a combination of the most affordable fixed and the best mobile network in a single service that provides stable and fast internet access. More than 110,000 thousand users are already enjoying the benefits of this innovative technology on the Croatian market.

## DATA CENTERS

### Equipment virtualization allows for high availability with fewer resources

Data centers are the very heart of all telecommunications and ICT services offered by HT and therefore significant resources are invested to keep and raise the level of data center security against outages (Tier3 standardization). This means that, in the event of a power outage, data centers operate continuously, allowing users to use all the services offered. In addition to investing in the energy part, investments are also in IT infrastructure, especially in virtualization of equipment in data centers, enabling services to operate at a high availability level with less power and other resources.

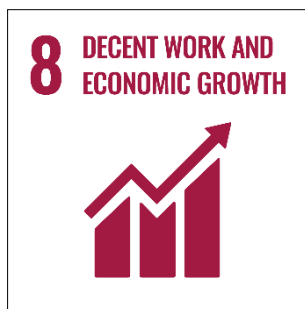
## CONTRIBUTION TO THE ECONOMY

### We have the knowledge, technology, and infrastructure to digitalize Croatia

Digitalization and connecting all citizens with modern technologies are necessary for faster economic and social progress of Croatia. We have the necessary knowledge, technology, and infrastructure for the digitalization of Croatia, which can completely change the image of society. As a large employer and a leading telecommunications company, we make a significant contribution to the domestic economy.

The indirect contribution is even greater, because we help businesses to be more productive, and the public sector to offer better services to citizens. Investments in the fixed network have a positive effect on the operations of domestic businesses. Increasing the available internet speed has a more favorable impact on the productivity of businesses in less developed areas of the country, thus helping digital entrepreneurship by encouraging the establishment of new digitally intensive companies.

Hrvatski Telekom is organized in a way that allows flexibility and efficiency, as well as full commitment to customers and customer experience. Our vision is to achieve sustainable and profitable growth by connecting all citizens with the opportunities provided by digitalization and enable them a better life. The activities we carried out in 2019 within this material topic have contributed to the goal of sustainable development.



## BUSINESS RESULTS

In 2019, we managed to achieve good business results with a significant acceleration of the company's transformation and an increase in investment to the highest level in the last 10 years. Consolidated net revenue amounted to HRK 7,704 million, 1 percent lower than the year before. Revenue growth was achieved in mobile communications, TV services, and system solutions. EBITDA before one-off items after leases in 2019 amounted to HRK 2,908 million and was 4.1 percent lower compared to the year before, mainly due to increased material and roaming costs and employee costs. A high EBITDA margin was maintained after leases at 37.7 percent.

- HRK 7,704 million net revenue in 2019
- The largest investment in the last ten years
- 45% market share of users
- Successfully completed mobile network modernization, fully ready for 5G
- Doubling the speed of fiber optics introduction, with improved fixed network and considerable progress in optical speed penetration
- Significantly reduced number of customer complaints and unproductive calls to agents with a simultaneous decrease in the number of technical errors
- Excellent acceptance of the Group's digital channels and increased number of Magenta 1 users
- Growth in the Mobile segment, TV segment, and System solutions after leaving the Energy business and the reduction of Fixed Voice Service
- Through a four-year share repurchase program launched in June 2017, HT acquired 453,318 shares of the Company in the amount of HRK 73 million.

## MEASURING CONTRIBUTION

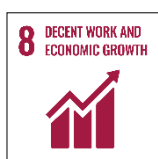
Every year, Hrvatski Telekom reports on its direct contribution to the economy in detail in the annual financial reports, which are published on the Hrvatski Telekom website, as well as on the Zagreb Stock Exchange, where statistics on the consolidated profit and loss account, balance sheet, cash flow statement and key data on regular operations, as well as a detailed description of management bodies, boards, fees, and other information closely related to financial operations can be found.

In cooperation with the Zagreb Institute of Economics, Hrvatski Telekom also publishes analyses of its contribution to Croatia's digital transformation. Hrvatski Telekom's Economic Atlas, as the first analysis of socio-economic impacts, was published in 2015. In September 2019, Digital Atlas was published, an analysis of the impact that companies from Hrvatski Telekom are already having on the digital transformation of Croatian society and economy. This publication includes:

- an assessment of Hrvatski Telekom's total contribution to the Croatian economy
- an assessment of the multiplicative economic effects of investing in different types of digital infrastructure
- an assessment of the effect of increasing the available internet speed on the operations of Croatian businesses
- an assessment of the effect of increased data traffic on the operations of Croatian businesses.

The analysis of the Institute of Economics showed that the HT Group is the largest private investor in digital infrastructure in Croatia, and in 2018 it directly contributed to Croatia's GDP with 3 percent. Direct and indirect contributions are even more significant: HRK 11.3 billion of induced GDP, HRK 30.2 thousand of employees and HRK 3.26 billion of taxes and contributions. By investing in digital infrastructure, Hrvatski Telekom has increased the company's gross value added from HRK 8.95 to HRK 9.77 billion in three years. Hrvatski Telekom is continuously facing many challenges, and among the most significant are still parafiscal fees related to electronic communications infrastructure, the reduction of which would open opportunities for additional investments. Releasing investment potential would generate new jobs and GDP growth, along with new tax revenues that would offset the decline in budget revenues due to fee cuts. In 2019, we continued to implement activities that have proven to be the most effective for GDP growth. These are a strong investment cycle, the company's digital transformation, and increasing the speed of fixed and mobile internet.

## RESPONSIBLE BUSINESS



Since 2015, HT Group and all of its members have in place the Social Responsibility Policy, which is the basis upon which the Group continually establishes, maintains, monitors, and develops activities related to corporate responsibility. Compliance with laws and other regulations, compliance with internal rules and the Code of Conduct are the basis of responsible corporate governance.

Deutsche Telekom's audit in August 2019 confirmed the integration of environmental care into all relevant work processes and high environmental awareness of employees. It showed that Hrvatski Telekom's Integrated System operates at the highest professional level as part of the DTAG Integrated Management System, in accordance with the requirements of ISO 14001 and OHSAS 18001 standards.

The company regularly checks organization and conducts education on compliance rules and corruption prevention. All employees are familiar with anti-corruption policies and

procedures. There were no confirmed corruption incidents in 2019, indicating the effectiveness of the environment for the prevention of corruption. All answers or concerns related to the prevention of exposure to the risk of corruption, employees and members of the management body can get directly from the compliance expert and through the consulting portal "Ask me".

Hrvatski Telekom has a certified Compliance Management System (CMS) whose efficiency is confirmed by a certificate. The anti-corruption clause is, without exception, an integral part of all contracts of Hrvatski Telekom and affiliated companies with third parties, to ensure transparent operations and acquaint business partners with anti-corruption policies and procedures. In everyday business, we emphasize that ethical business is critical to success and extremely important for further strengthening trust among our customers and partners. The Management Board of Hrvatski Telekom is also committed to the principles of clean business. Personal interests are never and should not be a stimulus for business decisions.

We expect all our partners, suppliers, and customers to follow the highest international standards and established good business practices regarding harmonized, ethical and anti-corruption behavior. HT avoids doing business with those suppliers that may endanger its reputation or pose any other risk to its operations. In 2019, approximately two-thirds of the total procurement budget was spent on local suppliers. HT's Certified environmental management system according to the international ISO 14001 standard requires that all those who work for and on behalf of HT, including suppliers of goods and services as well as other contract partners, be familiar with the principles of environmental protection.

## CLIMATE CHANGE AND ENVIRONMENTAL PROTECTION

In order to reduce our impact on the environment and climate change as effectively as possible, we use a number of management tools and procedures in our business processes, most notably the certified Integrated Environmental, Health, and Safety Management System. We also regularly monitor the impact of mobile network base stations through monitoring the EM fields level. Records of internal and external inquiries, requests, and complaints serve as a tool to assess HT's performance in environmental protection, occupational health, and safety. The external audit confirmed the integration of environmental care into all our relevant work processes and awareness of all our employees about importance of environmental protection and re-certified Hrvatski Telekom until September 13, 2021. We aim to find solutions for energy efficient products and services, save natural resources and preserve health and the environment. By doing so, we contribute to the achievement of the Global Sustainable Development Goals:



## ENERGY EFFICIENCY



Every year, the company defines environmental protection goals aimed at energy efficiency and reduction of energy consumption, guided by the defined Energy Policy and the Energy Management procedure. Modernization of telecommunications equipment, increasing use of IT resources, renovation of real estate and optimization of power supply and air conditioning systems are the main reasons for the reduction in energy consumption in 2019.

As part of the modernization of mobile network radio equipment, which we started in 2018, and continued to implement intensively during 2019, the old equipment was replaced with new, significantly more energy efficient. We are proud that during 2019, 12 wind solar systems produced electricity to power mobile network base stations. During 2019, we began consolidating data centers, during which the transition to a common infrastructure and the installation of high-processing server units will reduce the required space by 65 percent, with a significant increase in energy efficiency. With the aim of increasing the network's resilience to the impact of weather conditions and ensuring business continuity, financial resources are invested in regular operational activities in order to replace the above-ground network at specially exposed locations with an underground one. Hrvatski Telekom also implements proper technical and organizational measures to ensure stationary and mobile backup power supply systems for all important infrastructure facilities.

With its products and services, Hrvatski Telekom contributes to reducing electricity consumption and its customers' resources. Cloud solutions enable users to develop and implement various forms of online business using a highly efficient shared IT infrastructure, reducing electricity consumption and CO<sub>2</sub> emissions without compromising security. With the development and wider offer of ICT cloud services, HT additionally contributes to the favorable impact of ICT technologies and services on climate change by reducing the need for travel, reducing the use of paper and other material resources, and more rational and efficient use of energy.

Table 7 - Energy consumption within organization

Direct energy consumption by primary energy source in GJ	2018 HT Group	2019 HT Group
Total direct energy consumption (from non-renewable energy sources)	109,949	111,561
▪ Of which natural gas	30,034	31,387
▪ of which fuel for fleet / gas, diesel, lng	65,273	67,331

▪ of which other fuels	14,642	12,843
<b>Total indirect energy consumption (from non-renewable energy sources)</b>	<b>2018 HT Group</b>	<b>2019 HT Group</b>
Total indirect energy consumption (from non-renewable energy sources) in GJ	90,316	93,599
▪ of which purchased electricity	77,558	82,674
▪ of which thermal energy for heating from heating plants	12,757	10,925
<b>Total indirect energy consumption (from renewable energy sources)</b>	<b>2018 HT Group</b>	<b>2019 HT Group</b>
Total indirect energy consumption (from renewable energy sources) in GJ (purchased electricity)	401,306	396,436

Total direct energy consumption from non-renewable sources in 2019 increased by 1.5 percent compared to 2018. This was mostly due to increased consumption of diesel fuel for vehicles and increased consumption of natural gas. At the same time, consumption of other fuels decreased by 12.3 percent compared to 2018, mostly due to reduced consumption of extra light fuel oil and diesel fuel from the generator sets. The total indirect energy consumption from non-renewable energy sources increased by 3.6 percent, while the one from renewable energy sources decreased by 1.2 percent. This was due to the procurement of slightly less CO<sub>2</sub> neutral electricity ZelEn from HEP-Opkrba than was the case in 2018.

### ComEnergy

Combis, ASR Group, and the Faculty of Electrical Engineering and Computing completed the development of ComEnergy products during the reporting period, with EU co-financing. ComEnergy is an energy consumption monitoring platform consisting of advanced high-volume analytics and an application for monitoring energy consumption and environmental conditions. This solution enables precise monitoring of energy consumption, and connects various data sources, integrates and processes them, and provides insight into the actual consumption, ensures lower costs, optimizes consumption, and reduces risks and malfunctions.

## RESPONSIBILITY TOWARDS ENVIRONMENT



Sustainable development and climate protection are strategic determinants of Hrvatski Telekom and DT Group. As the only telecommunications company in Croatia certified according to the ISO 14001 environmental management standard, Hrvatski Telekom focuses on the implementation of green technologies and energy-saving solutions that are beneficial to creating the society with reduced greenhouse gas emissions.

We have been procuring "green" electricity obtained exclusively from renewable sources since 2016. In mobile networks, we also use renewable sources to power base stations. By investing in the latest technology, we raise energy efficiency, and by introducing the latest ICT technologies and services, we are reducing our own and carbon footprint of our customers. We continually encourage our employees to think and act ecologically, and numerous initiatives enable us to reduce energy consumption and adverse climate impact

and to manage waste. The Hrvatski Telekom's fleet is constantly being renewed and modernized, enabling us to improve quality and efficiency and reduce environmental impacts.

Within the Integrated Environmental, Health, and Safety at Work Management System, under the Planning, Preparation and Construction of the Network process, we defined the procedure that minimizes the impact and the visual impression on the environment. When it comes to setting up base mobile stations on protected nature areas, Hrvatski Telekom cooperates closely with the Ministry of Environmental Protection and Nature, the Ministry of Construction and Physical Planning, the Ministry of Culture, the local community, protected area administrations, mobile operators, and other relevant stakeholders. In addition, Hrvatski Telekom and other mobile operators have been building joint base stations for years, thus reducing the impact of mobile networks on the landscape, especially in protected nature areas.

## Emissions

Through the documented process Dealing with substances that affect the ozone layer, we monitor and manage activities with a possible impact on the atmosphere. Total greenhouse gas emissions in 2019 are 2 percent higher than the year before. Total direct carbon dioxide emissions from non-renewable sources increased by 0.8 percent, due to a reduction in the consumption of extra light fuel for heating. At the same time, there was an increase in the consumption of natural gas and diesel fuel for the fleet. Consumption of extra light fuel oil and diesel fuel for generator sets declined by 12 percent due to the sale of two facilities and less need to include generator sets in mobile networks. The significant decrease in total indirect CO<sub>2</sub> emissions from 2017 to 2019 is the result of the procurement of CO<sub>2</sub>-neutral ZelEn electricity from HEP-Opkrba. Due to lower energy consumption through years, the trend of NO<sub>2</sub> and SO<sub>2</sub> is generally declining. Regular boiler room maintenance is the basis for reducing emissions in the environment, and their automated regulation monitors the parameters of consumption and contributes to more efficient resource use and lower emissions into the environment.

Table 8 - Direct emissions of greenhouse gases (Scope 1)<sup>2</sup>

Total direct and indirect emissions of greenhouse gases by weight (in tones CO <sub>2</sub> e)	2017 HT Group	2018 HT Group	2019 HT Group
Total emission of greenhouse gases (sum of direct and indirect emissions)	16,613	15,250	15,591
▪ of which total direct CO <sub>2</sub> emission (from non-renewable sources)	7,102	7,446	7,503
▪ of which natural gas	1,556	1,456	1,521
▪ of which fuel for fleet (gas, diesel, lng)	4,220	4,708	4,857
▪ of which fuel oil	1,326	1,282	1,125
▪ Total indirect emission of CO <sub>2</sub>	9,511	7,804	8,088

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



Table 9 - NOx, SOx, and other significant air emission by type and weight<sup>3</sup>

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

### Circular economy

Hrvatski Telekom focuses on a circular economy approach in key areas of its business related to the energy efficiency of its products and services, sustainable management of materials, reusing, and recycling. The aim is to minimize our own and customers' negative impact on the climate and the environment. Whenever possible, we seek solutions for the sale of functional devices and equipment, to extend its lifespan. So far, Hrvatski Telekom has collected and ecologically disposed of over 148,000 old mobile devices, their batteries, and related accessories. Almost all waste generated by Hrvatski Telekom's business processes is further processed through recycling, which enables the reuse of valuable components. Digitalization of internal processes and transition to e-business also constantly contribute to the reduction of paper consumption.

### Waste

The amount of waste in industry depends on business activities. In 2019, the total amount of waste increased by 46 percent compared to the previous year, due to the modernization of infrastructure, disposal of old and non-functional equipment, and cleaning of many facilities and warehouses. The amount of electronic waste increased the most. Most waste is recycled, while a small proportion is disposed of through disposal procedures.

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<sup>3</sup> Data apply only to HT d.d.

Table 10 - Total weight of waste by type and method of disposal

Total weight of waste (in tonnes)	2017 <sup>4</sup>	2018 <sup>5</sup>	2019 <sup>6</sup>
Total weight of waste	1077.82	794.99	1162.856
▪ of which hazardous waste	271.47	229.52	638.014
▪ of which non-hazardous waste	806.35	565.47	524.842

## MATERIALS



### Paper

In our daily office operations, we implement the measures and rules of conduct of the Green Office. By digitalizing internal processes and e-business, we are constantly contributing to the reduction of paper consumption in offices. In 2019 it is lower by 6.3 percent. The sales department continuously digitizes sales documentation and processes, which also reduces paper consumption. When it comes to users, the number of e-invoices is constantly growing. Digital platforms such as Moj Telekom HR provide users with all the necessary information about the contract, services and invoices, ensure easy and fast bill payment, which directs users from classic paper documents to digital documentation available always and everywhere.

Table 11 - Paper consumption

Paper consumption (in tonnes)	2017	2018	2019
	70	61	57

<sup>4</sup> Data for HT d.d.

<sup>5</sup> Data for HT d.d., Iskon Internet d.d. and Combis d.o.o.

<sup>6</sup> Data for HT d.d., Iskon Internet d.d. and Combis d.o.o.

## Water

Water consumption control is a result of good employee environmental awareness, optimization of business premises, rapid repair of failures and preventive maintenance and reconstruction of heating/cooling systems and water supply networks. Hrvatski Telekom does not use water for technological purposes and none of Hrvatski Telekom's business processes pose a risk of water flow pollution. Where there is a risk of oil spills into sewerage, we use technical means that ensure the separation of oil from the liquid. Water consumption increased compared to 2018 due to renting office space, and due to losses and leaks in dilapidated network installations, which we have since repaired.

Table 12 - Water consumption

	2017 <sup>7</sup>	2018 <sup>8</sup>	2019 <sup>9</sup>
Total water extraction (in thousand liters)	61,755	69,058	77,266

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<sup>7</sup> Data for HT d.d.

<sup>8</sup> Data for HT d.d., Iskon Internet d.d. and Combis d.o.o.

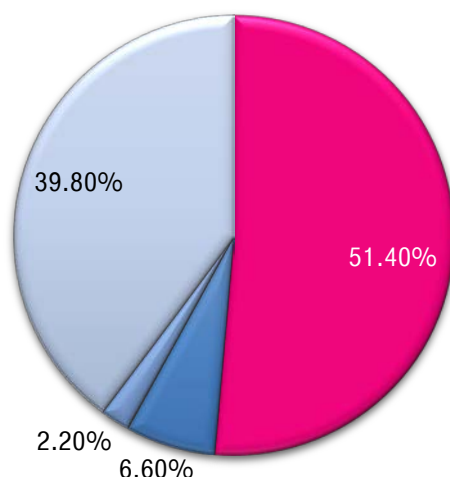
<sup>9</sup> Data for HT d.d., Iskon Internet d.d. and Combis d.o.o.

# ABOUT US

## PROFILE OF HT GROUP

HT Group is the leading provider of telecommunication services in Croatia and provides fixed and mobile telephony services as well as wholesale, internet and data services. In addition to the fixed telephony service (access to and traffic of fixed telephony services and additional fixed network services), the HT Group also provides internet, IPTV and ICT services, data transfer services (lease of cables, Metro-Ethernet, IP/MPLS, ATM), and GSM, UMTS, and LTE mobile network services.

## OWNERSHIP STRUCTURE



- Deutsche Telekom Europe B.V.
- War Veterans' Fund
- Restructuring and Sale Center/Republic of Croatia
- Owned by the citizens of the Republic of Croatia, other domestic and foreign institutional investors

The share capital of Hrvatski Telekom d.d. is HRK 10,244,977,390.25 and is divided into 81,219,547 shares without a nominal amount. Hrvatski Telekom shares were included in the depository services of the Central Depository and Clearing Company on July 12, 2002. ISIN for share reads: HRHT00RA0005.

## MANAGEMENT BOARD

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



**Kostas Nebis,**  
President of the Management Board and Chief Executive Officer as of April 1, 2019



Ivan Bartulović  
Member of the Management Board and Chief Human Resources Officer as of March 1, 2019



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



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



Nataša Rapaić,  
Member of the Management Board and Chief Operating Officer Residential<sup>10</sup>

Davor Tomašković, President of the Management Board and Chief Executive Officer until April 1, 2019

Marija Felkel, Member of the Management Board and Chief Human Resources Officer until January 18, 2019

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<sup>10</sup> Management Board as of December 31, 2019

Saša Kramar, Member of the Management Board and Chief Operating Officer Business until January 1, 2020

## **SUPERVISORY BOARD**

The Supervisory Board appoints and recalls the members of the Management Board and supervises the management of the Company's business in accordance with the Companies Act, the Articles of Association, and the Rules of Procedure of the Supervisory Board of the Company.

Jonathan Richard Talbot, Chairman of the Supervisory Board

Ivica Mišetić, Ph.D., Deputy Chairman of the Supervisory Board

Vesna Mamić, member of the Supervisory Board, workers' representative

Dolly Predovic, member of the Supervisory Board

Marc Stehle, member of the Supervisory Board

Eirini Nikolaidi, member of the Supervisory Board

Eva Somorjai-Tamassy, member of the Supervisory Board

Tino Puch, member of the Supervisory Board

Davor Majetić, member of the Supervisory Board until May 6, 2019

Davor Majetić, member of the Supervisory Board until May 6, 2019

## HT GROUP MEMBERS

- **Hrvatski Telekom**

Core activities are the provision of electronic communications services and the design and construction of electronic communications networks in the Republic of Croatia. The headquarters of HT d.d. is at Radnička cesta 21, 10000 Zagreb, Croatia.

- **Iskon Internet**

Telecom company recognized for its dynamic and entrepreneurial business culture and quality of services, as well as its developed rapport with residential and business customers it provides broadband internet access services to. In addition to the internet, it provides telephony and digital television (IPTV) services and TV content viewing on mobile devices. The company operates as an independent company, and since 2006 it has been a member of the HT Group and is wholly owned by HT.

- **Combis**

The company focuses on the development of application, communication, security, and system solutions, as well as providing services for the development and integration of ICT solutions, ICT infrastructure management and support. By integrating advanced technologies, it delivers complete business solutions, tailored to customer specific requirements, on a turnkey basis. In Croatia, it is present with eight service locations, and for several years it has been active in the region, with three service locations in Bosnia and Herzegovina and Serbia. Combis has been a member of the HT Group since 2010 and is wholly owned by Hrvatski Telekom.

- **KDS**

KDS – Kabelsko distributivni sustav is a limited liability company for telecommunication services.

- **OT-Optima Telekom**

A fixed telecommunications operator whose IP technology-based network, which ensures greater networking through the dominance of broadband, is present in more than 100 Croatian cities. Using the latest technologies and global telecommunication solutions, Optima creates added value on the fixed telephony market in Croatia. Citizens can choose with the upgrade of voice services, data transmission, internet, and video content. Following the pre-bankruptcy settlement, under strict conditions of the Croatian Competition Agency (CCA), in 2014 HT took over the management of Optima Telekom.

- **Crnogorski Telekom AD**

The largest telecommunications company in Montenegro that provides a complete range of fixed and mobile telecommunications services (voice services, messaging services, internet, TV, leased lines, data networks, and ICT solutions). It has been operating within



the HT Group since January 10, 2017, when HT d.d. takes a 76.53 percent ownership stake.

- **E-tours**

The company provides airline ticket sales, accommodation, packaged travel, car, and boat rental services. As part of the restructuring strategy of non-core parts of HT's business, in November 2019 an Agreement on the transfer and sale of shares of HT holding d.o.o. in E-tours was concluded with Uniline d.o.o. The transaction was concluded on December 31, 2019.

## **EXTERNAL INITIATIVES**

Since 2007, Hrvatski Telekom has been a member of the United Nations Global Compact Initiative, that links the business sector with UN agencies, governments and civil society in supporting core social values in the areas of human rights, workers' rights, environmental protection and anti-corruption. At the national level, HT participates in the work of the Telecommunications Association at the Croatian Chamber of Commerce. It is a member of the European Telecommunications Network Operators' Association (ETNO) and GSM Association that advocate promoting the interests of the electronic communications sector operators at the EU level. HT also participates in the work of the Energy Association and the Association for Information and Communication Activities within the Croatian Employers' Association, is a member of the Environmental Protection in the Economy Association at the Croatian Chamber of Commerce, the Association of Foreign Investors (FIC), and the American Chamber of Commerce in Croatia. Combis is also a member of the Croatian Association of New Technology Distributors (HUDNT). HT is a member of the Croatian Business Council for Sustainable Development (HR PSOR), a nonprofit institution established in 1997, which primarily brings together the private sector, encourages sustainable development in the economy and represents the economy in sustainable development.

# ABOUT REPORT

## REPORTING PRACTICE

HT Group issues annual sustainability reports. The report covers the period from January 1, 2019 to December 31, 2019. The previous sustainability report of the HT Group was issued on December 13, 2019. This report has been prepared in accordance with GRI standards: core option. All previous reports on sustainability, responsible business, and environmental protection are available [here](#).

Contact person for sustainability reporting issues - Lucija Brkić, Corporate Communications Department, [lucija.brkic@t.ht.hr](mailto:lucija.brkic@t.ht.hr).

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