

The image is a cover for a sustainability report. It features a central photograph of two hands, one from a person in a patterned shirt and one from a person in a white shirt, holding a small amount of dark soil. The soil is being held over a lush green plant with large, heart-shaped leaves. The background is a soft-focus image of similar green foliage. Overlaid on the image are several semi-transparent rectangular boxes with a vibrant red and pink floral pattern. The text 'Sustainability Report 2021' is written in a bold, white, sans-serif font across the lower half of the image, with the words stacked vertically. The overall aesthetic is clean, natural, and focused on environmental themes.

Sustainability Report 2021

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OUR APPROACH

A WORD FROM CEO



Good progress made, but we can, we need and we will definitely do more. This best describes our sustainability strategy and activities over the course of 2021, during which we continued making big steps forward on our sustainability journey that is not only about us doing business in a more future-proof way but about us bringing the opportunities of digitization to the society and economy, assisting our customers to operate more sustainably themselves.

We are living in a more technology-enabled and digitization-driven world than ever before, with technological progress and advancements never being so fast, impactful and intertwined with all aspects of our lives – professional and personal. This provides us as HT with a great opportunity but also with an enormous responsibility as the digitization and modern technologies that we enable have a truly transformative power. As a result, investments and especially those in the critical ICT infrastructure and networks that we are building are essential for the new cycle of economic growth and for broader social development.

This is why we in the challenging 2021 remained committed to our investment plans, with HRK 1.77 billion investing by far the most in Croatian digitalization. We expanded our fiber infrastructure with over 100,000 households covered, a new record-high rollout for the second year in a row, while also increasing our FTTH coverage by 30% YoY. At the same time, we are rolling out not only in big cities, but also in sub-urban and rural areas where we have committed to cover another 150,000 households until the end of 2023, having already made Rab the first fiber island in the country. Few facts that perhaps best put our fiber contributions to national interests in perspective: HT is responsible for two thirds of the newly built fiber connections in the country, our network covers 1,3 million people, with us having doubled average fiber speeds compared to last year. Our mobile network is among the 10 fastest networks in Europe and we have more than quadrupled our 5G footprint, covering more than 50% of the country, enabling the benefits of 5G to over 2 million people in almost 100 cities.

Aside from a very successful 2021 in terms of growth, financial performance and network development we are proud of also driving the sustainability agenda across our whole ecosystem, continuing to deliver against very ambitious ESG goals, convinced these represent a fundamental factor in our company's success. Not in some distant future but now, with us today laying the foundations of a better future. As a result, we have further intensified our efforts, going beyond some of our initial targets contributing to preserving the environment, directly addressing the needs of the society by helping our communities thrive with us opening the doors of digital opportunities for other industries, businesses and the society overall. This is also evidenced by the big progress in DESI 2021 Report's 'Connectivity' area where Croatia improved

by five positions, which is to a great extent the result of our record high investments across fiber and mobile over the last few years.

There is an old phrase I like which states that “you can’t build a reputation on something you are going to do”, implying that reputation is something you deserve by doing good things for a longer period of time. We at HT are strong believers in walking-the-talk and letting our actions speak for us with our digital inclusion programs, climate change initiatives or many of our other activities.

Digital inclusion in particular is one of the key aspects of our social agenda and with digital divide and inequality listed as the third biggest risk for Croatia in WEF's The Global Risk Report 2022, we are committed to providing everybody with equal opportunities so that nobody is left behind in the digital age. Our investments in STEM education of youth with the Generation NOW program surpassed HRK 4 million, with a total of over 300 educational institutions across Croatia participating in the program so far. Our Generations Together digital education program for our fellow citizens in 42 homes for elderly has helped them stay in touch with their loved ones and opened a whole new digital world for them, recognized among the Deutsche Telekom Group as a best practice initiative. We have also won the Croatian Sustainability Award (HRIO) for our contributions to our communities as well as received the good practices recognition by being named the Employer of the Year for persons with disabilities.

Hrvatski Telekom has recently been named one of European climate leaders as it was recognized among 4,000 companies from 33 countries for its quality corporate governance, implementation of sustainable development strategy, efficient infrastructure, modern ICT services and innovative network solutions based on which HT positively contributes to the environmental protection and more efficient use of natural resources. Our climate goals are in line with the goals of the European Green Plan with us already delivering on the first one – running on electricity from 100 percent renewable sources. We are also aiming to become climate-neutral for direct and indirect energy consumption by 2025 and climate-neutral along the entire value chain by 2040. We gave our climate goals additional priority by making them part of our company targets such as reduction in CO₂ emissions, reduction in energy consumption becoming part of a performance-related component in our remuneration policy.

All these remarkable achievements across all strategic priorities have been made possible because of the tireless engine that runs our company – our employees whose high satisfaction and engagement is the key to our success.

Sustainability and sustainable development is definitely not just a trend that will pass or a temporary buzzword. It is an essential part of the corporate strategy and a key ingredient to a more efficient way of doing business and a better quality of life. It also requires all to acknowledge that what was until now referred to as business-as-usual is not a sustainable business strategy and that we need to thrive to constantly improve. Only by always having sustainability as a part of our decision-making, and by acting proactively, responsibly with a long-term perspective in mind, we can be a part of the solution.

We at Hrvatski Telekom are proud of the progress made and us being recognized as a sustainability leader in Croatia, but we can, we intend and we will definitely do more.

Kostas Nebis
Hrvatski Telekom, CEO

APPROACH TO GOVERNANCE

Our values¹

Our purpose is to connect everyone in Croatia with the opportunities that already exist, so that we can live better in the present while building a better tomorrow. Our vision remains to achieve sustainable and profitable growth of the company by connecting everyone in Croatia with the opportunities provided by digitalization, enabling them to operate more sustainably with a higher quality of life.

Guiding principles, the system of corporate values and the Code of Conduct are the guidelines for our daily work. They promote 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. Getting acquainted with our values and the Code of Conduct is included in the Welcoming and Onboarding Program for new employees. 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 know them.

The following values and associated guiding principles guide us in our work:

Values

- Customer focus
- Trust
- Cooperation
- Empowering individuals and teams through delegating authority and responsibility
- Innovation
- Team affiliation
- Communication with empathy towards others

Guiding principles

- Delight our customers
- Get things done
- Act with respect and integrity
- Team together – Team apart
- I'm T - count on me
- Stay curious and grow

By embracing principles and common standards of conduct, not as a set of rules that prescribe something to us but as values that motivate, inspire, and fill us with positive energy, we achieve top results, each in their own work, in our teams and together as a company. The responsibility for promoting value lies with all of us - top-down. Because organizational values are alive to the extent that all of us employees in the company live them.

¹102-16

Organizational structure

Flexibility, efficiency, and complete commitment to customers are the foundations on which we build our organizational structure. The company is organized into several functional segments managed by members of the Management Board.

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

Support and management functions include tasks common to the entire organization, ensure compliance of all business segments, and enable the company to operate as a whole. These functions achieve synergy of different business segments, coordinate activities, provide guidelines, set standards, and ensure their application. They comprise support and management functions of the President of the Management Board, support and management functions for finances, and support and management functions for human resources. The support and management functions of the President of the Management Board include the responsibility for coordinating and implementing the decisions of the Management Board related to sustainable business.

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

Economic environment and key impacts²

Although the pandemic and earthquake continued to affect the Croatian economy through 2021, in the first half of 2021 the strong recovery of the Croatian economy continued after a significant decline in production in 2020, primarily due to large increases in private consumption and continued rise in investment, and goods and services exports. The recovery of the Croatian economy continued in the second half of 2021, primarily due to high personal consumption, investment, and the tourism sector. Tourism is very stable and expectations in this area have been exceeded. Compared to the period before the Covid-19 pandemic, Croatia achieved 67% of arrivals and 77% of overnight stays³.

Positive economic trends spilled over into the labor market, with a decline in the unemployment rate and an increase in employment. In 2021, prices began to rise again. Inflationary pressures intensified in the second half of the year with the expected growth of food and energy prices, and the peak of 5.5% compared to last year was reached in December 2021 (highest rate since October 2008). Average prices of consumer goods and services in Croatia increased in 2021 by 2.6% compared to the year before⁴.

2021 was again a challenging year for the European and Croatian telecommunications sectors. The sector remains under pressure from the need for increased capital expenditures related to investments in fiber-optic infrastructure and the introduction of 5G, the emergence of new market participants, regulatory adjustments to emerging circumstances, and overall growth

² 102-15

³ Sources: Central Bureau of Statistics, publication of the Croatian National Tourist Board, January 3, 2022

⁴ Source: Central Bureau of Statistics

prospects. Frequent changes in the regulatory framework in the telecommunications industry are partly due to accelerated technological progress and partly due to economic and social factors. Recently, increasing regulatory changes include climate and environmental protection, the telecommunications sector not being exempted. These changes require constant and concentrated adjustment of business processes, organizational structure, continuous education of managers and employees on new regulations and ethical business, and responsible management in the value chain.

Our commitment to achieving ESG goals

Sustainability and social responsibility play a key role in our corporate activities. We see ourselves as a responsible company and we have made this a key element of our Group's strategy. We have set ambitious goals and are committed to implementing sustainability along our value chain, contributing to meeting today's environmental, economic, and social challenges.

In the context of the enhanced requirements of the ESG regulations at the level of the European Union, 2021 was marked by adjustments and harmonization of the ESG goals at the level of the Deutsche Telekom Group. Our approach to sustainability stems from the Group's strategy based on three key areas of action: climate change, resource efficiency, and digital inclusion.

In the environmental segment, we distinguish two main areas that include climate goals and resource efficiency goals. The climate goals are in line with the goals of the European Green Plan and are common to all companies within the Deutsche Telekom Group:

- Procurement of electricity from 100 percent renewable sources by the end of 2021 (HT achieved this goal at the beginning of 2021)
- Zero rate for direct and indirect energy consumption by 2025
- Zero emission rate in the value chain by 2040.

Even as we continue to expand our telecommunications network, in our efforts to help combat climate change, we must be energy and resource efficient. To this end, we are systematically investing in energy saving measures and programs and launching various initiatives aimed at reducing the carbon footprint. We have given additional priority to our climate goals by making progress towards the goals a component of the company's annual bonuses on an equal footing with other key business goals, which are conditional on progress towards two goals:

- Reduction in CO₂ emissions
- Reduction in energy consumption.

We use resources responsibly - day in and day out, on workstations in our offices, in our stores, and in our data centers. Office supplies and promotional materials are, for example, one area of resource use. On the other hand, the consumption of resources for the production and use of our products and network infrastructure occurs along the value chain - with our suppliers and customers. That is why we are committed to the responsible use of resources throughout our value chain. To this end, we apply a holistic approach in achieving a circular economy. We aim to make the products and materials that are part of our service packages as durable as possible and to ensure their proper disposal and recycling of valuable raw materials at the end of their life cycle. These are our goals in resource efficiency:

- Intensifying the return of obsolete mobile devices and CPE equipment (fixed equipment; routers, transmitters, etc.)

- Complete disposal of technological waste (Hrvatski Telekom has been meeting this goal for several years)
- Sustainable product packaging.

Every day we see our world changing at an increasing pace. The internet and artificial intelligence today play an irreplaceable role in our daily lives, mostly helping us even when we are not aware of it. Digitalization creates many opportunities. For example, it facilitates climate protection and resource conservation through innovations that make products more sustainable and energy efficient. All this is just the beginning of a development that we can no longer stop nor want to stop. Rather, our goal is to define a clear direction and a binding framework for that future. At Hrvatski Telekom, we are working on digitalization focused on people and values. Our strategic determinant Digital Inclusion refers to the efforts of the Group and HT to responsibly manage the opportunities and risks of digital transformation. The objectives of our activities are twofold: to help shape the digitalization in a positive way and to prevent negative effects.

Digital inclusion is a key aspect of our social action. We are working to ensure that all people have equal opportunities to be part of the digital society. Our commitment reduces the digital divide and inequality, which is listed as the third biggest risk for Croatia in WEF's The Global Risk Report 2022⁵. Our focus in this regard includes the technical aspects of broadband access, devices and services accessible to all budgets, and the ability of users to competently use digital media. Through a number of different projects and measures, we are working to help build media and democratic competence of users, especially children, young people and the elderly, and these are the goals we have set ourselves along the way:

- Children and young people: with a special focus on this social category, we want to provide children and young people with a modern education, the acquisition of digital skills, and access to equipment in order to ensure a society without a digital divide in the future.
- Older people: in line with the 2030 Sustainable Development Goals agenda and special care for the elderly, we want to open the window to the digital present, show them not to be afraid of technology, and introduce them to the skills of using digital tools.

PROCESS OF DETERMINING MATERIALITY⁶

In preparing this Sustainability Report, we reviewed material topics. Given the significant changes in technology, people's habits, customer needs, the increased importance and impact of telecommunications services on business and stakeholder life, we estimated that it is necessary to redefine the boundaries of material topics and develop and reformulate some of them. In the process of checking the materiality, we followed the GRI Standard guidelines. We organized the materiality verification process in three steps:

Step 1: Context and source analysis

At the very beginning of the materiality test, we reviewed the latest research describing developments, challenges, risks, and trends in the telecommunications industry globally. We also took into account the new European regulations in sustainability, changes in legislation, international treaties and agreements, and new guidelines on the integration of ESG criteria and contributions to the United Nations sustainable development goals, and the UN Global Compact

⁵ Retrieved from „[The Global Risk Report 2022](#)“

⁶ 102-40 ; 102-41 ; 102-42 ; 102-43 ; 102-44 ; 102-46 ; 102-47 ; 102-49

recommendations. We were guided by the sustainability principles and reviewed these material topics in the context of DT Group's operations. After reviewing external sources that helped us consider aspects of existing material topics, potential expanded material topics were presented to the HT reporting working group in the online workshop. After the analysis of material topics and areas, expanded material topics were determined and an internal assessment of materiality for this purpose was conducted through a questionnaire designed with the participation of 111 internal stakeholders.

Step 2: Stakeholder perspective

In the next step, we examined the stakeholder groups that are affected by HT's business and that can significantly affect the sustainability of our company. In other words, we examined the decisions and sustainability of groups influenced by HT as part of its business activities, which can influence the formulation of HT's business policies and decisions. We observed materiality in interaction with stakeholders in the context of several key areas of our activities: governance, market issues, customer responsibility, environmental impact, work environment, and society. The comprehensive online survey was attended by 56 representatives of important stakeholder groups: users, shareholders and investors, regulators, government agencies, local and regional governments, business partners, suppliers, financial and credit institutions and analysts, auditors and certification bodies, industry analysts, academic and scientific institutions, educational institutions, interest and professional associations, civil society associations, and the media. The stakeholders expressed in the interaction their expectations from HT in sustainable development and social responsibility and assessed material topics according to their importance and evaluated our success in various areas of management.















In addition to the aforementioned and so far our largest and most comprehensive online stakeholder survey, we conducted individual in-depth interviews with representatives of selected stakeholder groups to gain a better insight into detailed aspects of environmental, social, economic, and governance impacts. These talks were very informative and useful, not only for determining materiality, but also for connecting with stakeholders in sustainability issues and for generating new ideas for improving sustainable and responsible business in HT.

Step 3: Internal analysis and validation

After an initial assessment, an online materiality survey, and in-depth interviews, we reconsidered and confirmed the material topics and determined their aspects and boundaries. This framework also helped us determine the GRI Standards indicators we used in this report. We have kept the contributions to the achievement of the sustainable development goals from the previous reporting period, given their long-term nature.

Description of material topics and stakeholder expectations

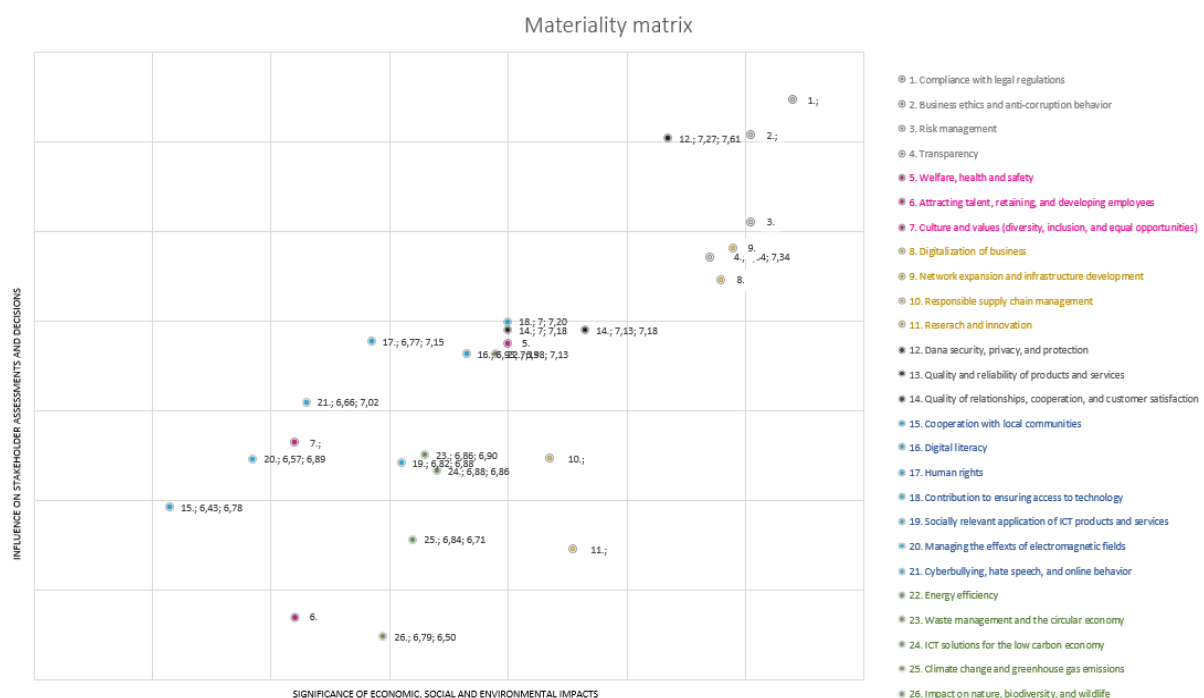
In interaction with our stakeholders, we identified material topics within six material areas. The table shows the material topics, their connection with the goals of sustainable development and connects them with the place in the report where they are described in more detail.

Thematic area	Material topics	Description of material topics	Impact on the UN's sustainable development goals
Governance	Compliance with legal regulations	72	
	Business ethics and anti-corruption behavior	79	
	Risk management	73	
	Transparency	75	
Market	Research and innovation	22	 
	Network expansion and infrastructure development	16	
	Digitalization of business	20	
	Responsible supply chain management	21	
Customers	Data security, privacy, and protection	39	
	Quality and reliability of products and services	36	
	Quality of relationships, cooperation, and customer satisfaction	34	
Work environment	Welfare, health, and safety; life balance	64	   
	Culture and values (diversity, inclusion, and equal opportunities)	60	
	Attracting talent, retaining, and developing employees	58	
Society	Digital literacy	24	   
	Human rights	30	
	Contribution to ensuring access to technology	28	
	Socially relevant application of ICT products and services	27	
	Managing the effects of electromagnetic fields	37	
	Cyberbullying, hate speech, and online behavior	32	
	Cooperation with local communities	27	
Environment	Climate change and greenhouse gas emissions	53	 
	ICT solutions for the low carbon economy	48	
	Waste management and the circular economy	46	
	Energy efficiency	51	
	Impact on nature, biodiversity, and wildlife	48	

In the materiality assessment, we asked our stakeholders to assess the importance of individual material topics. Stakeholders assessed the area of responsible management of the company as an area of critical importance, but they also assessed the success of HT's management processes with a slightly higher rating than other areas. In their assessments of importance following are the market and responsible attitude towards customers, which is understandable if we consider that stakeholders assess their expectations in relation to the company's impact on their sustainability. Material topics in the field of customer relations and internal stakeholders are recognized as extremely important, which indicates a very high degree of customer focus.

The range of stakeholder assessments in relation to the importance of areas and material topics is in a very narrow range of values, and stakeholders consider almost all material topics important for their decisions and sustainability. In performance assessments, the vast majority of stakeholders estimate that HT is excellent at managing business digitalization, network expansion, and infrastructure development, while half of them estimate that HT manages the innovation and research with above-average quality. Stakeholders expect HT to invest more efforts in more active management of environmental issues and raising public awareness of the effects of electromagnetic fields. A comparative analysis of stakeholders' opinions on the success of the management of individual areas showed that HT enjoys a relatively high perception of external stakeholders, while internal stakeholders more rigorously evaluate individual areas in which they recognize the possibility of progress. Approximately half of the surveyed stakeholders read HT's Sustainability Report, and 55 percent of them said that the report shows the quality of the company's impacts and operations and that it offers interesting information on operations and sustainability.

In accordance with the GRI Standard, we have created a materiality matrix which shows our influences on stakeholder assessments and selections and the importance of economic, environmental, and social impacts on the company.



What do our stakeholders say?

During in-depth discussions with representatives of relevant stakeholder groups, we gained many interesting insights into perception of business, social responsibility, and impact management that affect the sustainability of stakeholders, society, and the environment. In this process, we included, among others, representatives of the Croatian Network Regulatory Agency, the Croatian Business Council for Sustainable Development, UN Global Compact Croatia, WWF Adria, the Volunteer Center Zagreb, and independent experts in the field of telecommunications.

Stakeholders rated the understanding of their own influences and the role of leaders in the telecommunications industry as very positive. They estimate that HT is aware of its responsibility and that it is making significant efforts to develop sustainable and responsible practices. Everyone praises HT's readiness for an open dialog on all issues and its desire for continuous development of contributions to environmental protection and social development. HT's commitment to investing in the community and caring for disadvantaged groups was also recognized. Stakeholders expect HT to use its expertise and business domain in community investments even more efficiently and that investments are accompanied by active engagement in knowledge transfer. HT can be an important player in the development of a platform for dialog on innovation and progressive ideas.

Improvements in customer relations are visible, but there is still room for improvement in transparency towards users, their education and adaptation of services for certain vulnerable groups. Investments in strengthening digital and information literacy are considered by stakeholders to be more important than marketing activities. The ICT sector has great potential for influence in the development of human rights by supporting education and dialog. As an already recognized leader in the development of STEM and digital culture, HT can expand its influence on other socially useful areas using the foundations of digital communication. The expectation was also emphasized that HT would further contribute to the development of ICT services that support the strengthening of public services, digitalization, and optimization of economic activities, enabling the emergence of new business models, greater protection of privacy, encouraging social innovation and entrepreneurship, and responsible use of telecommunications technologies.

HT is recognized as an important stakeholder in the development of smart and sustainable cities and its business, and especially by providing infrastructure and technology, it can accelerate efforts in the transformation of cities. As a large system, HT has significant effects in the value chain and should ensure responsibility and sustainability not only of its processes but also the supervision of suppliers' processes and their impacts, with an emphasis on the development of local suppliers. Stakeholders also pointed out the problem of durability of devices used in the telecommunications sector, seeing in this the impact of HT, as well as in ensuring a higher degree of collection and disposal of devices. According to stakeholders, HT is a responsible and attractive employer that provides its employees with good conditions, development, and a healthy career path, as well as engagement in the community. There are good examples of cooperation with various groups and communities, and HT can improve its participation in the domain of its core business.

“HT has a strategic role in the development of infrastructure and technologies that are the basis of economic and social development. We have high expectations from the development of 5G.”

“Ensuring the availability of telecommunications services to all in society on fair terms should be a sustainable role of the telecommunications sector. HT is extremely committed in this area.”

“HT has already recognized the possibilities of developing smart cities and the role of its services in digitally advanced solutions. We believe that in the coming years we will work even more intensively with other sectors on the development of these solutions and the transformation of cities.”

“The development of digital services leads to a more efficient approach to environmental protection. A more active approach to the circular economy is expected.”

“Telecommunications companies have a responsibility to set clear sustainability goals and monitor their achievement. Climate impacts, carbon footprint reduction, waste management, and energy efficiency are particularly important.”

“As a large and significant system, HT manages a long and diverse value chain. It is expected to ensure the sustainability and accountability of its suppliers through quality oversight and an emphasis on local suppliers.”

Contributions to the Sustainable Development Goals

HT follows the trends and guidelines published by the International Telecommunication Union (ITU) to accelerate the development of contributions to the sustainable development goals. We are committed to achieving goals, and our focus is on those goals and targets in which we can identify the direct impacts of telecommunications activities in improving the environment, social development, economic prosperity and management practices. Digital and technological development and infrastructure development that support the progress of economic activities and business operations, access to education, improvement of living standards and availability of various services dependent on telecommunications development, directly contribute to achieving various sustainable development goals.

At HT, we are therefore constantly reviewing our capabilities and ways in which we can improve our business in order to help us achieve our goals as a large business entity in the society and economy in which we operate. This report outlines the goals we contribute to in the corresponding chapters in which we describe our impacts. Here are some examples of the contribution of our business to achieving the sustainable development goals:

1 SVIJET BEZ SIROMAŠTVA



Our networks provide conditions for economic and social participation, and thus access to education, the lack of which is one of the main causes of poverty.

3 ZDRAVLJE I BLAGOSTANJE



We support the healthcare sector by providing various ICT solutions and promoting the health and well-being of our employees.

4 KVALITETNO OBRAZOVANJE



We support the media literacy of the population and democratic skills through various projects and initiatives. We offer our employees a wide range of individual professional training and development programs.



5 RODNA
RAVNOPRAVNOST

We promote equal opportunities and increase the share of women in management, supervisory boards, and STEM professions through targeted measures. We also call on our suppliers to prohibit gender discrimination.



7 PRISTUPAČNA I
ČISTA ENERGIJA

We are increasing the share of green energy in total energy consumption and using energy efficient technology.



8 DOSTOJANSTVEN RAD
I GOSPODARSKI RAST

We provide our employees with excellent working conditions and are continuously working to make the supply chain more sustainable.



9 INDUSTRIJA, INOVACIJE
I INFRASTRUKTURA

We are investing significant resources in ensuring a stable, secure network infrastructure and thus creating the basis for economic growth, knowledge sharing, and the digital society.



10 SMANJENJE
NEJEDNAKOSTI

We are strongly committed to diversity and support our employees, regardless of gender, age, sexual orientation, disability or non-disability, ethnicity, religious beliefs, and cultural background.



11 ODRŽIVI GRADOVI
I ZAJEDNICE

Our innovative solutions and built network infrastructure help shape the transformation of cities into smart urban spaces.



12 ODGOVORNA
POTROŠNJA
I PROIZVODNJA

We are increasing the share of innovative, sustainable products in our portfolio. In addition, we reduce the amount of waste we generate and commit to proper recycling.



13 ODGOVOR NA
KLIMATSKE
PROMJENE

We contribute to climate protection - within the organization by taking measures to increase energy efficiency and the use of renewable energy sources, and outside the organization by providing sustainable products and services.



16 MIR, PRAVDA
I SNAŽNE
INSTITUCIJE

We are clearly committed to codes of ethics and legal provisions and have established a comprehensive compliance management system. Furthermore, our dedicated efforts and products contribute to data protection and security.



17 PARTNERSTVOM
DO CILJEVA

We cooperate with associations, institutions, and companies at the national and international level.

DIGITALIZATION FOR A BETTER FUTURE

Highlights:

- For the third time in a row, our mobile network was confirmed as the best and won the Ookla® Speedtest Awards™ for the Best Mobile Network, Fastest Mobile Network, and Best Coverage in Croatia.
- For the fourth time, we received Umlaut's Best in Test award for the best mobile network, and we were also recognized by Umlaut as the best fixed broadband network.

We believe in the power of connectivity and digitalization in strengthening the resilience of the economy. Through our mobile and fixed networks, data flows at high speed, connecting people and communities with new opportunities and possibilities. Over the past two years, the healthcare crisis has tested the resilience of our societies, companies, and public services. We also saw how connectivity and digital services allowed for continued work, learning, contact with friends and family, access to healthcare, and more. Our role as a key industrial driver of connectivity that enables social progress through the latest technologies has proven to be more important than ever before⁷.

In 2021, responding to the COVID-19 crisis and guided by our core mission as a corporate citizen, we placed a special focus on the digitalization of critical sectors, continuing to invest in our network infrastructure and coverage. In the innovation segment, we focused on smart factories, cities, and agriculture. The following chapters describe our approach and progress in these areas. According to the latest Digital Economy and Society Index (DESI) of the European Commission, Croatia has advanced by one place, and is now ranked 19th. The biggest shift of five places was made in the category of Connectivity, primarily due to investments in networks and 5G, which is largely the result of HT's record investments in fiber-optics, mobile network, and ICT services over the past few years.

Network expansion and infrastructure development



In 2021, operations continued in an extremely challenging environment marked by the COVID-19 pandemic, and the beginning of the year also experienced the consequences of the devastating earthquake in Petrinja, Glina, and Sisak at the end of 2020. We are dedicated to finding more tangible ways to support the economy, businesses, and society so that everyone has an environment that allows and facilitates all business, school, and personal activities in such conditions of isolation. We have continued to invest in our network infrastructure and coverage to provide a high-quality service that enables individuals and companies to connect reliably anywhere, anytime, with benefits for the economy, quality of life and the environment⁸.

Investments in infrastructure of HRK 1,779 million in 2021⁹ enabled the top quality of service to our customers with uninterrupted data traffic, the peak value of which, for example, in the mobile

⁷ 103-1

⁸ 203-2

⁹ Investments relate to the entire HT Group.

network in 2021 was twice as high as before the pandemic.¹⁰ The main focus of investment is directed on the development of fiber-optic infrastructure end-to-end in the so-called FTTH (Fiber To The Home) technology and capacity development and 5G network coverage. In 2021, we managed to cover 108.5 thousand households, which is the highest result ever achieved in one year. After we were the first in this part of Europe to launch a commercial 5G network that was available in 17 towns and cities with more than 1.2 million inhabitants throughout Croatia at the end of 2020, development intensified in 2021 and we quadrupled the number of places covered by 5G network almost doubling the covered population to more than 2 million. Following the public auction for 5G network radio frequency spectrum at 700 MHz, 3.6 GHz and 26 GHz, HT secured the largest share of 5G spectrum with an investment of HRK 130 million, which allows for the sustained technological momentum and the development of 5G networks¹¹.

As a result of our network development and implementation of advanced technologies, our customers have enjoyed the best service experience confirmed in 2021 by reputable network performance analysis companies. For the third time in a row, Hrvatski Telekom's mobile network was confirmed as the best and won the Ookla® Speedtest Awards™ for the Best Mobile Network, Fastest Mobile Network, and Best Coverage in Croatia. Hrvatski Telekom also won for the fourth time the umlaut Best in Test Award for the best mobile network. Tests conducted by users on the Ookla Speedtest® platform are 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. Ookla analysis includes the results of 318,477 tests by users on Speedtest iOS and Android mobile apps, as well as the results of more than 106 million scans at 183,337 locations of all mobile operators in Croatia during the first half of 2021. The results confirm that Hrvatski Telekom's mobile network is the best and fastest, with the best coverage in Croatia. The analysis shows that Hrvatski Telekom recorded a total Speed Score™ of 83.42 (compared to 70.71 in 2020), which means that the quality of service for end users was significantly better than in 2020.

The detailed umlaut analysis is based on 44.4 million samples collected by 16,800 users across Croatia over a six-month period, from January to June 2021. Compared to the previous year, the overall result of Hrvatski Telekom is up by as much as 35 points. In addition to the Best in Test award, Hrvatski Telekom also achieved the best rated broadband coverage and the highest download speed, which further strengthened its leading market position.

We are proud that our great efforts and continuous investments in the development and quality of the network are reflected in the fact that our users access the internet and mobile apps faster and better, and that they are reaffirmed by the results of not one but three independent in-depth analyzes. In parallel, we continue to continuously transform all segments of our network to improve efficiency and performance¹².

Mobile network

- 5G

5G is no longer the technology of the future, but a reality accessible to all and one of the key levers of economic and social development. The development of 5G infrastructure is one of the key drivers of economic growth and social progress in all counties of the Republic of Croatia. The

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deployment of the 5G network opens significant entrepreneurial potential, which is particularly evident in less developed regions and those far from major urban centers. Whether smart cities, digitalized agriculture, advanced medicine, education of the future or more efficient production, the 5G network is an indispensable part of every modern state and transformative business model due to its wide applicability and there is no sector or industry that will not feel tangible benefits from this technology. That is why 5G is one of the great opportunities for the Croatian economy, which by 2035, according to some estimates, can result in economic effects of EUR 1.4 to 18 billion, depending on how proactively Croatia approaches the realization of its potential.

In 2020, we launched a 5G network using dynamic spectrum sharing technology, and immediately after the auction in mid-August 2021, we launched a 5G network on the newly allocated 3.6 GHz spectrum band so users could enjoy the benefits of gigabit speeds. Coverage is targeted to the busiest areas to maximize the positive impact, and over 500,000 inhabitants in 12 cities and towns are within the 5G network reach on the 3.6 GHz spectrum. At the end of 2021, Hrvatski Telekom's 5G network was available in 76 cities and towns with a total population of two million.

As its contribution to realizing the full potential of 5G, HT also presented the possibilities of a 5G+ network based on the 26 GHz frequency spectrum. The 5G+ network multiplies the performance of the mobile network in the segment of peak and medium speeds of internet access and shortens the response time (latency) of the network and will enable the development of new and innovative services. It will play a significant role in further developing e-mobility in Croatia. HT presented the concept of updating software for electric cars and data exchange with the service center during charging at e-charging stations.

When developing the mobile network, we pay special attention to minimizing the impact of technology on the environment and human health, so that we use the latest generation equipment that complies with all prescribed standards. Measurement of possible environmental impacts is periodically carried out by independent professional institutions authorized by the Ministry of Health of the Republic of Croatia. Also in 2021, in cooperation with the Croatian Employers' Association, we continued to implement the [Connected We Are Safe](#) campaign, which is one in a series of activities we are carrying out to provide interested parties with all necessary information on non-ionizing mobile radiation. Read more about our approach to managing EMF fields [here](#).

- **5G campus network**

In late 2020, Hrvatski Telekom and the Faculty of Electrical Engineering and Computing (FER) launched the first 5G campus network in Croatia, which enables the scientific and business community, students, and start-up community to work on development projects based on 5G technology in Internet of Things (IoT), Industry 4.0, automation, robotics, and artificial intelligence apps.

In cooperation with Hrvatski Telekom, FER will promote projects in automation and computing, telecommunications and radio communications, medicine, energy and agriculture, which rely on mobile networks. It will directly encourage the further development of robotics, cloud computing, edge computing, and distributed learning. Within the 5G campus network, work began in 2020 on research projects for the monitoring and analysis of traffic flows on public roads in real time and the 5G video game (5G Gaming) project.

This project is modeled on the campus networks launched by Deutsche Telekom in Germany, Austria, the Czech Republic and Hungary, with the aim of developing and testing new communication technologies.

- **4G**

During 2021, the vast majority of mobile data traffic was served by 4G networks, and accordingly the activities were aimed at ensuring sufficient capacity both in the access part of the network and in the core part. In addition to these optimization activities, HT provided customers with top quality service despite a strong increase in traffic, which increased by 100 percent in the peak period of 2021 compared to 2019. 4G network coverage is constantly at a very high level and is 89.4 percent indoors and as much as 99.5 percent outdoors.

Fixed network

In 2021, Hrvatski Telekom continued to intensify its activities on the implementation of the new generation fixed access network (NGA) in optical performance. End-to-end fiber-optic connection in the so-called FTTH technology in 2021 was enabled for a further 108.5 thousand households, which is a record result ever achieved in one year. We are implementing the fiber-optic access network not only in the zones of the largest cities, but we are strategically allocating investments throughout the entire territory of the Republic of Croatia, providing all areas with equal conditions and potentials of digital infrastructure for balanced development. Our position is that no one should be neglected in this digital revolution.

By the end of 2021, HT's fiber-optic infrastructure, which will in future enable multi-gigabit user speeds, was available to 472 thousand households. Overall, the fiber-based access network (FTTx), which in addition to the FTTH network includes laying of fiber to the building (FTTB) and fiber to the cabinet (FTTC), is available to 630 thousand households. Two of the three new connections to the fiber-optic network in Croatia are built by Hrvatski Telekom. We are not concentrating only on big cities. One such example is the island of Rab, which we made the first fiber-optic island in the country.

Hrvatski Telekom also received the *umlaut Best in Test Award* for best fixed broadband service, which is the result of an analysis of 764,172 samples collected from all fixed service providers in Croatia and reflects the actual user experience of more than 10,000 lines tested in the categories of download speed, load speed, and latency. In addition to own investments, HT also participates in the project of developing next generation access networks (NGA) in NGA white areas, which are co-financed in the amount of a maximum of 50 percent from the European Structural and Investment Funds. The EU tender to finance broadband access to next generation networks (NGA) in non-commercial rural areas was announced in March 2019, with the total available funds for Croatia amounting to HRK 1.1 billion (EUR 146 million).

The objective of the Government of the Republic of Croatia is to cover 315,000 households with the NGA network. HT won 13 projects after submitting 16 bids, pledging to enable NGA speeds for 149,000 households. Intensive preparations for implementation took place during 2021. In accordance with the project plan, HT signed 13 contracts for the design and construction of FTTH with suppliers for the design and construction of FTTH networks, which were selected through a public procurement procedure. A public procurement procedure for expert supervision of design and construction has also been prepared. The plan is to complete the project by the end of 2023, and HT has committed to invest HRK 328 million of its own funds. For the local communities involved in the projects, this investment will be an important lever in

creating a good business framework, greater efficiency of public and private services, and the growth of digital literacy.

Digitalization of business



We want to enable everyone in Croatia to take full advantage of digital technologies. This includes our business customers to whom we continuously strive to provide new, sustainable solutions, whose implementation reduces user impact on the environment and enables regular business development and growth. We are committed for our network and associated solutions to help customers save energy and reduce carbon emissions. Again in 2021, the challenges posed to our business customers by the pandemic required us to continue to adapt to their needs and introduce new solutions and services¹³. We are also responding to the long-term trends that are shaping our industry such as telecommuting, the Internet of Things, moving to the cloud, thus encouraging opportunities for the growth and development of our business customers.

Hrvatski Telekom's core business consists of expanding and managing our network, thus laying the foundations for digital participation. Our ambition is to make the product portfolio as sustainable as possible. We approach this issue holistically, improving products and services and applying the circular economy approach to the entire product life cycle from production to sustainable packaging. Such an approach requires action at all stages of the value chain, so we begin the transformation with procurement, striving to ensure that our suppliers meet the environmental, societal, and ethical requirements of sustainability. We test all new or existing suppliers by examining their sustainability and business integrity practices. The international ISO 140001 standard, which certifies our environmental management system, requires us to have all who work for and on behalf of HT be familiar with the principles of environmental protection. This includes all suppliers of goods and services, and other contractual partners¹⁴.

We continued to promote and support the digitalization of businesses in 2021 by organizing weekly webinars for Microsoft 365 apps such as Teams, Planner, SharePoint, Bookings and other apps to increase productivity, and promotional sales campaigns for fleet management (free installation and 50 percent discount on monthly fee), and promotional campaign for e-invoice with the aim of raising user awareness of environmentally efficient way of receiving invoices for business users. During the year, two standard services were launched to help further digitalize the company - My Digital Office and Premium Fiscal Cash Register.

- **Virtualization and moving to the cloud**

Hrvatski Telekom is a frontrunner in virtualization and migration of network functions to the cloud. The migration of telecommunications services and functionality to the cloud is a critical and necessary step that leaves the world of specialized telecommunications hardware and moves towards network-defined software solutions that ultimately result in process simplification and increased efficiency. The new network architecture brings the benefits of a flexible platform with the aim of increasing resource efficiency, increasing the degree of

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automation, greater speed of adaptation to changes and new user requirements as well as increasing energy efficiency. With a current percentage of virtualization and cloud migration of 45 percent, HT is a leader in the DT Group and beyond.

- **Data centers**

One of Hrvatski Telekom's strategic goals is the digitalization of business, and the development of data centers used to house computer systems and their components is a prerequisite for development in this direction. Therefore, we are constantly investing in the expansion and modernization of our data centers to make it even easier to support the migration of business to the cloud, whether it is a private, public, or hybrid cloud.

Our data center has top international certificates for infrastructure, safety and personnel, according to Tier 3 standards, which for users means that all the requirements that this level implies, both in project documentation and in the execution of works and maintenance are monitored and ensured.

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

Research and innovation

During 2021, we continued to build the cities of the future and digitalize Croatian companies. We focused on the development of Industry 4.0, digitalization of production, smart lighting, and smart agriculture.

- **Industry 4.0**

The objective of Industry 4.0 is to establish communication between machines, people, products, and business apps, for which digitalization is necessary. The ultimate goal is more efficient factory operations, price competitiveness of products, and monitoring of the highest quality standards. Regardless of the stage of digitalization of the factory, Hrvatski Telekom, in cooperation with partners, offers complete solutions for creating a smart factory. As a technological partner in the 100 smart factories project, Hrvatski Telekom offers factories a number of its infrastructure services located in the cutting-edge data center and the possibility of using a modern HT IoT platform for digitalization and application of Industry 4.0. As part of the complete offer for Industry 4.0, users also have access to an app that monitors in real time production to raise quality control and further digitalize the process. The app was created in accordance with the needs of factories and is adapted to the challenges that today's factories face, enabling them to increase productivity and profitability.

- **Smart lighting**

The smart lighting solution is fully developed within HT. It can work on all types of network technologies, including 3G, 4G, 5G, NB IoT. It is applicable to all types of public lighting and will significantly contribute to the energy efficiency of cities, but also to the quality of life, safety of citizens, and reduction of light pollution. With this project, public lighting poles will get new functions that will include wireless control and monitoring of lamp operation, monitoring of basic

weather conditions (temperature, humidity, pressure, and UV emissions), air quality monitoring, measurement of energy indicators of the lamp, and the poles will have a function of detecting pedestrian passage and measuring traffic noise.

- **Smart agriculture**

According to the FAO, by 2050 the world will have to produce 50 percent more food than currently. There is also a growing need to address the negative impact of agriculture on the environment. With our smart agriculture solutions, we help generate more information that farmers have at their disposal, thus enabling them to optimize their business and use resources. We are digitalizing agriculture by introducing special sensors that can measure relevant parameters such as temperature, humidity, electrical conductivity or, for example, the status and conditions in wine cellars. Data collection is done through the HT network and is sent to the IoT platform with an appropriate app that analyzes the data and presents them to the user for easier monitoring and decision-making related to agriculture.

- **Innovations in the user experience**

The TV recommendation system is an innovation that contributes to the user experience when watching TV or video content. HT continued to research and develop the possibilities of such smart recommendation system, and we also installed it on the MaxTV2Go app, aiming for it to become the main way of watching a classic television program. Within this project, we are revising algorithms, business rules, and looking for the right formula to create the best user experience, which ultimately means the simplest and shortest possible path to the content the user wants to watch.

DIGITAL SOCIETY

Highlights:

- We were awarded the Croatian Sustainability Index in the category of Community Relations for 2021
- We have included 75 new institutions in the Generation Now program in 2021
- 28 nursing new homes received tablets and free internet through our Generations Together program in 2021

The internet offers plenty of opportunities for education, work, networking, and cultural life. In a just society, everyone - regardless of age, disability, education, income, or place of residence - has access to the technology needed to access the internet and the digital opportunities available. Not participating in the online world should be solely the result of free choice, not a lack of financial resources or the necessary knowledge. That is why, as part of our social commitment, we work to ensure that everyone can enjoy the opportunities of digitalization.

There are three key aspects of ensuring equal opportunities for all members of society to participate in digitalization: access to a high-speed network, affordable prices for services and devices, and the ability and motivation to use digital technologies competently.

Access: We are continuously expanding our network aiming to provide access to all stakeholders. In this process, we cooperate with various partners and local communities, especially in more remote areas.

Affordability: Our range of tariff plans includes plans for almost every budget. We also offer free internet, for example for schools and partner cultural institutions. With this approach, we strive to make digital access accessible to everyone.

Ability/competent use of digital technologies: We support society in the competent, responsible, and critical use of digital technologies, in accordance with basic democratic values. Hrvatski Telekom encourages integration into the information and knowledge society and takes on one of the leading roles in improving the quality of life of local communities. Our mission is to contribute to a better and more sustainable future in which the infrastructure we build allows others to do business and live more sustainably, in a future where resources are managed more efficiently, where we live in smart cities and have many smart solutions¹⁵.

Hrvatski Telekom is one of the frontrunners in the social contribution and a company that has been reporting on its impact on society and the environment since 2004. This is the best indicator of how the company's management approach has always been focused on reducing its negatives and focused on increasing the positive impacts.

In order to ensure maximum transparency and commitment to social responsibility at the highest decision-making levels, this topic is in the direct competence of the members of the Management Board. At the company level, a cross-functional team has been formed that meets regularly and plans, implements, and organizes processes related to social responsibility topics and policies. Progress is regularly monitored in quarterly management forums that bring together company's leading people who are familiar with the status and progress in this topic. At the level of the Deutsche Telekom Group, ambitious social goals have been set, in accordance with which Hrvatski Telekom has committed itself to focus on the following areas:

- Increasing the digital inclusion of older people in the Generations Together program
- Increasing the digital inclusion of children and young people in the Generation Now program
- Free WiFi for citizens in WiFi4EU
- Free WiFi for visitors to partner cultural events throughout Croatia
- Free WiFi in partner educational institutions
- Student internships in various departments of Hrvatski Telekom
- School for Life - supporting students by providing free telecommunications services.

In 2021, Hrvatski Telekom was awarded for its social contribution and engagement, with the Croatian Sustainability Index in the category of community relations standing out. Also, HT is the winner of the Employer of the Year award for persons with disabilities in 2020 in the category of Good Practice, and the award was presented in July 2021.

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Digital literacy



By approaching the topic of digital inclusion, we strive to ensure that no one in society is neglected in realizing the opportunities that digital technologies offer. With all the challenges of providing equal access to technology for everyone in Croatia, we are committed to contributing to the creation of a society in which each individual will have digital skills and equal opportunities to realize that potential. Although there has been an incomparable acceleration in the development of digital connectivity over the past two years, the pandemic has also shed light on existing digital divisions. Many people in Croatia still cannot take advantage of digital technology.

We monitor social trends in this aspect and respond to them by constantly expanding the scope and accelerating our operations so that the possibilities of the digital world are available to as many stakeholders as possible. We work closely with a range of civil society stakeholders to identify and respond to society's growing needs in a timely manner. The project of digital education of the elderly we are implementing in cooperation with the Volunteer Center Zagreb, has enabled us to reach a part of the population that is particularly affected by the healthcare crisis and epidemiological measures^{16,17}. Back in 2004, we recognized the importance of strengthening STEM education in schools in the Republic of Croatia in the Generation Now donation program, and through student internships, mentoring, and scholarships, we continue our successful cooperation with the faculties of natural sciences and technology.

Generation Now donation program

Hrvatski Telekom is one of the first companies to recognize the importance of systematically and comprehensively promoting STEM education in Croatian schools. Since the onset, the Generation Now donation competition successfully educated more than 2,200 children and young people throughout Croatia, and more than 300 educational institutions participated in it. To date, HT has invested more than HRK 4 million in the development of digital skills of students and mentors in Croatia, with the aim of providing the most modern form of education to young people to develop their creativity and innovation with the help of the latest technologies.

Generation Now is a donation program Hrvatski Telekom and the Institute for Youth Development and Innovation implement to provide the most modern forms of education to young people so that they, with the help of the latest technology, develop their creativity and innovation and prepare for future jobs. Mentors pass on acquired knowledge to students on how to use technology to turn their own ideas into device prototypes. In this way, students become creators of their own solutions, not just consumers of technology. In addition to knowledge of the application of technology, students also acquire knowledge that is crucial in the 21st century - creativity, cooperation, team leadership skills, and communication and presentation skills. As the entire educational program is available online, it can be accessed by other institutions and persons interested in the development of STEM knowledge and skills.

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In 2021, the Institute for Youth Development and Innovation, in cooperation with Hrvatski Telekom, included 75 new institutions in the Generation Now program and provided support to previously involved institutions in Internet of Things projects. In 2021, more than 180 educational institutions in total actively participated in the project.

Knowledge society at Combis

During 2021, Combis continued to support numerous conferences and workshops dedicated to cloud technologies, the future of work and digital innovations, as well as the IT needs of the Croatian economy. It continued its active cooperation with students of the Zagreb Faculty of Electrical Engineering and Computing (FER) and awarded them five scholarships.

Culture at Iskon

In 2021 again, Iskon continued to cooperate with partners Unison, HDS, and Tvornica kulture on the Rock & OFF project aiming to promote quality domestic music in rock and related music genres. Through the Rock & OFF project, Iskon shows its commitment to promoting culture and creativity.

Crnogorski Telekom in the service of education

In order to encourage young people to engage in STEM disciplines in accordance with their strategic commitment, in 2021 Crnogorski Telekom provided support to a number of educational activities. They supported the organization of one of the world's largest mathematical competitions for children *Kangourou sans Frontières*, as well as the organization of several IT start-up competitions for young people. In 2021, Crnogorski Telekom, in cooperation with the Ministry of Education, continued to implement the project of free internet in schools. Thanks to it, many schools in rural and suburban parts of the country receive free mobile internet.

Generations Together National digital education program for seniors

At the end of 2020, we joined forces with the Volunteer Center Zagreb to connect the older generation and show the best in us. The program, which is part of HT's broader concept called In Good Hands, was a response to the pandemic situation that hit the elderly the hardest, especially the residents of nursing homes who could not see their family members due to pandemic prevention measures.

In 2021, Hrvatski Telekom donated tablets and free internet for an additional 28 nursing homes throughout Croatia whose residents also received training in the use of digital tools, such as how to establish WhatsApp video calls, to better connect with family and friends. So far, the program has connected more than 1,500 elderly people, and members of the HT Group Volunteer Club have contributed to it by preparing simple and understandable educational videos that have helped older citizens easily master the use of various digital tools. Educational videos are continuously updated¹⁸.

In 2021, the program covered 42 nursing homes throughout Croatia, of which 28 new that joined the program during the course of the year:

- Sestre Mace nursing home

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- Varaždin nursing home
- Medimar Prigorje nursing home
- Alfredo Štiglic nursing home
- Ježdovec nursing home
- Čakovec nursing home
- Noni nursing home
- Đakovo nursing home
- Sv. Katarina nursing home
- Domus Christi nursing home
- Vela Luka nursing home
- Majka Marija Petković nursing home
- Trnje nursing home
- Raša nursing home
- Sv. Antun nursing home
- Koprivnica nursing home
- Bjelovar nursing home
- Slavonski Brod nursing home
- Dubrovnik nursing home
- Domenico Pergolis nursing home
- Nursing home of Lika-Senj County
- Beli Manastir nursing home
- Požega nursing home
- Kantrida Rijeka nursing home
- Sisak nursing home
- Vis nursing home
- Cvjetni dom Šibenik nursing home
- Vukovar nursing home.

Cooperation with local communities¹⁹



Digitalization of urban and rural areas by investing in fiber-optic infrastructure development, implementation of WiFi access points and mobile network, supported by new technologies such as 5G, IoT and further implementation of Big Data solutions will be key to transforming local communities to face many challenges such as pollution, reduced mobility, concern for personal security, and economic inequality. We are working hard on that, and many local communities that have chosen us in such projects are proof that Hrvatski Telekom is recognized as a reliable technology partner that can provide cities and municipalities with the best digital experiences. By investing in economic and environmental sustainability it will help improve the quality of life of citizens and bring communities closer to a digital and more sustainable future^{20, 21}.

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WiFi4EU

The European Union's goal is to make Europe the most connected continent by 2030. One of the programs to achieve this ambition is WiFi4EU, within which the EU co-finances projects of public WiFi networks. Cities and municipalities that meet the conditions receive EUR 15,000 vouchers to provide free internet in public locations. With this program, we promote the implementation of free WiFi for citizens and visitors in public spaces such as parks, squares, public buildings, libraries, health facilities, and museums.

As a frontrunner in digitalization in Croatia and a partner to the municipalities and cities that chose us to implement the WiFi4EU project, Hrvatski Telekom remains focused on further investments and providing access to quality internet to as many citizens as possible, so that everyone in Croatia is connected to the leading network.

Towns where the solution has been implemented in 2021: Belišće, Samobor, Obrovac, Orahovica.

Municipalities: Donji Andrijevići, Petlovac, Pučišća, Tounj, Trpanj, Konavle, Perušić, Konjščina, Gornja Stubica, Zlatar Bistrica.

Unlimited internet for digital nomads

One of the great benefits of digital technology is not being tied to an office or a particular country to do the job. Laptop, tablet, or smartphone and a reliable internet connection allow users to work from anywhere in the world, and Croatia is an excellent choice for that. It is estimated that 4.8 million people worldwide have opted for a digital nomad lifestyle, and as many as 17 million people aspire to it. Hrvatski Telekom is aware of the needs of this choice. These include mobility, flexibility, creating your own schedule, and choosing a workplace. Hrvatski Telekom provides digital nomads with a high-speed and stable internet connection whenever and wherever they need to work, which contributes to Croatia's image as a desirable destination for work, and which also benefits local communities.

Digital transformation of the City of Dubrovnik

Thanks to the project of Hrvatski Telekom and Smart Sense, three primary schools and five kindergartens in Dubrovnik measure the air quality in their premises in real time. This project has been prompted by several recent studies showing that children in educational institutions lose concentration after prolonged stays indoors. Research has also shown a strong correlation between air quality levels and transmission rates shown by various infectious diseases. Installed Smart Sense AirQ Indoor air quality meters read CO₂ levels, temperature, and humidity. They are connected by modern NB-IoT technology that allows employees to respond in a timely manner to changes in air quality and ventilation of the space to provide children with the best conditions for a safe and healthy education.

Furthermore, as part of Dubrovnik's digital transformation, after the implementation of a public tender, Hrvatski Telekom was selected as a technological partner in the implementation of the project Historical Gardens of the Dubrovnik area. This project plans the establishment of a fiber-optic network on the entire island of Lokrum, a nature reserve with rich natural and cultural heritage, covering the entire island with WiFi, and the establishment of an IoT platform to which the island's sensor infrastructure is connected (sensors for measuring air quality and other environmental parameters, marine quality sensors, smoke/fire detection sensors), establishing a separate waste collection system for smart containers and establishing a platform for

presenting and interpreting data collected by sensor infrastructure, interactive multimedia totems, and mobile apps.

Six sets of sensors have been installed in some places on the island, which will make data from nature more accessible. These are many parameters that describe the state of nature through its four basic elements - air, sea (water), earth, and fire, and which are connected to the mobile (NB IoT) and fixed telecommunications network of Hrvatski Telekom through platforms located on servers in Hrvatski Telekom's data centers. The project is co-financed by EU funds in the amount of 70 percent of the total amount.

Hrvatski Telekom is strategically focused on building smart cities to increase the quality of life of citizens with new technologies. The City of Dubrovnik leads among cities in Croatia in the application of unique smart solutions. With these projects, we have made a significant step in bringing the opportunities provided by technology to all members of the local community, even the youngest ones.

Rab - the first fiber-optic island in Croatia

We believe that fiber-optic infrastructure is not the privilege of large cities, so we are investing significant funds to introduce it throughout Croatia, including smaller towns, rural areas, and islands. We have also introduced more advanced communication connections to the island of Rab, and fast and high-quality internet access will enable the entire island community to increase economic activity and the quality of life of the inhabitants of Rab and their guests.

Due to the specific configuration of the island's terrain and proximity to the sea, the project required the introduction of new techniques and concepts and the adaptation of existing ones. Despite numerous challenges, this investment has made the island of Rab an equal part of advanced telecommunications infrastructure.

Our support to local communities in crises



The Covid-19 pandemic has shown how important digitalization is in tackling societal challenges. Digitalization has enabled many to switch to working from home. Online shopping and contactless payments reduce the risk of infection, doctors offer online consultations, contact tracking apps have helped curb the pandemic, digital evidence of vaccination opens doors, and people around the world communicate via video calls.

Even in times of crisis, we remain committed to keeping everyone connected. Our multimillion-dollar investment in infrastructure and network stability paid off during the pandemic. Our actions are in line with the Business Continuity Management Plan for provision of key services and the Pandemic Operational Plan, and we take appropriate precautions to protect the health and safety of our employees with minimal impact on our business and services to the community in which we live and operate.

Social responsibility of Crnogorski Telekom during the pandemic

Crnogorski Telekom participated in one of the most important projects of the Montenegrin Ministry of Health in 2021 - the population vaccination project - by developing, donating, and putting into operation a national call center for scheduling vaccinations, informing citizens, and coordinating healthcare services in 18 cities. With the support of other members of the Foreign Investors Council, Telekom participated in a fundraiser for two healthcare centers in Montenegro, which needed renovation and training to work with a larger number of patients.

Assistance to the population affected by the earthquake



At the beginning of 2021, HT provided support to employees, users, and the local community in the Sisak-Moslavina County affected by the devastating earthquake in December 2020. Our experts were among the first at the scene to ensure the functionality of the network and enable connectivity (WiFi) to local people and support teams. Support to customers and the community included the temporary disconnection of fixed services to customers in the area who use Hrvatski Telekom's fixed telephony service, write-off of bills for several months at the beginning of the year, a gift of 1,000 minutes for free calls and Flat Internet traffic for subscribers and 1,000 minutes for calls and 20 GB of data traffic for prepaid users. Hrvatski Telekom technicians were among the first to be in the field, where additional base stations were erected so that communication could run smoothly.

In support of the reconstruction of the affected areas and assistance to the residents of Petrinja, Sisak, Glina, and surrounding areas affected by earthquakes, Hrvatski Telekom donated three million kunas to the account for reconstruction assistance after the earthquake, while Combis donated valuable IT equipment to the City of Petrinja and sponsored young swimmers of the Peraja swimming club.

Human rights

HT's commitment to respecting human rights is key to our business. We believe that our business contributes to the well-being and development of areas and people in a way that promotes human rights and supports a just and equal society. The principles on which we base our business activities are integrity, compliance and abiding the law²², and the obligation to respect human rights is deeply integrated into the basic rules and regulations of the HT Group, as part of Deutsche Telekom. We have also incorporated the values of the Diversity Charter and the Social Charter, of which we are the initial signatories, in the Collective Agreement and the Code of Conduct, which prohibits any discrimination. We regularly revise the Code of Conduct, which is the backbone and clear standards of acceptable business conduct and is based on ethical principles and a high level of integrity in everyday business²³.

In addition to the positive opportunities we create, we are also aware of the human rights risks associated with our business. We work hard to make sure that we do not create these risks

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ourselves and that we are not associated with risks created by others we work with. We work with the IT sector on existing and potential risks for all of us, keeping pace with constant change. We, as representatives of the private sector, actively shared the know-how and participated in the development and adoption of new relevant regulations. We closely monitor the market in which we operate by maintaining a constructive dialog with civil society on the ground working on human rights issues. We are committed to implementing the United Nations Guiding Principles on Business and Human Rights - the global standard on corporate responsibility in respect for human rights - to continually improve our approach. These guiding principles require that we systematically identify the impact of our business on human rights and, where appropriate, prevent, mitigate, or compensate for negative impacts. To meet these requirements, we follow the extensive program developed by the DT Group and implement the UN Guiding Principles in an ongoing process that includes several interconnected measures and tools.

Human rights in employee relations

Any form of discrimination and/or harassment in the workplace is unacceptable to us, and without exception we are committed to promoting equal opportunities and respect for employee diversity, which is also part of our Collective Agreement. We protect the dignity of employees during 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. We work to raise awareness and educate our employees on human rights issues such as sexual harassment, freedom of speech and corporate digital responsibility²⁴, by promoting Speak Up! culture through Intranet articles, posters, online education, as well as encouraging employees to report human rights violations through the before mentioned channels for reporting irregularities.

In contacts with employer's 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, affiliation or non-affiliation with a political party, trade union or any other social organization, and physical or mental difficulties.

In an event of any form of harassment or sexual harassment, employees may report it to an authorized person orally, on record or in person at a trusted person, by mail, e-mail or dedicated digital channels that fully protect the identity of the applicant. The complaint should, as a rule, be explained and, if possible, contain more information on the incident and witnesses, so that the complaint could be examined as accurately as possible and appropriate measures taken in this regard. The data and facts collected during this process are a trade secret.

Depending on each individual case and the degree of harassment, the Rules of Procedure define possible measures of action.

Human rights in relation to partners and the value chain

To ensure respect for human rights outside our company, and within our sphere of influence, we explicitly require our partners and suppliers to take responsibility for respecting human rights. To this end, we perform their in-depth analysis, including integrity checks, which includes respect for human rights.

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Reporting on human rights violations

We believe that transparency is key in addressing human rights violations, so we report regularly. We check all reports received and take countermeasures as soon as it is determined that the information is convincing. Between January 1 and December 31, 2021, we received three human rights related complaints reported to the person tasked with protecting the dignity of workers²⁵. Inquiries and alerts related to topics such as discrimination and harassment. All notifications were treated in the strictest confidence and were found to be unfounded in the process²⁶.

Cyberbullying, hate speech, and online behavior

The pandemic has further shown us how important the internet has become in our daily lives. For many people, it was the only means of communication with family and friends during isolation, and it also enabled them to work, attend classes and go to school, and make purchases - from their own homes. But internet communication has its downsides. In uncertain times, fake news spreads even faster to a wider number of people, and more and more people are facing online hate speech and marginalization.

We are aware of the risks to which users are exposed through the use of digital media, but we are even more aware of all the benefits of the responsible use. We therefore believe that educating users about this aspect is critical and is the key to safe and competent use. Through a series of projects and initiatives, we work to promote trust and informed opinion making, and to combat marginalization and hate speech online.

In collaboration with SmartUp we conducted a survey on the habits of young people in gaming as a specific form of interaction in the digital space in 2021. The research provided insight into data that we have not had the opportunity to see so far. Particularly worrying is the fact that 50 percent of young people engage in some risky behaviors, believing that bad things happen primarily to others. It also showed that about 50 percent of young people in one of the games accepted a friend request from an unknown person and experienced some form of swearing, insults, and aggressive behaviors while playing. In addition, two-thirds of young people are concerned about security, theft, and disclosure of private data from the gaming platform.

To educate young people on these important topics, after the extremely popular HT e-League, we launched the first YouTube gaming show, Ultimate Gamer, an amateur gaming competition to raise awareness of potential gaming risks such as cyberbullying, gaming addiction, gender inequality, but also about the benefits that responsible gaming brings to the creativity and innovation of young people. Responsible behavior in the digital world is becoming an increasingly important element of basic skills that we must build to take advantage of all the opportunities that technology brings. An integral part of every Ultimate Gamer show is the so-called Secret Knowledge, in which well-known mentors educate young players potential dangers in the virtual world and developing new skills that can help them in the future.

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THE BEST CUSTOMER EXPERIENCE

Highlights:

- The best customer satisfaction ever
- Recognition for the greatest progress in the customer experience throughout Deutsche Telekom Europe
- Holder of the implementation of the customer experience improvement program for DT Europe

Our ambition is to connect all people in Croatia using the advantages of modern technology. To achieve this, we are constantly working to improve our services and ensure a positive customer experience. All parts of our company make sure that products, services, and processes are created in a way that maximizes the needs and desires of users. With the User in Focus program, we continuously examine customer satisfaction using advanced tools and processes, regularly monitor, analyze, and report on customer satisfaction results from the highest company level (Management) to the executive level (agents, salespeople, and technicians), we take short-term measures, and launch medium-term and long-term initiatives to improve the customer experience. In order to achieve the ambitions set by this program, the Bain&Co NPS model of Inner & Outer Loop was established to monitor the entire process - from collecting user feedback — to specific actions resulting from feedback analysis²⁷.

Aligned with the practices of Deutsche Telekom and other DT EU countries, this program allows us to share good practices and effective solutions to improve the customer experience throughout the group. Because the customer experience is influenced by several factors, from the contact point, products, services, processes, network and system performance, the entire company takes care of customer satisfaction.

Rapid development of modern technologies, constant demographic and social changes, and more educated users are the factors that make the customer experience an extremely dynamic business segment.²⁸. In order to be able to respond to all these changes in the external environment, we regularly monitor them, inform all relevant organizational units about the changes and with agile approach, we agree and decide on future measures and initiatives.

Every year we strive to achieve a significant shift in customer satisfaction compared to the previous year, and as a guideline we use two key indicators of customer satisfaction: NPS and TRI*M. The best indicator of the success of the management approach to this issue is the result achieved in 2021. Despite the pandemic, the combination of network investments and culture investments and strong customer focus resulted in positive customer experiences at all contact points and record high customer satisfaction. The high quality of our customer experience is independently confirmed by the TRI*M customer satisfaction survey on the Croatian market, where Hrvatski Telekom reached the first place in the customer experience by continuously improving throughout the year 2021 by measuring four parameters - performance, recommendation probability, future use of operator services, and competitive advantage.

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Quality of relationships and customer satisfaction



We pay special attention to monitoring customer satisfaction and improving the work, knowledge, and skills of agents, salespeople, and technicians through continuous coaching and education. We provide our service staff with training on products and services and team leaders conduct more intensive coaching in their daily work. Databases and digital tools enable our employees to solve customer problems faster. We collect feedback using advanced tools and processes, and the research covers different levels of customer satisfaction, from research on the general perception of our company, experience of using individual products, to experience with individual digital and non-digital contact points.

We are proud that the research results, which include quantitative and qualitative results, have shown very high customer satisfaction. With the growth of the TRI*M index, Hrvatski Telekom confirmed the trend of improving the satisfaction of HT residential customers compared to other operators on the market. The TRI*M index is a metric of customer satisfaction and loyalty. The index is the result of users' responses to four main questions related to performance, recommendation, intention to continue using, and competitive advantage. In addition to these questions, users are asked for detailed answers on network quality, products and prices, customer journeys, and contact points. The research is conducted continuously and at the same time the satisfaction of users of all operators on the market is examined, which ensures the comparability of results. By increasing the TRI*M index in the last quarter of last year compared to the third quarter of last year, Hrvatski Telekom, together with its first competitor, secured first place. At the same time, the survey pointed out some areas such as experience in using services, experience with the network and experience with various contact points where there is room for further improvement.

We have also created an advanced digital experience for our customers in terms of convenience, speed, stability, and quality, with the Moj Telekom app achieving 60 percent penetration, so that more than 500,000 users enjoy the benefits of the best digital experience.

Transparency towards customers

We have launched initiatives that strengthen transparency towards customers, such as clearer and simpler invoices, alerts in the event of increased spending, and managing promotions before they expire. We have accompanied these measures with a new policy of accepting user complaints about fees that could be the result of involuntary use (such as roaming or additional costs). We have also redefined all debt payment processes, making them more transparent, more user-friendly, more flexible, and digital.

We have also introduced the Voice of Customer (VoC) program, which contributes to transparent communication within the company and to end users on all aspects related to the current situation and improving the user experience with our products and services. The VoC program is used as a key tool to achieve excellence in customer focus and listening to their needs and acting on them in almost real time.

While developing products and services, we strive to apply environmental principles wherever possible and raise the awareness of our customers about the need for environmental protection. Therefore, HT has included in its service portfolio services that can reduce the environmental impact of the company and end users. Appropriate information on safe storage and disposal of old mobile devices and other electronic equipment is also available to users. They are also informed about the average composition of such electronic equipment and high-value elements (silver, gold, copper, palladium, cobalt, nickel, cadmium, etc.) which are separated and reused as raw material through the circular approach and recycling. All T-Centers provide conditions for reception and further ecological management of old electronic devices from HT's sales assortment and their batteries. In order to simplify the payment of bills for customers, and at the same time reduce business and invoice delivery costs and contribute to environmental protection, all users of HT's services can receive e-invoices by e-mail, on the Moj Telekom portal or online banking. Thus, the users of our services save their time and contribute to the conservation of natural resources²⁹.

Listening to users' needs, in 2021 several projects were implemented to increase satisfaction. These are key:

- In cooperation with our partners, in the program In Good Hands we regularly prepare special benefits and discounts only for users of the Moj Telekom app throughout the year.
- We have launched the 'Tebe se pita' campaign aimed at young users, to whom we have provided tools, knowledge, and advanced technology
- We launched a 5G network commercially and included the maximum speed of the 5G network in the high value tariffs
- We are expanding the offer of FMS Gigabox, which provides our customers with unlimited internet with mobility functionality without a contractual obligation for the service, but with a contractual obligation for the router
- We promoted a new portfolio of postpaid services, and the best hardware offers with an emphasis on increasing value and upgraded the portfolio of postpaid services. During the summer season we enable users to activate unlimited data traffic in the Moj Telekom app.

Customer satisfaction and loyalty are included in the long-term variable remuneration scheme for our board members and, to some extent, in the performance appraisal of our managers, meaning that some of their variable salary components are linked to these ratings.

Always available, especially in crises times³⁰



We are always there for our customers - even in challenging times such as the COVID-19 pandemic and the devastating earthquake in Sisak-Moslavina County. Thanks to the infrastructure of exceptional capacity and quality, but also the commitment of all employees, we have reliably provided our customers with stable and impeccable communication services. HT's Crisis Coordination Team continued to lead us through the challenges of the pandemic in 2021. Based on the instructions of competent epidemiologists, the team implemented all necessary

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security measures related to our daily work. We are aware of the strategic importance of our business for our country and the responsibility in ensuring business continuity. We have procedures established in line with the Business Continuity Management Plan for provision of key services and the Pandemic Operational Plan, and we take appropriate precautions to protect the health and safety of our employees with minimal impact on our business and services to the community in which we live and operate³¹. For the users, at least in part, the period was made much easier by the fact that in 2021 we provided them with certain benefits without additional compensation. For example, all business and residential users of Hrvatski Telekom have on several occasions received additional opportunities for free internet, free use of communication and collaboration tools, and additional television channels³². We continued to provide all students with free online access to the School for Life program, and with instrukcije.hr, the service providing video instructions, we continued to help them master math materials for primary and secondary school.

Quality and safety of products and services



We want to make our communication infrastructure and our products, as well as the processes on which they are based, more resource efficient, more reliable, and safer for health. Given the numerous base stations and the large number of users, Hrvatski Telekom is determined and takes seriously the public concern about the impact of mobile communications technology, both devices and base stations on health, and openly, constructively, and honestly address the needs of the public and the environment. We respect the views of independent, relevant sources such as the Ministry of Health, the Croatian Regulatory Authority for Network Industries (HAKOM), the World Health Organization (UN WHO) and the International Commission on Non-Ionizing Radiation Protection (ICNIRP). We believe that exposure limit values should be determined based on scientifically based research. Therefore, we study the latest research on mobile communications and health and provide our users with transparent information on this aspect³³.

Although the effects of electromagnetic fields on health remain a topic for further research, in recent years recognized professional organizations such as the World Health Organization and ICNIRP have repeatedly revised the current exposure thresholds for mobile communications based on the latest scientific knowledge. If these values are respected, the use of mobile technology, including 5G, is safe. In our day-to-day operations, we are guided by the [DT Group's electromagnetic field policy](#)³⁴, which we have accepted and applied since 2005. The policy provides our national companies with a mandatory framework that ensures that mobile communications and health issues are addressed consistently and responsibly throughout the Group. It contains unique minimum requirements for mobile communications and health that go far beyond national legal requirements.

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³² 203-2

³³ 103-1

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Our EMF policy is based on the following principles and measures:

- Transparency
- Information
- Participation
- Promoting science & partnerships.

Hrvatski Telekom procures only products that meet the set prescribed criteria. All mobile devices we offer meet safety requirements according to the European Union Directive and the Croatian Regulations on Protection from Electromagnetic Fields. The SAR value (Specific Absorption Rate) of all mobile phones we put on the market is under 2W/kg. Furthermore, all HT's mobile base stations are developed, tested, and commissioned in accordance with international standards and requirements. Hrvatski Telekom receives certificates from equipment manufacturers showing that the base stations meet the safety requirements of the International Commission on Non-Ionizing Radiation Protection (ICNIRP), meet several product safety and electromagnetic compatibility standards and general technical regulations. The international standard for limiting exposure to time-varying electric, magnetic and electromagnetic fields is a safety restriction accepted by the UN World Health Organization for the whole world, so we apply it in HT as well. All base stations also have a Certificate of Compliance with a series of European and world standards issued by the Croatian Regulatory Authority for Network Industries.

In order to enable the appropriate number of required services to take place in urban areas where many people use a mobile phone at the same time, it is necessary to install more antennas and base stations at shorter distances. With the increased number, antennas and base stations operate at lower power and thus emit lower electromagnetic radiation, without reducing the quality of service. At the same time, the better the coverage of an area, the lower the amount of electromagnetic radiation of the mobile device. It is important to point out that all base stations in HT's mobile networks have use permits issued by the Ministry of Health. These measurements of the levels of electromagnetic fields have been carried out continuously for many years, and all the results so far show that the measured values are far below the prescribed limit levels. Croatian legislation has significantly stricter levels of electromagnetic fields than recommended by the International Commission on Non-Ionizing Radiation Protection (ICNIRP) and the relevant Council Recommendation 1999/519/EC, although there is no scientific evidence that stricter EM field restrictions provide more benefits or safety to the public. In 2021, measuring laboratories authorized by the Ministry of Health conducted over 1,400 measurements of electromagnetic fields, which reaffirmed the safety of HT's base stations of mobile networks³⁵.

In cooperation with other operators, state institutions, and the scientific community, we support independent scientific studies in the field of health research and participate in advising, communicating, and informing the public and other important stakeholders at all levels of society. During 2021, together with other mobile operators, state bodies, and renowned Croatian experts and university professors, we participated in the development of HAKOM's instructions on the assessment of electromagnetic radiation exposure for 5G base stations in mobile communication networks, which will enable the introduction of 5G, while ensuring that the stricter limits for EM fields are not exceeded.

During 2021, in cooperation with the Croatian Employers' Association, the [Connected We Are Safe](#) campaign continued, in which all those interested can find out a lot of information about

³⁵ 416-1

non-ionizing radiation from mobile networks on the dedicated website. In addition, HT publishes relevant information on [electromagnetic fields](#) and health, including [5G](#), on its official website. In 2021, the number of articles in the media related to the topic of EM fields from mobile network base stations was significantly lower than in 2020. For example, when only articles in printed media that contain “radiation” as a keyword are taken into account, in the period from January 2021 to date there were a total of 22 articles, while between January 2020 and April 2021 there were 54. We believe that this is the result of improved and objective information on this topic in Croatian society.

During 2021, Hrvatski Telekom had a total of 66 stakeholder inquiries, most of which were on electromagnetic fields and healthcare. We responded to these expressions of concern by referring to information from relevant, independent, and competent sources, and all inquiries, including requests from the Sanitary Inspection and the Ministry of Healthcare, were resolved positively, i.e., no irregularities were found in terms of non-compliance with regulations or voluntary codes. Our stakeholders can send inquiries related to electromagnetic radiation by e-mail to the address zastita.okolisa@t.ht.hr.

Security, protection of personal data and privacy³⁶



Security

Hrvatski Telekom attaches special importance to information security, which is essential for the company's operations given the technological changes in which we live.

As potential cyberattacks are evolving and becoming more inventive day by day, it is critical to properly define and set up information security within the company. The security aspect of our products and services is the result of the teamwork of all of us, but also our great competitive advantage. Adequate security of data and information, their integrity, availability and confidentiality are extremely important, and are ensured by implementing numerous security measures, through three basic links in the security chain - people, processes and technologies. We have implemented and apply PSA procedure which ensures privacy by design and security by design approach, which means that we incorporate all requirements for personal data protection and security into Hrvatski Telekom's products and services from the beginning.

Hrvatski Telekom is fully compliant with the internationally recognized Information technology - Security techniques - Information security management systems (ISO/IEC 27001: 2013) standard.

It is a basic international standard that determines the requirements for the establishment, implementation, maintenance, and continuous improvement of information security management systems, which includes requirements for assessing and treating information security risks tailored to the requirements of the organization in line which Hrvatski Telekom has been operating since 2009, when it obtained the first certificate of compliance with the Mediation Scope Standard. During 2013, the certificate was obtained for the scope of security management at the company level.

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Protection of personal data and privacy

Hrvatski Telekom, as part of the Deutsche Telekom Group, applies high standards of security and protection of personal data in its operations and customer relations.

At Hrvatski Telekom, we take technical and organizational measures in accordance with the best practice that goes beyond the obligations set before us by law. We regularly educate our employees and engage partners with whom we contract appropriate protection measures according to HT standards.

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

Ensuring effective data protection and privacy is based on the following principles:

- **Consistent transparency towards the public**

Hrvatski Telekom attaches special importance to the protection of personal data and privacy of users in accordance with applicable regulations. Protecting the privacy of users is an integral part of our services and products, so we want to provide users with clear information about the processing and protection of their personal data. The website and the document Privacy Policy of Hrvatski Telekom users, provides users with detailed information on which personal data are collected, how they are processed, for what purposes, and how they are protected.

- **Regular employee training**

HT attaches great importance to the protection of personal data and sets it as an obligation to all employees, both due to applicable regulations and due to the internal rules of the HT Group, which are characterized by high personal data protection and privacy. In order to raise awareness about security and protection of personal data, we conduct regular training for all employees.

- **Process certification**

Our processes, management systems, products, and services are certified by external independent organizations. Hrvatski Telekom is fully compliant with the internationally recognized Information technology - Security techniques - Information security management systems (ISO/IEC 27001: 2013) standard.

We undertake activities that ensure the continuous improvement of the control environment for the protection of personal data and privacy and monitor the development of regulations and trends in the protection of the rights and freedoms of individuals. In 2021, we carried out compliance activities in this regard with the ruling of the Court of Justice in case C-311/18 (*Schrems II*), which abolished the Privacy Shield between the EU and the US, which was subject to significant legal uncertainties, and adopted new rules for transfer of personal data to third countries. Following these changes, HT has adopted new templates that are mandatory for all personal data protection agreements.

Ensuring user rights

We want to provide users with clear information about the processing and protection of their personal data. We always collect only the data necessary for our business, i.e., those that are necessary to achieve a certain legitimate purpose. We never collect the content of users' private communications and data on political or religious views, racial or ethnic affiliation, and similar sensitive data. We store and process the data only to the extent necessary for the execution of a certain legitimate purpose unless the applicable regulations for a particular purpose provide for a longer or shorter retention period³⁷.

We use an advanced system to ensure user rights. The user can achieve them by contacting or submitting an appropriate request to the HT Customer Service on the telephone number 0800 9000, e-mail info@t.ht.hr or postal address HT d.d., PP 526, 10002 Zagreb, or in any other way HT provides to the user, depending on the type of request. If the user suspects a breach of their personal data, they report this in writing to the HT customer service at the e-mail address info@t.ht.hr or the postal address HT d.d., PP 526, 10002 Zagreb. In case of any questions about the protection of personal data at HT, the user can contact the e-mail address info@t.ht.hr or the e-mail address of the Personal Data Protection Commissioner osobni.podaci@t.ht.hr. The user is also authorized to file a complaint to the Personal Data Protection Agency. We regularly monitor the number of justified complaints regarding user privacy violations submitted by users and regulatory bodies, as well as the total number of identified thefts or losses of personal data about the customer.

Although we take a wide range of preventative measures, we cannot completely prevent data privacy breaches. In 2021, we recorded 16 complaints from regulatory bodies, and 23 identified cases of leakage, theft, or loss of personal data of users³⁸. All complaints are treated as confidential, their validity is checked, and carefully investigated. All weaknesses identified during the investigation are systematically analyzed and remedied.

Combis and cybersecurity

In cooperation with Varionica craft brewery, Combis started manufacturing Hack3r beer in 2021. Addressing the topic of online security, the light and dark versions of beer represent counterparts to black hat and white hat hackers in the cyber world. Continuing to raise awareness of the general public about IT security, Combis has become a friend of the project of the Center for Missing and Abused Children, through which picture books are published that teach children about the dangers of the internet. So far, the picture books "Three Piglets" and "Ugly Duckling" have been published, and all proceeds from the sale are intended for the Center for Missing and Abused Children. Three workshops of the Croatian Robotics Association were organized for the children of Combis.

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RESPONSIBILITY TOWARDS ENVIRONMENT

Highlights:

- Our Integrated Environmental, Health, and Safety Management System received another certificate of quality by extending the ISO 14001 and ISO 45001 certificates for the next three years
- We have secured the supply of 100 percent green and CO₂ neutral electricity
- We cut out the supply of water, drinks, and soft drinks in plastic packaging
- We won the title of Leader of Sustainable Development 2021, awarded by the Lider magazine and the Hendaal agency
- We have introduced additional ESG criteria and non-financial indicators about our products in fixed and mobile networks

We live in a time when responsible companies need to think deeply about their role in the society in which they operate. While technological innovation on the one hand opens up new opportunities, on the other hand it raises a number of social, ethical, and environmental issues that require it to be managed and acted upon responsibly. We see ourselves as a responsible company and we have made environmental protection and the transition to a low-carbon economy a key element of our Group's strategy. We believe that business success should be based on reducing adverse environmental impacts. We are committed to ensuring that our business activities comply with the highest environmental standards. We also recognize the important role of digitalization and related technologies in climate change mitigation. We monitor and keep track of our environmental impacts using the implemented environmental management system, and we are constantly looking for new opportunities to reduce the carbon footprint on the customer side, through innovative ICT services and solutions for the low-carbon future.

In addition to working to achieve its own goals, as part of the DT Group, HT has committed to contributing to the achievement of Group's common goals. We have committed ourselves to switching to 100 percent electricity from renewable energy sources by 2021, which we have achieved and are working to reduce our direct and indirect emissions, which include emissions from gas, diesel, and oil, such as heating or fleet. To become 100 percent carbon neutral, all remaining emissions from 2025 will be offset by appropriate measures for long-term carbon sequestration. As a member of the DT Group, we are part of the ambitious goal of reducing emissions produced by our customers and suppliers. Our goal by 2030 is to reduce all emissions from the production and use of our products by 25 percent per customer (using 2017 as the base year). Together with the rest of the DT Group, our goal is to achieve climate neutrality and completely eliminate our carbon footprint by 2040. We are committed to working harder on the development of the circular economy process, which will help us improve the collection of old devices that users no longer use and their proper disposal and recycling of valuable raw materials.

So far, HT has successfully achieved its internally set goals, but also those set at the DT Group level. We have recently achieved our own goal of eliminating disposable plastics. Given the fact that further growth in the expansion of networks and services is expected and unquestionable, and thus the growth of energy consumption, in reducing the effects of climate change, HT has committed to increase electricity consumption and all other forms of energy needed for our telecommunications systems and networks, to control various innovative measures and initiatives. This also applies to the entire DT Group, which has recognized this and will, from 2022, assign to all its members, including HT, the so-called corporate environmental and climate

objectives. The basis for assessing progress towards the objectives consists of two key performance indicators: reductions in energy consumption and CO₂ emissions (scope 1 and 2) linked to bonus policy.

We record and respond in a timely manner to internal and external inquiries, requests and complaints related to environmental and issues of the impact of electromagnetic fields from mobile network base stations that our stakeholders can send via e-mail to zastita.okolisa@t.ht.hr, or through others usual business communication channels.

Environmental management systems



Our business activities and initiatives are focused on further developing sustainable business models and the well-being of future generations³⁹. For us, comprehensive management of our company's environmental impacts means considering the opportunities and risks arising from them. We actively and systematically involve relevant stakeholders to determine what current and potential risks and opportunities are important for our sustainable business, and we participate in numerous working groups and committees.

To control its impact on climate change, HT has defined a documented process for treating ozone depleting substances and procedures as part of the certified Integrated Environmental, Health, and Safety at Work Management System in accordance with ISO 14001 and ISO 45001 standards and processes of energy management and ecological practice when using official vehicles. Furthermore, through its Environmental Health and Safety Management Policy and Energy Policy, HT continuously strives to find solutions for energy-efficient products and services, saving natural resources and preserving health and the environment. Electromagnetic fields from mobile network base stations are one of the most important aspects of the environment, so the operational procedure of EM field level monitoring within the certified ISO 14001 environmental management system describes the way in which their level is regularly checked, monitored, and measured. This procedure defines the activities to be monitored, the parameters to be measured, and the restrictive measures in accordance with the relevant legal and other requirements.

The successful implementation of HT's Integrated Environmental, Health, and Safety Management System, as part of the DTAG Integrated Management System, resulted in the extension of ISO 14001 and ISO 45001 certificates in September 2021 for the next three-year period, until March 19, 2024, which reaffirmed the integration of environmental care and safety at work into all relevant work processes and high awareness of employees about the importance of environmental protection and safety⁴⁰. The same was confirmed by the internal audit conducted by DT, which awarded HT's environmental management system the highest marks. We are especially proud that in 2021 we received the ISO 9001 certificate for the quality management system for the entire company, while previously only certain business areas were certified with it.

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According to a survey by Lider and Handel, Hrvatski Telekom also won the title of Leader of Sustainable Development in 2021, ranking alongside the companies that received the most votes from citizens due to the spread of positive impact on society and the environment. In 2021, we also launched the EcoVadis certification process, the results of which we expect in 2022.

The Green Office program continuously encourages our employees to think and act in an environmentally responsible manner, and the numerous initiatives that accompany this program enable us to use resources efficiently, reduce energy consumption and carbon emissions, and take care of waste. In our energy efficient buildings, the degree of automation of energy parameters has been raised to the highest level.

We regularly maintain and renew the fleet, and in 2021, HT has also become a certified Cycle Friendly Employer. One of the new goals and initiatives that we set for ourselves as a company at the end of 2020 is to reduce the internal use of plastic bottles through 2021. This small change in habits aimed at raising awareness of plastic pollution and minimizing waste in just the first three months resulted in a 68 percent reduction in the use of plastic bottles, while by the end of 2021 we reduced the supply of water, soft drinks, and beverages in plastic packaging to zero, fully fulfilling the set goal.

EcoRating initiative for mobile devices

As part of Deutsche Telekom, together with four other leading European mobile operators, we launched a pan industrial EcoRating scheme that will help consumers identify and compare the most sustainable mobile phones and encourage mobile manufacturers to reduce their environmental impact. By introducing a harmonized labeling system throughout the industry, we increase transparency and help raise awareness of the environmental impact of the phone that our users choose.

The EcoRating initiative will evaluate a number of new mobile phones from 12 brands, and the others are expected to join in the future. After a detailed evaluation, based on best practices and knowledge and a methodology developed with the technical support and supervision of IHOBE, each mobile device will receive a final EcoRating rating indicating its environmental effects throughout its life cycle, with a maximum score of 100. The EcoRating label will also provide additional information and highlight five key aspects of mobile device sustainability: durability, repairability, recyclability, climate efficiency, and resource efficiency.

Responsible use of resources

While developing products and services, we also pay special attention to the way products and services are packaged, using fully recyclable materials, such as paper and canvas bags. In 2021, all of HT's branded packaging was made from recycled material. Prepaid vouchers are also made from fully recyclable materials, as well as standardized end device boxes⁴¹. We contribute to the reduction of paper consumption in offices by digitizing processes and e-business. In 2021, consumption was 19.5 percent lower than in 2020. While the reduction of consumption in 2019/2020 was mainly due to working from home due to the COVID-19 pandemic and the newly introduced SmartWork mode, further reduction in 2021 is the result of further digitization of internal and external processes, such as even greater digitization of sales documentation and increasing use of e-invoices and Moj Telekom app by our users. Many of our internal processes are ready for full digitalization, which will be achievable with greater digitalization of public administration.

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Table 1 - Paper consumption⁴²

Paper consumption (in tons)	2018	2019	2020	2021
	61	57	35	29

Green office at Iskon

Decisions on the permanent continuation of the application of the hybrid model of work in Iskon were used to further reduce the negative impact on the environment, now with an emphasis on sorting all types of waste in business premises at all Iskon locations in Zagreb. Already in 2020, Iskon completely excluded plastic packaging from the procurement system and launched the first campaign to raise employee awareness of the importance of waste sorting.

With Biljkoborci about the benefits of e-invoicing

In April 2021, a large Iskon campaign was organized and carried out on Earth Day in cooperation with the Croatian collective Biljkoborci. In the month dedicated to raising awareness of environmental care, the campaign raised awareness of Iskon users about all the benefits of e-invoicing. The extremely successful campaign, in which Iskon's customers received seedlings of herbs from the Biljkoborci partners as a gift when choosing an e-invoice, resulted in an increase in the total e-user base by as much as 8 percent over the three weeks of the campaign.

Hrvatski Telekom does not use water for technological purposes and none of its business processes pose a risk of water flow pollution. Where there is a risk of oil spills into sewerage, technical means are used that ensure the separation of oil from the liquid. Over the years, water consumption in the HT Group has decreased, which is a result of good environmental awareness of employees, optimization of business premises, rapid repair and preventive maintenance and reconstruction of heating/cooling and water supply systems, but also increased work from home due to the pandemic.

Table 2 - Comparison of water consumption over the years for the HT Group⁴³

Water consumption (in m ³)	2018	2019	2020	2021
HT	67,358	75,516	48,110	42,793
Combis	500	500	500	500
Iskon	1,200	1,250	1,200	1,200
In total	69,058	77,266	49,810	44,493

Waste management and the circular economy

We care about reducing our own and users' adverse effects on the environment and, guided by the principles of the circular economy, we work on sustainable material management and promoting reuse and recycling. Cell phones and other electronic devices contain components that can adversely affect the environment if they are disposed without control. In addition, we

⁴² 301-3; Data for HT d.d.

⁴³ 303-1

see from the composition of mobile devices that it contains some very valuable elements (silver, gold, copper, palladium, cobalt, nickel, cadmium), so the ecological disposal of mobile phones and recycling are trying to isolate these elements that are reused as raw materials in production.

We strive to extend the life of functional electronic equipment by selling it for further use, while recycling electronic waste. All T-Centers provide conditions for reception and further ecological management of old electronic devices from HT's sales assortment and their batteries. Together with our customers who brought their old electronic devices to the T-Center, we have so far properly disposed of more than 152,800 old mobile phones, their batteries, and related equipment. During 2021 we ecologically disposed of and recycled 381 mobile devices and repaired 3,784 used mobile phones extending their shelf life through an internal auction for employees. The targets for the return of old mobile devices are set in such a way that in the next three years the rate of return in relation to sold mobile devices will increase by ten percent with the following dynamics: 3 percent in 2022, 7 percent in 2023, and 10 percent in 2024⁴⁴.

From 2021, we have introduced additional ESG criteria and within the DT Group began to report on new non-financial indicators related to our products in fixed and mobile networks.

Table 3 - Key performance indicators for the electronic device collection and disposal program⁴⁵

KEY INDICATORS	Collected (pieces)
Repaired/refurbished routers leased to customers	49,595
Routers taken back from users for recovery and reuse	119,726
Routers taken back from users for recycling	22,417
Repaired/refurbished repeaters leased to customers	105
Repeaters taken back from users for recovery and reuse	345
Repaired/refurbished media receivers/TV decoders and TV sticks leased to customers	51,087
Media receivers/TV decoders and TV sticks taken back from users for recycling and reuse	46,971
Media receivers/TV decoders and TV sticks taken back from users for recycling	16,678
Repaired/refurbished sustainable ⁴⁶ routers and repeaters leased to customers	8,000
Repaired/refurbished sustainable ⁴⁷ media receivers/TV decoders and TV sticks leased to customers	2,400
Fixed phones taken back from users for recycling	23
Repaired/refurbished mobile phones and smartphones sold to customers	3,784
Mobile and smart phones taken back from users for recycling	381
Chargers, external batteries/portable chargers and accessories taken back from users for recycling	162
IN TOTAL	321,674

⁴⁴ 306-1; 306-2

⁴⁵ 306-4

⁴⁶ Products with a recognized external or internal sustainability label.

⁴⁷ Products with a recognized external or internal sustainability label.

The amount of waste in the telecom industry depends on business activities, so in 2021 we had 64 percent less waste compared to the previous year. The reason for this is the modernization of our telecommunications infrastructure and the additional disposal of obsolete and non-functional equipment from facilities and warehouses that we carried out during 2020. In 2021, there were no such comprehensive activities, so the amount of both hazardous and non-hazardous waste is significantly lower. Almost all waste (more than 99 percent) is handed over to authorized companies for recycling while a very small share is disposed of through disposal procedures. In this way, HT achieved the common goal of the DT Group (Zero Waste to Landfill) on a zero-landfill rate.

Table 4 - Total weight of waste by type and method of disposal for individual HT Group members⁴⁸

Total weight of waste (in tons) 2021	HT	Iskon	Combis	HT GROUP in total 2021
Total weight of waste	815.37	6.68	11.18	833.23
• of which hazardous waste	320.14	6.68	3.63	330.45
• of which non-hazardous waste	495.23	0.00	7.55	502.78

Table 5 - Comparison of total weight of waste over the years for the HT Group⁴⁹

Total weight of waste (in tons) - HT Group	2018	2019	2020	2021
Total weight of waste	794.99	1162.86	2299.57	833.23
• of which hazardous waste	229.52	638.01	1663.93	330.45
• of which non-hazardous waste	565.47	524.84	635.64	502.78

Impact on nature, biodiversity and wildlife⁵⁰

One of the main causes of species extinction is the fact that more and more natural space is occupied by industry, agriculture, and transport. As a telecommunications company, we know our business activities can also affect biodiversity in various areas of our value chain. 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 setting up base mobile stations on protected nature areas, Hrvatski Telekom cooperates closely with the Ministry of Environmental Protection and Nature, the Ministry of Physical Planning, Construction and State Assets, the Ministry of Culture and Media, 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.

In the fight against climate change, we strongly support reforestation projects that provide habitat for many species and thus promote biodiversity. Hrvatski Telekom regularly participates

⁴⁸ 306-2

⁴⁹ 306-2; data for the HT Group: HT d.d., Iskon Internet d.d., and Combis d.o.o.

⁵⁰ 304-2

in reforestation campaigns, so in 2021, together with the Public Institution - Maksimir, a volunteer reforestation campaign was organized in Maksimir Park, in which HT employees participated together with Hrvatske šume. 3,000 sessile oak saplings were provided for the occasion.

Šumu zasadi at Combis

The Šumu zasadi initiative was realized on the occasion of the month and day of the planet Earth. On that occasion, the employees reforested Sljeme, followed by selecting the *Combis Najvrt* - the most beautiful garden was selected, and the winners in three categories.

ICT solutions for the low carbon future



By expanding our network, investing in cutting-edge ICT equipment, and applying green technologies, we are strengthening both our own and our customers' capacities for the transition to a low-carbon business and lifestyle. While creating and developing products and services, we strive to apply environmental principles wherever possible⁵¹.

Through continuous development and innovation and a wider range of cloud services, we further contribute to the beneficial impact of ICT technologies and services on climate change, enabling our customers to reduce the need to travel, reduce the use of energy, paper, and other material resources. With the development of our network and data centers, we continuously contribute to the virtualization and development of various forms of online business such as e-commerce, e-government, e-banking, e-health, and the like, enabling the replacement of traditional physical services with electronic ones, which reduces the user's consumption of electricity and other resources. By our example, implementing SmartWork mode, using collaboration tools and flexible organization of remote work, we also set an example to others and further contribute to reducing our carbon footprint.

All the services that HT provides to its customers require energy. Responsibility in the use of energy is one of our company's goals and includes a responsible approach to energy by reducing the carbon footprint created using our services. As part of our environmental management systems, we regularly set environmental goals and programs and measures to achieve them, and many of these measures consequently have an impact on reducing energy consumption on the customer side:

- By promoting and implementing services that reduce the consumption of energy and resources on the part of users (for example, the development and implementation of new solutions for cloud services) we contribute to the dematerialization of products and services.
- By promoting and implementing the Internet of Things technological framework in the function of reducing energy consumption and greenhouse gas emissions, we contribute to improving the quality of life and positive societal change in the local community.

⁵¹ 103-1

Some of the services we offer reduce the need for energy and resources and reduce harmful emissions:

- **Moj Telekom portal** allows users to edit services, tariffs, and options, consolidate T-Mobile and T-Com connections, purchase vouchers and top up accounts from their own home, without having to come to the point of sale.
- **Soft Phone, audio and video conferencing**, reduces the need to travel to the meeting place.
- **MAXtv snimalica** eliminates the need for a video/DVD player.
- **Office Fax service** allows you to receive and send faxes via e-mail, eliminating the need to own a fax machine, and digital archiving helps save paper and storage space.
- **Net Phone** serves as a replacement for the PBX.
- **Office Intranet** SharePoint for business customers enables data digitization.
- **eSIM** replacement for a classic SIM card eliminates the need to use a plastic case.
- **Electronic vouchers** for mobile network users help reduce paper use.
- **Online and telephone sales** eliminate the need for users to physically arrive at the point of sale⁵².
- A variety of network, collaboration, infrastructure ICT, and cloud solutions and apps for business customers generally reduce costs, hardware and software administration, work time and carbon footprint, and enable security to meet the highest IT security standards and increase the efficiency and quality of our customers' work.

5G - an effective tool for green transition

In addition to ensuring a quality and stable network, 2021 also showed us the potential of 5G technologies for a greener future. The smart cities of the future will rely on technologies that will be enabled by 5G networks, and we have already been implementing some of these solutions in cities and municipalities throughout Croatia. The solutions for smart lighting that we are developing at HT contain sensors that will control the operation of lighting depending on street conditions and thus contribute to reducing electricity use. It is similar with traffic in which, thanks to 5G technology, vehicles will be able to be redirected from points where the system has registered a high concentration of pollutants in the air.

Agriculture is another big area that 5G will reflect on from a sustainability perspective. Thanks to the smart water consumption control systems we are developing, we will soon be able to manage this valuable resource much more rationally, and thanks to the 5G network, these systems will be much more affordable and even more efficient. Indirect reduction of greenhouse gas emissions and saving of natural resources will be contributed by the optimization of the agricultural process through the combined use of 5G technology and drones which will detect places where additional fertilizer and irrigation are needed.

E-mobility

The e-mobility team continued to develop infrastructure and install charging stations for electric vehicles and provide better digital charging services to encourage drivers to use electric vehicles as the most environmentally friendly solution in transport that helps reduce CO₂ emissions and increase air quality.

⁵² 302-5

In February 2021, Hrvatski Telekom enabled Croatian owners of electric vehicles to charge vehicles at almost 300 charging stations in Slovenia via the espOTs application and T-RFID prepaid card. These are charging stations operated by the two largest Slovenian operators - Elektro Ljubljana d.d. and Porsche Slovenija d.o.o. At the same time, Slovenian drivers of electric cars have access to charging stations in Croatia operated by Hrvatski Telekom and can now charge vehicles via cards and apps of their operators. The project was realized within the CEKOM project SmartCity SURINMO by signing the so-called roaming agreements (agreements on the use of charging stations in other countries) between Hrvatski Telekom, as the largest domestic charging station operator in Croatia, and the two largest Slovenian operators, as well as software connection of their software platforms for charging station management and charging service. In August 2021, Hrvatski Telekom and Tommy, the leading retail chain on the Croatian coast, set up the first five fast e-charging stations within Tommy's retail space at locations in Dubrovnik, Malinska (island of Krk), Solin, Split, and Zadar. As part of the cooperation, Hrvatski Telekom and Tommy provided a free charging service for all visitors to Tommy shopping centers 7 am to 10 pm, Monday to Sunday. The fast e-charging station have been set up as part of the project Comprehensive network of fast-charging corridors in Southeast Europe, which is co-financed under the EU program Connecting Europe Facility. Its purpose is to provide a superior charging service for domestic users of electric vehicles, and tourists who come to Croatia on vacation by electric vehicles.

In November 2021, Hrvatski Telekom and ALD Automotive d.o.o. the operating leasing company signed a cooperation which, for the first time on the Croatian market, enables the electric vehicle fleet management service, to raise awareness and motivate business customers to integrate electric vehicles into their fleets. Hrvatski Telekom will provide ALD with an electric vehicle fleet management support service, providing all the necessary infrastructure and availability of e-charging stations, as well as the management and maintenance of business relationship monitoring tools. For ALD leasing users, this service will make the entire network of charging stations for electric vehicles of Hrvatski Telekom available. With this approach, we want to support businesses with the simplest and carefree process of fleet electrification.

Energy efficiency



Using the prescribed energy policy and Energy Management⁵³ procedure, we are constantly working to enhance energy efficiency, increase the use of renewable energy sources, and reduce greenhouse gas emissions⁵⁴. We accepted the challenge of securing 100 percent green and carbon neutral electricity, and in 2021 we achieved it. For part of the consumption in our own facilities we procure from HEP-Supply ZelEn, CO₂ neutral electricity obtained exclusively from renewable sources, while for the rest of the consumption that goes to our equipment and leased facilities, we have provided international certificates of guarantee of origin from Nordic hydro sources. In addition, during 2021, we introduced electricity supply from wind and solar systems at a total of 11 base stations.

⁵³ 103-2

⁵⁴ 103-1

Due to the large number of facilities and technical systems and devices through which the HT Group operates, the preparation of the energy audit of a large company by an authorized independent company continued in 2021 to gain insight into the possibility of implementing additional energy, technical, environmental, and economically sustainable measures to further improve energy efficiency within Hrvatski Telekom. This energy audit includes a detailed analysis of energy consumption for all buildings and facilities, technical and energy systems and devices that consume energy, as well as analysis of fleet performance and analysis of waste data. Based on previous analyzes, the potential for further energy savings has been identified.

Total direct energy consumption from non-renewable sources during 2021 increased by 9 percent compared to 2020, and the main reason for this is the increase in energy consumption for heating due to colder winters and the return of employees to offices after the COVID-19 pandemic. Total indirect energy consumption from non-renewable energy sources has been reduced by as much as 90 percent, while that from renewable energy sources has increased by 22 percent compared to 2020, which is due to increased supply of CO₂ neutral electricity.

In 2021, we continued to implement advanced functionalities that enable more energy-efficient operation of equipment (so-called energy-saving functionalities) that we are introducing in all parts of HT's mobile network, from radio access to data centers. In the radio approach, the application of these functionalities is based on advanced amplifier output power management, where savings in electricity consumption of up to 20 percent can be achieved for high-capacity locations. Furthermore, cloud data centers enable concept of sharing IT infrastructure when needed, reducing power consumption and CO₂ emissions without reducing high levels of security. Migrating hardware-based functions to virtualized ones saves space and energy required to drive equipment cooling, which has an additional positive effect on reducing the carbon footprint.

Table 8 - Energy consumption by HT Group members⁵⁵⁵⁶

Direct energy consumption by primary energy source in GJ	HT	Iskon	Combis	2021 entire HT Group
Total direct energy consumption (from non-renewable energy sources)	99,402	1,675	22	101,100
• Of which natural gas	31,715	0	0	31,715
• of which fuel for fleet / gas, diesel, LPG	52,710	1,675	22	54,408
• of which other fuels	14,977	0	0	14,977
Total indirect energy consumption (from non-renewable energy sources)	HT	Iskon	Combis	2021 entire HT group
Total indirect energy consumption (from non-renewable energy sources) in GJ	9,872	0	0	9,872
• of which purchased electricity	0	0	0	0
• of which thermal energy for heating from heating plants	9,872	0	0	9,872
Total indirect energy consumption (from renewable energy sources)	HT	Iskon	Combis	2021 entire HT group
Total indirect energy consumption (from renewable energy sources) in GJ (purchased electricity)	460,814	1,080	1,602	463,496

⁵⁵ 302-1

⁵⁶ 305-5

Table 9 - Energy consumption over the years for the HT Group^{57, 58}

Direct energy consumption by primary energy source in GJ	2019 HT Group	2020 HT Group	2021 HT Group
Total direct energy consumption (from non-renewable energy sources)	111,561	92,604	101,100
• Of which natural gas	31,387	25,591	31,715
• of which fuel for fleet / gas, diesel, LPG	67,331	55,192	54,408
• of which other fuels	12,843	11,821	14,977
Total indirect energy consumption (from non-renewable energy sources)	2019 HT Group	2020 HT Group	2021 HT Group
Total indirect energy consumption (from non-renewable energy sources) in GJ	93,599	101,508	9,872
• of which purchased electricity	82,674	92,398	0
• of which thermal energy for heating from heating plants	10,925	9,110	9,872
Total indirect energy consumption (from renewable energy sources)	2019 HT Group	2020 HT Group	2021 HT Group
Total indirect energy consumption (from renewable energy sources) in GJ (purchased electricity)	396,436	379,829	463,496

Greenhouse gas emissions

Most of the greenhouse gas emissions are related to Hrvatski Telekom itself, while Iskon and Combis have very small shares and contribute to emissions related to the consumption of electricity and fuel for the vehicle fleet. The main reason for the overall reduction in greenhouse gas emissions stems from the fact that in 2021 the entire HT Group used 100 percent CO₂-neutral electricity from renewable energy sources, with a secured budget for CO₂ emissions management. All electricity procured through the contracted supplier HEP Opskrba has ZelEn certificates of origin, and for the rest of the consumption generated from consumption in leased premises from private and business entities, for which according to information from the Croatian Market Energy Operator (HROTE) it is not possible to buy certificates on the Croatian market, HT has obtained certificates of guarantee of origin on the international market. By purchasing carbon neutral electricity in 2021, the HT Group did not emit more than 40,000 tons of CO₂.

⁵⁷ 302-1

⁵⁸ 305-5

Table 10 - Direct greenhouse gas emissions (scope 1)⁵⁹; indirect GHG emissions by weight (scope 2) for individual HT Group members^{60,61}

Total direct and indirect greenhouse gases emissions by weight (in tons CO ₂)	HT	Iskon	Combis	2021 entire HT Group
Total emission of greenhouse gases (sum of direct and indirect emissions)	6,735	124	2	6,861
<ul style="list-style-type: none"> • of which total direct CO₂ emission (from non-renewable sources) 	6,251	124	2	6,377
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ○ of which natural gas 	1,238	0.00	0.00	1,238
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ○ of which fuel for fleet (gas, diesel, LPG) 	3,826	124	2	3,952
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ○ of which fuel oil 	1,187	0.00	0.00	1,187
<ul style="list-style-type: none"> ○ of which total indirect emission of CO₂ 	484	0.00	0.00	484

Table 11 - Direct greenhouse gas emissions (scope 1)⁶²; indirect GHG emissions by weight (scope 2) for entire HT Group over the years^{63,64}

Total direct and indirect greenhouse gases emissions by weight (in tons CO ₂)	2018 HT Group	2019 HT Group	2020 HT Group	2021 HT Group
Total emission of greenhouse gases (sum of direct and indirect emissions)	15,250	15,591	15,027	6,861
<ul style="list-style-type: none"> • of which total direct emission of CO₂ (from non-renewable sources) 	7,446	7,503	6,256	6,377
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ○ of which natural gas 	1,456	1,521	1,240	1,238
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ○ of which fuel for fleet (gas, diesel, LPG) 	4,708	4,857	3,981	3,952
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ○ of which fuel oil 	1,282	1,125	1,035	1,187
<ul style="list-style-type: none"> • Total indirect emission of CO₂ 	7,804	8,088	8,771	484

According to DT Group's analysis, more than 98 percent of our CO₂ footprint can be attributed to the production by our suppliers and the use of our products by customers, so as a member of DT Group, HT is working to reduce scope 3 greenhouse gas emissions. At DT Group, we have set an ambitious goal of reducing the scope 3 greenhouse gas emissions by 25 percent per user by 2030 compared to 2017. To succeed in this, as part of the DT Group, we work together with suppliers that produce smartphones, network, and other electronic equipment on our behalf to

⁵⁹ 305-2

⁶⁰ 305-1

⁶¹ IKOS, DT's GHG protocol-based calculation tool, was used to calculate GHG emissions in 2021.

⁶² 305-2

⁶³ 305-1

⁶⁴ IKOS, DT's GHG protocol-based calculation tool, was used to calculate GHG emissions in 2021.

create the conditions for energy efficiency and reduced CO₂ emissions in production. In addition, we strive to ensure that devices become more efficient so that users consume less energy while using them. We also work with suppliers to make new products as sustainable as possible and to use sustainable materials that are recycled and/or easily recyclable, and to have sustainable packaging⁶⁵.

In the Integrated Environmental, Health, and Safety at Work Management System, Dealing with ozone-depleting substances procedure specifies the monitoring and management of activities related to the maintenance of various equipment containing substances with a potential impact on the atmosphere. Hrvatski Telekom regularly monitors emissions from boiler rooms into the air and reports on them in accordance with Croatian regulations. The air emission weights are determined directly from the measurements or indirectly from the calculation based on the fuel consumption. In case of NO₂ every other year the trend changes from rising to falling and vice versa due to different modes of calculation of emissions (the obligation to measure is every two years). Namely, emissions based on metering results are lower than emissions calculated from emission factors.

Due to lower energy consumption through years, the trend of NO₂ and SO₂ is generally declining. However, in 2021, fuel consumption for boiler rooms increased compared to consumption in 2020, so NO₂ and SO₂ emissions increased. The reasons for this are the return to work, but also the significantly colder winter and the extended heating period with low temperatures in May 2021.

Table 12 - NO_x, SO_x, and other significant air emission by type and weight⁶⁶

NO _x , SO _x , and other significant emissions into air, by type and weight in tons (for boilers over 100 kW) ⁱ	2018	2019	2020	2021
Total emission NO ₂	1.30	2.75	1.00	2.87
Total emission SO ₂	3.35	3.04	2.97	3.61

Taxonomy eligible activities under Regulation 2020/852

The Taxonomy Regulation is the result of a significant European regulatory initiative aimed at redirecting capital flows towards more sustainable, carbon-neutral economic activities. As a classification tool to help implement the European Green Plan, the taxonomy lists those economic activities and investments that are environmentally sustainable and thus contribute to understanding the sustainability of the economy. For 2021, the regulation prescribes the obligation of corporate reporting on taxonomy eligible economic activities of companies covered by the Non-Financial Reporting Directive for the first two taxonomic objectives: climate change mitigation and climate change adaptation, in accordance with the Taxonomy Regulation 2020/852 and the Commission Delegated Regulation (EU) 2021/2139.

Following the reporting obligation, the HT Group provides an overview of key indicators (KPIs) below through the share of taxonomy eligible economic activities in its group revenues, capital expenditures (Capex) and operating expenditures (Opex). Taxonomy eligible economic activities are those described in the delegated acts supplementing the Taxonomy Regulation, regardless of whether they meet the technical verification criteria set out in the delegated acts. A taxonomy eligible economic activity is any economic activity that is not described in the delegated acts

⁶⁵ 102-9

⁶⁶ Data apply only to HT d.d.

supplementing the Taxonomy Regulation. Determining the taxonomic harmonization of economic activities that will be in force from 2023 will mean that economic activity significantly contributes to one or more goals of environmental taxonomy, does not significantly harm any of the other goals, is carried out in accordance with minimum safeguards established by international conventions and principles on human and labor rights and is in line with the technical verification criteria set out in the delegated acts supplementing the taxonomy.

Assessment of taxonomy eligible activities in the HT Group⁶⁷

For the 2021 reporting period, KPIs must be published in relation to taxonomy eligible and not eligible economic activities (Article 10, paragraph 2 of Delegated Regulation). The definition of KPIs shall be determined in accordance with Annex I, Article 8 of the Delegated Regulation.

A full overview of the economic activities currently part of the EU taxonomy is available on the EU Taxonomy Compass. Our assessment of taxonomic eligibility focuses on economic activities defined as the provision of goods or services on a market, thereby generating revenue. As a company operating in the information and telecommunications sector, we have identified two key two economic activities currently listed in the taxonomy, which relate to our economic activities:

- 8.1 Data processing, hosting and related activities
- 8.2 Data-driven solutions for GHG emissions reductions

We also identified additional activities that are not part of the core activities of the information and telecommunications sector, but which generate revenue:

- 4.1 Electricity generation using solar photovoltaic technology
- 6.5 Transport by motorbikes, passenger cars and light commercial vehicles
- 6.13 Infrastructure for personal mobility, cycle logistics

The table below shows the taxonomic eligibility of our economic activities for this reporting year in absolute terms and as a percentage of the Group's total turnover, capital expenditures and operating expenses.

Table 13 - Assessment of taxonomy eligible activities in the HT Group

KPIs	Revenues		Capital expenditures (Capex)		Operating expenses (Opex)	
	HRK€m	%	HRK€m	%	HRK€m	%
Taxonomy eligible economic activities	85	1.2	11	0.7	43	2.1
Taxonomy non-eligible economic activities	6,749	98.8	1,629	99.3	1,981	97.9

The definition of revenue from the EU taxonomy is equivalent to the net income of our Group. Relevant capital expenditures have been determined based on the consolidated financial statements and are calculated by summing the following key items: additions and changes in the composition of Group by property, plant and equipment, intangible assets (excluding goodwill)

⁶⁷ When calculating taxonomy eligible activities, we were guided by DT's calculation methodology, to which we added specific activities of the HT Group.

and property with right of use. The definition used in the EU taxonomy to calculate relevant operating expenditure includes R&D expenditure, building rehabilitation measures, short-term lease, maintenance and repair, and all other direct expenditures related to the day-to-day maintenance of property, plant, and equipment. which are presented in the consolidated profit and loss statements within other operating expenditures. To calculate the share of taxonomy eligible Opex, we used direct Opex, not total Opex, i.e., costs directly related to the project, production costs and all those that affect Net Margin, while other costs cannot be directly linked to the project. The disclosures on capital expenditures and operating expenditures shown are directly related to the economic activities shown above.

The summary of the taxonomic eligibility of these economic activities gives very low shares in the reporting year for revenues (1.2%), capital expenditures (0.7%), and operating expenditures (2.1%). The reason for this is that the EU taxonomy currently does not include criteria for the economic activity of providing and operating network infrastructure for telecommunications. This means that a key part of our business model is not yet covered by the taxonomy and, as a result, our core business cannot currently be classified as taxonomy eligible. The telecommunications industry is key to achieving the European Green Plan. IT solutions and products that work on our networks help businesses and customers reduce their CO₂ emissions. This includes, for example, web and video conferencing, and smart solutions such as smart cities and smart buildings. Services like these help achieve energy efficiency and reduce CO₂. We therefore believe that, for the European Union to meet its climate and energy goals, it is important to reflect the importance of telecommunications networks in the further development and improvement of taxonomy.

WE CONNECT TOGETHER

Highlights:

- We continue to make progress in the development of competencies for the future, designing new development programs and continuously increasing the number of completed online trainings for our employees.
- We encourage our employees to a healthy lifestyle and a responsible attitude towards the environment and we are the first ICT company in Croatia to receive the Cycle Friendly Employer Certification
- As an employer who develops an understanding and a more positive attitude towards the employment of people with disabilities, we received the Employer of the Year award for people with disabilities for 2020, and the award was presented in July 2021.

We want a better future, today. The opportunities provided by digitalization support our goal of connecting everyone in Croatia, regardless of who they are and where they live. Our ambition is to drive change that makes life better and provide access to next-generation digital services. To achieve this, we need a lot more than the best technology, we need the best employees. With people at the heart of our strategy, we are committed to creating an engaged and motivating work environment that provides employees with opportunities for professional growth and development, provides equal opportunities, cares for their well-being, and respects the need for life balance.

Our talent management strategy is based on the following:

- **Continuous development**

We develop all our employees in targeted areas of development, and we want everyone to realize their potential and discover their talents.

- **Career path**

For the best ones, those already recognized as talents, we provide a clear and structured system of hierarchical advancement through the Career Path process. We have already introduced a career path for all our employees who are in direct contact with customers. Hundreds of colleagues who started their careers as call center agents have progressed to team leader, and some of them have reached the level of director in just a few years. From next year, we will introduce a career path at the level of the entire company through which we will enable all employees, regardless of segments they work in and positions in which they started their careers, to advance systematically and transparently over time, following their performance as a key criterion.

- **Talent development programs and succession system**

We include talents in development programs designed to empower them in new job roles if they have already advanced, or to prepare them for future jobs if they are recognized as possible successors to a more complex job role.

- **Competitive compensations**

We are constantly adapting the categorization and financial conditions of jobs to the needs of the organization and the labor market, so we have introduced a new Principal job for the best experts.

Committed to the development of our team of over 5,000 members, we work to create more agile structures, build an inclusive and supportive culture for all, encourage new ways of working and develop the skills of the future. We strive to attract the best talent through a strategic approach to employment, competitive wages and benefits, and the creation of an open, diverse and secure work environment.

In 2021, the world and Croatian economies continued to learn to cope with the pandemic, which, as in the previous year, greatly affected the functioning of society and the economy. In 2021, Hrvatski Telekom was awarded many prizes for human resource management, of which we are especially proud of the Employer of the Year award for persons with disabilities in the Example of Good Practice category.

Table 14 - Number of employees⁶⁸

Number of employees	2020	2021
Hrvatski Telekom - permanent employees	4,235	4,020
Hrvatski Telekom - agency employees	765	750
Iskon	187	180
Combis	379	380
TOTAL EMPLOYEES	5,566	5,330

⁶⁸ 102-7; 102-8

Table 15 - Rates of new hires and employee turnover^{69,70}

	Under 30 years of age		30 to 50 years of age		Over 50 years of age	
	M	F	M	F	M	F
Sex						
New hires	96	68	86	43	6	3
Left	75	44	144	103	93	40

Labor relations



At Hrvatski Telekom, we believe that only satisfied and motivated employees can cope with the business challenges imposed by the constant and rapid development of ICT technologies. Therefore, we regularly, twice a year, conduct a survey of the satisfaction of our employees, respect their opinion and respond to their needs. The research results are used as an incentive for further improvements and changes within the company. In the challenging year 2021, thanks to numerous initiatives that deal with key issues for employees, Hrvatski Telekom recorded exceptionally high results of employee satisfaction⁷¹

and growth, engagement, and attractiveness of HT as an employer.

The Collective Agreement from 2020, which is in force until the end of 2022, provides our employees with rights that go beyond the legal ones: from occasional payments to special benefits that HT negotiates for its employees with other companies. In order to provide better retirement living conditions for its employees and future retirees, the company also established the HT Closed Voluntary Pension Fund. Using the advantages of the Fund, employees can save extra for their future retirement.

We are a proud holder of the Employer Partner certificate, awarded for excellence in human resource management and continuous improvement of work processes and monitoring of global trends. In 2021, we also received a certificate of excellent coping in the new situation through the Certificate of Excellence in Challenges awarded by an independent certifier, Selectio.

Human resource management practices in unpredictable circumstances were evaluated in the following areas:

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

⁶⁹ 401-1

⁷⁰ Values relate to permanent employees of HT d.d.

⁷¹ 103-3

Culture and values

The company's culture is at the heart of its business approach and as such affects not only the way it works, but also its success. The success of the company therefore depends primarily on the people who work, and their actions shape the culture of the work environment. At Hrvatski Telekom, we promote a culture of trust that makes people happy and the company successful. It is characterized by mutual trust and respect, entrepreneurial thinking, and teamwork. We give our employees space for personal and professional growth and to make a positive contribution to the company and society through their work. Our corporate culture, based on our corporate values, is formulated in six guiding principles that are the foundation of our cooperation as well as cooperation with our customers, partners, shareholders and the public.

Our Code of Conduct and accompanying activities based on the Guiding Principles define the rules for our daily work and revive our principles with the following initiatives:

- We incorporate the guiding principles into the performance management system based on which each employee is individually assessed.
- We organize mandatory trainings in ethical conduct.
- We award the six best teams annually for a team project that has made a significant contribution to each guiding principle.
- We design the content of soft skills development trainings according to the guiding principles to continuously support and encourage employees and managers in applying the company's values.
- We carry out a series of individual campaigns such as the Volunteer Club, Generations Together, voluntary blood drive and the celebration of the Day of Good Deeds.

Equal opportunities

At Hrvatski Telekom, we care about creating a work environment that promotes equal treatment and opportunities for men and women. To achieve this, we work closely with teams across the company to identify room for improvement and make real change. We are working harder to apply the principle of equal pay for equal work regardless of the gender of employees, we are committed to clear and transparent communication and therefore we conduct regular analyzes of salaries and benefits within the company. We are recognized as one of the leading Croatian and European telecommunications companies with a high share of women of as much as 41 percent in its management team in 2021.

Table 16 - Composition of governing bodies and structure of employees by categories according to sex, age, and other indicators of diversity^{72, 73}

		TOTAL MEMBERS	SEX		AGE		
			M	F	UNDER 30	30 - 50	OVER 50
2021	Management Board	5	4	1	0	4	1
	All employees	4,015	2,465	1,550	802	2,313	900
2020	Management Board	5	4	1	0	4	1
	All employees	4,230	2,601	1,634	749	2,566	915
2019	Management Board	6	5	1	0	5	1
	All employees	4,280	2,600	1,680	816	2,713	751

Table 17 - Ratio of basic wages and salaries of men and women by employee category^{74, 75}

EMPLOYEE CATEGORY	RATIO OF GROSS SALARY PAID TO WOMEN/MEN	EXPLANATION
Non-managers	0.95	Women have a 5% lower salary than men on average. (= YoY)
Managers	1.01	Women have a 1% higher salary than men on average. (In 2020, women had a 2% lower salary).

We offer our employees a framework and benefits to achieve a better balance between personal and business life that is embedded in the core values of corporate culture. In addition to general options such as teleworking and flexible working arrangements, individualized measures are available to employees, including the following:

- All employees, parents of first graders get a day off on the first day of school to allow their children the most carefree transition to a new period of life.
- We provide parents of schoolchildren with discounts at various points of sale for school equipment and children's equipment
- We organize numerous activities and events for children and parents
- We provide paid leave for important life situations guaranteed by a collective agreement.

⁷² 405-1

⁷³ Values relate to permanent employees of HT d.d.

⁷⁴ 405-2

⁷⁵ Values relate to permanent employees of HT d.d.

Table 18 - Parental leave by gender^{76, 77}

PARENTAL LEAVE	M	F
Entitled to parental leave	115	110
Used parental leave	10	95
Returned to work in 2021 after completing parental leave	10	90
Employed 12 months after returning from parental leave	10	90
Rate of return after maternity leave (first six months after the birth of child)	100%	95%

Hrvatski Telekom took an active part in the *Nije u redu u uredu* campaign within the project Worker - Gender Equality in the World of Work, which is implemented in partnership with the Gender Equality Ombudsperson, Señor creative agency and IWRA - Icelandic Women's Rights Association, and is financially supported by funds Fund for Active Citizenship in Croatia. The aim of the project and campaign is to improve the position of women in the world of work and to raise awareness of stereotypes that cause discrimination and other difficulties women and parents face. Four prominent HT employees, who embody business and human leadership values, were also nominated for the International Digital Female Leader Award 2021.

Hrvatski Telekom actively operates the *Zaklada PrijaTelj* to help employees and their children in case they find themselves in difficult situations due to various life circumstances. We also encourage and reward socially responsible behavior such as voluntary blood donations.

In 2021, we also started working on diversity policy, the publication of which is planned for 2022. As a group operating in the international market, in different business areas and uniting different organizational cultures under one roof, we are aware of the importance of diversity, inclusive attitude and approach based on equal opportunities as the foundation of our company's success. Therefore, through diversity policy, we want to create a framework that will promote this.

We recognize the value that people with disabilities bring to our organization and work hard to ensure that facilities, systems, and ways of working are accessible so that our colleagues with disabilities can fully participate in all work processes and work environments. We are therefore particularly pleased with the Employer of the Year award for people with disabilities in 2020 in the category of Good Practice. The award was presented in July 2021. The Employer of the Year for people with disabilities project aims to highlight employers who use their example to develop understanding and a more positive attitude towards the employment of people with disabilities and show a positive way of employing and doing business, while nurturing diversity, solidarity, and human rights.

Volunteers Club

The HT Group Volunteer Club has been officially operating since the end of 2019, and currently has 260 members. Its activities continued despite the pandemic in 2021. In addition to the voluntary blood drives, regularly organized in cooperation with the Red Cross at the

⁷⁶ 401-3

⁷⁷ Values relate to permanent employees of HT d.d.

headquarters in Zagreb, such a campaign was launched in Rijeka with an excellent response from colleagues there. In addition, a reforestation campaign for Maksimir and the refurbishment of two apartments for the protégés of the Krijesnica association were held. We can also point out that Hrvatski Telekom's volunteers participated in the Generation Together project, through which they provided technical support and active socializing with the residents of many nursing homes throughout Croatia.

International Women's Day at Combis

On International Women's Day in 2021, Combis conducted a survey *Žene pitamo vas* in which all Combis women had the opportunity to express their views on how they feel at Combis and what would cheer them up for Women's Day. This was followed by an official decision on a day off on March 8 or another day of choice that week, a small gift for all colleagues and a webinar for women on the balance of business and private life called *Neka bude jednostavno*.

Volunteering at Iskon

In 2021, Iskon's volunteer section was established. In the first four months, it participated in three campaigns: cleaning the Črnomerec stream, family plogging on Bundek and preparing the Prijatelji Čakovec asylum for winter working conditions. The section currently gathers 45 volunteers and continues to promote volunteer work among employees. Iskon's Management Board supported the initiative by approving the day for volunteering as paid leave. Through a technical partnership, Iskon also continued to support numerous humanitarian associations and initiatives such as Hrabri telefon, Nismo same, Udruga Sreća.

Crnogorski Telekom's Volunteer Club campaigns

At the very beginning of 2021, Crnogorski Telekom supported the humanitarian action initiated by employees and organized the collection of toys and other necessities for the children of Petrinja, Glina, Sisak, and surrounding places whose homes were destroyed in the earthquakes that occurred in late 2020. Several partner companies from Montenegro joined the initiative of the Telekom Volunteer Club, and Telekom, in cooperation with the Red Cross of Montenegro, launched a line to collect financial aid, which was given to the Croatian Red Cross.

The Telekom Volunteer Club was the most numerous in two major environmental campaigns. After a large fire that destroyed part of the green area during the summer months, the volunteers joined the cleaning of the Podgorica hill Gorica, the largest park-forest in the capital of Montenegro. Telekom was also the first company to donate seedlings for the recovery of the Gorica park-forest. Volunteers also took part in the campaign of cleaning Montenegrin coasts during the International Clean Coasts Day, and this is the largest volunteer endeavor held once a year around the world. The company was also the biggest sponsor of this campaign.

The Club, together with the Montenegrin Blood Transfusion Institute, organized a voluntary blood drive for employees of Crnogorski Telekom, and volunteers have traditionally been participants in the humanitarian Christmas diplomatic bazaar. This year again, Telekom also supported the humanitarian initiative, thanks to which hundreds of children from all over Montenegro received New Year's gifts.

Ensuring the well-being of our employees

3 ZDRAVLJE I BLAGOSTANJE



At a time of pandemic, caring for the health and well-being of employees is certainly a key priority for the company. With the introduction of the SmartWork hybrid model of office and home work back in June 2020, we responded to employee needs and enabled flexible workplace management depending on the circumstances of the pandemic. The future of the SmartWork model is largely tailored to the wishes and needs of employees whose feedback and opinion on how they want to work in the future was collected through a

survey.

In 2021, we continued to practice working from home in a hybrid format, which means that any employee whose nature of work allows for equally efficient remote work can work from the office or from home according to their personal preferences. Employee support systems are continuously available to employees, in the form of digital platforms, performance monitoring systems and targeted training to help them face the challenges of working from home. Topics that have proven to be key are increasing work efficiency and productivity, facing challenges related to working from home, motivation, and time management. We continue to talk about them through education and webinars on welfare, and online training with experienced trainers. At the same time, while working from the office and at other locations of the employer, employees are provided with the highest standards of safety and health. With constant adjustment of instructions and guidelines for work in the changing conditions brought by the development of the pandemic situation, Hrvatski Telekom was among the first employers to conduct organized vaccination against Covid-19 and continues to actively promote vaccination and encourage employees to responsibly protect themselves, their loved ones and colleagues, and customers they come into direct contact with while doing their job⁷⁸.

We organize and implement measures to encourage the improvement of safety and health of workers at work, prevention of injuries at work, occupational diseases, and protection of the working environment. The quality of our occupational health and safety management system was confirmed by ISO 45001 certification in 2021. During 2021, we worked on the development of new online mandatory legal training in occupational safety and fire protection adapted to modern IT learning tools. All our employees are insured against accidents, while during business trips abroad they are insured with foreign travel health insurance⁷⁹. Annual medical examinations and preventive vaccinations are part of the care for the health of employees, and we also provide benefits for their family members⁸⁰.

Encouraging sport activities

Hrvatski Telekom has been promoting employee health by co-financing sports activities through the Multisport program allowing them to use more than 400 sports facilities throughout Croatia and through team online training led by professional coaches. We also promote a healthy lifestyle among our employees on the Zdravko intranet page enriched with various contents about healthy living habits.

⁷⁸ 103-1

⁷⁹ 403-3

⁸⁰ 403-6

Cycle Friendly Employer

Hrvatski Telekom is the first ICT company in Croatia to be awarded the European Cycle Friendly Employer Certificate for the Radnička cesta 21 location in Zagreb. Hrvatski Telekom has thus joined the international group of responsible companies that are implementing this initiative aiming to reduce greenhouse gas emissions and encouraging a healthier life for employees.

Certification in Croatia is carried out by the Cyclists' Union, which is part of the European consortium Cycle-friendly Employer Certification. Knowing that many of our employees travel by bicycle to work, we made an effort to provide them with the best conditions for their health and lifestyle. Our goal was to encourage other employees to join them in this. For those who use a bicycle, we offer excellent conditions: a covered parking lot for bicycles with more than 100 spaces, showers, changing cabins and a place for repairing bicycles. Electric bicycles are also available for employees to attend meetings.

Žnirance zaveži i jezik razveži at Combis

In 2021, Combis launched several new socially responsible initiatives under the umbrella slogan #GetInvolved. This is how a program was designed called *Žnirance zaveži* (Tie up the shoe strings), which consisted of various types of exercise to improve the health and mobility of the body. The exercises were designed and adapted to all employees, and at each training, following the instructions of a professional trainer, the exercises were performed by one of the colleagues from Combis.

Through the project *Jezik razveži* (Untie the tongue), thematic webinars and motivating video clips led by VP of the Croatian Society of Psychologists, Nelija Rudolfi, psychology MA, who exclusively for Combis opened topics for conversation such as stress and trauma, motivation, work from home, the development of skills that allow you to get the most out of your life.

Hybrid work model at Iskon

With the decision to permanently continue the hybrid model of work, Iskon continues to nurture a strong culture of employee autonomy. At the level of the entire Deutsche Telekom Group, it shows above-average results of satisfaction with the balance of personal and business life and independence in determining the time for doing business tasks. As many as 84 percent of employees believe that Iskon provides them with absolutely all the conditions for a successful balance between the personal and business life front. This has especially been recognized among employees and parents, who can make the most of the flexibility provided when organizing work and school from home and caring for sick family members. In addition to this, Iskon parents have the opportunity to receive paid leave for the first day of school and kindergarten, and in case of absence for childcare, they do not have to submit sick leave remittance to the employer.

Occupational safety

The Occupational Safety and Health Commissioner is elected and acts in accordance with the provisions of the Occupational Safety and Health Act on the obligation to elect a commissioner where working conditions and increased danger to the safety and health of workers require it⁸¹. The task of the commissioner is to act in the interest of workers in the field of occupational safety and to monitor the application of regulations and ordered protection measures in the work environment. The commissioners are provided with conditions for unhindered performance of duties, as well as access to all necessary information, regulations, and documentation related to

⁸¹ 403-1

occupational safety. The Commissioner for Occupational Safety in accordance with the relevant legal provisions may not be disadvantaged or held liable for damage if they have acted in accordance with powers established by law, applicable regulations, or general acts.

The Commissioners elect among themselves the coordinators of the commissioners and the chief coordinator of the Commissioner for Occupational Safety and Health⁸². The Commissioner for Occupational Safety and Health is regularly informed about all measures taken regarding safety and health protection and was consulted during the adoption of acts regulating occupational safety issues⁸³. In addition, they participate in the preparation of risk assessments and submits proposals related to decision-making in the field of occupational safety and health. If they notice omissions in the application of occupational safety standards, they are obliged to submit complaints to the bodies responsible for occupational safety and demand from the employer to take appropriate measures in order to reduce and eliminate the source of danger. Listening to the observations of workers regarding the application of occupational safety rules, they propose and participate in planning the improvement of working conditions, introduction of new technologies and processes, and encourage workers to implement and inform about progress in the field of occupational safety⁸⁴.

Commissioners choose among themselves four commissioners who will perform these duties full time. Full-time commissioners have the right and obligation to participate in joint meetings of the department, and in training and education for the position for which they have concluded an employment contract⁸⁵.

Table 19 - Number of injuries at work^{86, 87}

	NUMBER OF INJURIES		NUMBER OF INJURIES %		LOST MAN HOURS		LOST MAN DAYS	
	2020	2021	2020	2021	2020	2021	2020	2021
Injuries at work	25	18	1	0.44	2,584	5,736	323	717
In work process	14	13	0.56	0.31	784	4,976	98	622
Outside work process	11	5	0.44	0.12	1,800	760	225	95

Reporting irregularities

Numerous, strictly confidential mechanisms are available to each employee to report all possible irregularities related to mobbing and discrimination:

- Person authorized to protect the dignity of workers (according to the Labor Act)
- Confidential person (according to the Whistleblowing Act)
- Portal Tell Me

⁸² 403-4

⁸³ 403-7

⁸⁴ 403-2

⁸⁵ 403-5

⁸⁶ 403-9

⁸⁷ Values relate to permanent employees of HT d.d.

- In person, by mail or to the Compliance's e-mail address or the email address of the Compliance Commissioner
- Through the SAD! System (System of Anonymous Alerts) one can report any type of irregularities and violations of legal regulations. The system fully protects anonymity and functions as a virtual mailbox.
- BKMS (Business Keeper Management System): Reports submitted via BKMS are processed by Deutsche Telekom Group employees in Bonn, while reports submitted via the SAD! systems are processed by Hrvatski Telekom employees
- Ethical line.

In 2021, three reported cases were recorded for which a rigorous internal investigation was conducted and it was concluded that the reports were unfounded.

Creating an engaged and motivating work environment

The company of knowledge - that is us

We constantly raise the level of knowledge in the organization. By investing in education, the company enables employees to develop their potential and personal competitiveness, while ensuring the achievement of its strategic goals. Our employees have access to digital learning through a platform that offers more than 20,000 online courses 24/7. We are proud that every year we continuously increase the number of completed online trainings by 10 to 20 percent annually, which proves that our employees are happy to accept modern learning tools and pursue continuous improvement on their own. We support employees in this by creating specialized catalogs of digital education and selecting content according to the specific needs of target groups of employees. As a high-tech company that follows new trends, but also drives them, learning about future skills such as artificial intelligence or data processing is imperative for us. A set of trainings has been developed for technical staff within the Back2Core program, aimed at increasing their competencies in crisis management, communication, and presentation skills and expertise through Expert Talks - lectures by domestic and foreign experts from ICT, IT, and NT.

In addition to the numerous certificates and trainings that our employees receive, depending on their interest and the type of work they do, internal education and knowledge transfer are very important to us. The role of our HT trainers is also crucial here - top experts who have designed and run trainings on topics important to us. The Leading by Hacking Human Obsession leadership program is an academy for senior managers encompasses 45 managers, while the leadership academy for middle and junior managers encompasses 150 employees. A special program for onboarding managers for managers employed by HT from the market is also being prepared. Our six colleagues from the customer service participated in the retraining program for Junior Java developers, after which, without any programming knowledge, they made a big career turn and became software developers at the HT Group. It is a pilot project implemented by Deutsche Telekom. Apart from Croatia, which had the largest number of representatives, colleagues from Germany, Poland, Hungary and N.Macedonia also joined the project. Behind them is a rigorous selection process and four months of intensive training during which they were dedicated exclusively to learning from the greatest experts from the DT Group and DT AG Java Academy. It is no mean feat that they received a regular salary throughout their education as an incentive for carefree learning. Today, they are certified IT junior developers who have exchanged their usual jobs with expert programs and projects related to advanced technologies in the HT Group. For all employees who want to get involved, the Skills of the Future program continued in 2021 in three thematic areas: data analytics, software development, and digital marketing.

Attracting and managing talent

Hrvatski Telekom wants to attract the best employees, i.e., the most talented people. We continuously have activities that attract talent from the labor market, but also internal activities that provide a systematic platform for the growth and development of HT talent.

For new employees, a modern, fully digitalized onboarding process has been introduced - a structured introduction to the company and introduction to the most important processes, acts and development opportunities. The onboarding process is supported by a mobile app that provides the user with relevant information at all times and enables navigation in the new company: from the moment of accepting our offer until the end of the first year of work⁸⁸. We are constantly improving our performance management systems according to the type of workplace: for workers who are in direct communication with external users (frontline systems) and for all others who are support (non-frontline systems). All employees, without exception, receive regular evaluation of their work. Together with the frontline career path introduced earlier, during 2021 we started implementing a structured career path and clearly defined conditions for promotion to higher positions for the non-frontline part of the organization.

We continued to work on identifying key talents from all areas of the company and approach the development of their careers individually in order to maximize competencies, engagement and motivation. The Board Challenger Leadership Talent Program, introduced in 2020, involves active work with Management Board members on real business topics. The program goes beyond the classic forms of education and has proven to be the most effective method of training because learning happens in the process of work. The Board Challenger was completed in late 2021 and participants rated it high 4.8/5.0. We reward our best experts through a T-master program that includes two aspects: a financial award, i.e., an additional bonus for outstanding achievements in their field of work and development programs that each T-master selects according to their individual preferences.

Knowledge society

In 2021, we continued to collaborate with the student population from several faculties. We have provided students with internships led by experienced HT experts as mentors.

In addition to the fact that we traditionally cooperate with faculties by holding guest lectures and joint projects, in 2021 we organized summer and autumn student internships. For internships, students were offered more than 50 different positions and mentoring by experienced professionals. In 2021, the ICT Academy was launched - you are shaping your future. It is a five-day online program of interactive workshops and lectures given by Hrvatski Telekom experts. The academy is for all students who are driven by curiosity, want to learn and grow and thus make that extra mile on the way to their first job. In addition to theoretical knowledge, students adopted practical experience such as writing a resume, creating a social network strategy, introducing an agile way of working in everyday life, but also learned how full stack web or mobile apps are created by those for whom it is a daily job and how Big Data science looks like in a telecom corporation like Hrvatski Telekom. Through 15 hours of interactive workshops and lectures, students learned directly from our experts working on some of the largest projects in the ICT industry in this part of Europe. More than 1,300 students recognized these great opportunities and signed up for the program.

⁸⁸ 103-2

Table 20 - Training of employees^{89, 90}

	TOTAL HOURS		Percentage of change	Number of employees		Percentage of change	Average hours per employee ⁹¹		Percentage of change
	2020	2021		2020	2021		2020	2021	
Total by type of workplace	130,000	131,000	+1%	4,235	4,020	-5%	31	32.6	+5%
Executive	126,000	127,000	+1%	4,095	3,880	-5%	31	32.7	+5%
Managing	4,000	4,000	0	140	140	0	29	29	0
Total by sex	130,000	131,000	+1%	4,235	4,020	-5%	31	32.6	+5%
Men	69,000	70,000	+1%	2,605	2,469	-5%	26	28	+8%
Women	61,000	61,000	0	1,630	1,551	-5%	37	39	+5%

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
2021	94,800	36,200	23.6	9	4,020
2020	95,000	35,000	22	8	4,235
2019	109,431	60,125	26	14.0	4,280
2018	110,702	63,866	26.2	15.2	4,215

Table 21 - Forms of rewarding HT employees

MONETARY REWARDS
Christmas bonus
Gift for a child
Vacation bonus
One-time assistance at the birth of a child
Financial assistance (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 banking conditions

⁸⁹ Values relate to permanent employees of HT d.d.

⁹⁰ Values relate to permanent employees of HT d.d.

⁹¹ 404-1

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

CORPORATE GOVERNANCE

Highlights:

- In December 2021, the Zagreb Stock Exchange awarded for outstanding companies for the year 2021. The HT share was declared the Share of the Year by the public vote.
- HT is one of the top three companies in Croatia in terms of compliance with the HANFA Corporate Governance Code
- Free online ethics and business compliance training for our partners and suppliers is available on the corporate website



Our role is to create the preconditions important for the progress of society As a leading catalyst for digitalization, we are constantly setting new, increasingly ambitious industry standards, thus fostering the development of the knowledge society, guided by the highest social, environmental, and ethical standards. The basis for this is our strategy, our business model, and especially our corporate culture and responsible corporate governance. The reputation that HT enjoys in the society justifies the choices of our customers and business partners and contributes to our overall business success.

Good governance begins with an independent and engaged Management Board that has a strong sense of integrity and respect for diversity of views. We expect all our members of the Management Board, executives, and employees to preserve the company's values and respect its internal rules and applicable laws. This strengthens the basic elements such as trust, credibility, reliability, and good reputation.

The way we achieve business success is extremely important to us, so the HT Group applies a Code of Conduct aimed to provide all workers, executives, related parties and suppliers and partners with a simple and transparent framework for business behavior, share their business ethic and social and environmental commitments and provide them with clear instructions on handling all situations that can be expected in the business life. In order to improve business ethics, we organized online trainings for employees on the principles of ethical leadership in everyday business, anti-corruption, basics of business compliance, digital ethics, procedures in case of conflict of interest, and the Code of Conduct.

Furthermore, as a set of rules and established procedures, corporate governance aims to establish a high level of responsibility of relevant persons within the company and strengthen internal and external control mechanisms and increase business transparency for shareholders and investors. We believe that HT's level of corporate governance exceeds regulatory requirements and standards. We require the commitment of all stakeholders (Management Board, Supervisory Board, managers, employees, shareholders) in creating the preconditions for acting according to the highest ethical standards and standards of good corporate governance. Policies and procedures that we consider appropriate have been established and published on the company's website, and we regularly take appropriate measures and check the compliance of relevant organizational units to ensure an effective management process.

Also, the company has adopted a Policy of publishing information which regulates the process of handling and publishing information.

Internal documents on business compliance:

- a. Code of Conduct
- b. Policy to prevent corruption and other conflicts of interest
- c. Guidelines on the prevention of conflicts of interest
- d. Policy of acceptance and giving of benefits
- e. HT's event policy
- f. Corruption risk prevention policy in working with external consultants
- g. Policies, controls, and procedures to reduce and effectively manage the risk of money laundering and terrorist financing
- h. HT's competition policy
- i. Anti-corruption clause
- j. Guidelines for digital ethics
- k. Some of the other binding policies and documents are the HT Group Corporate Responsibility Policy, the Employee Relations Policy, the Social Charter, etc.

External references:

- a. EU regulations
- b. Capital Market Act
- c. Company Act
- d. Zagreb Stock Exchange Rules
- e. HANFA regulations
- f. Corporate Governance Code

At the beginning of 2021, we set business objectives that include profitable growth, strengthening the leading position of our fixed and mobile network, further improving customer experience, increasing employee engagement and HT's attractiveness as employer, while leading the digitalization of the Croatian economy and society. Despite the challenging macroeconomic environment, we are proud to have successfully achieved all our goals.

We evaluate the success of the approach to corporate governance by assessing the achievement of goals and raising the scales in setting goals for the next period. The success of the approach is also assessed by the regulator based on completed questionnaires on compliance with the Corporate Governance Code. According to the assessment of the management practices it applies, HANFA ranked Hrvatski Telekom among the top three companies in Croatia. All doubts and possible complaints on the topic of corporate governance can be sent to: IR@t.ht.hr

For consultations regarding issues in the field of business compliance, please contact: compliance@t.ht.hr (*Pitaj me!* portal). The Business Compliance Unit also manages various tools for reporting irregularities, which can be reported through the following channels:

- Ethical line: by mail, phone, fax, or e-mail: Eticka.linija@t.ht.hr or compliance@t.ht.hr
- SAD! (Anonymous notification system): HT's IT system through which it is possible to deliver a completely anonymous notification, and enables subsequent communication via a dedicated "mailbox", regardless of the anonymity of the whistleblower
- BKMS (Business Keeper Monitoring System): DT's IT system through which it is possible to deliver a completely anonymous notification and enables subsequent communication via a dedicated "mailbox", regardless of the anonymity of the whistleblower.

In addition to the listed tools, irregularities can also be reported to an appointed confidential person, in accordance with the Whistleblowing Act. Complaints related to the protection of the dignity of workers from harassment and sexual harassment and complaints related to protection against discrimination may be submitted to an authorized person to resolve them.

Risk management^{92, 93}

Management of risks and uncertainties is an integral part of successfully achieving our strategic goals. Comprehensive risk management for us means considering the opportunities and risks arising from the environmental, social, and managerial impacts of our company. We have therefore incorporated a risk management framework into our operations, which aims to ensure consistency in the implementation of mitigation measures and an appropriate level of supervision. Our risk management system identifies, assesses, and addresses relevant risks, and conducts internal compliance assessments. In addition to examining the most important sustainability risks, the annual risk assessment gives us an overview of emerging risks.

The Compliance Risk Assessment (CRA), which is conducted annually at the level of the Deutsche Telekom Group, correctly identifies, and develops relevant measures to combat compliance risk⁹⁴. The Management Board is responsible for the results of the assessment of compliance risk in HT. Based on the results, activities, and responsibilities for the harmonization program for the next year are developed. The Management Board then passes an official resolution approving the program. Measures from the compliance program are closely monitored. In 2021, risk analysis covered 21 key risk categories, including, for example, corruption, competition act violations, and conflict of interest regulations.

As part of the compliance monitoring process, HT also conducts due diligence of its suppliers and partners. In 2021 alone, the check was performed 640 times.

In case of misdemeanor proceedings related to particularly serious violations of the Electronic Communications Act, a fine is in the amount of 1% to a maximum of 10% of the total annual gross income of the Company from performing electronic communications networks and services, realized in the year of misdemeanor court⁹⁵. The Group is strongly committed to success in all litigation and potential litigation, including regulatory issues and litigation with employees.

⁹² 102-15

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We actively and systematically involve relevant stakeholders to determine what current and potential risks and opportunities are important for Hrvatski Telekom, and we participate in numerous working groups and committees⁹⁶. We also participate in working groups and committees, numerous national and international business associations, and social organizations, where we also gain valuable insights into existing and potential risks to business sustainability⁹⁷.

Sustainability risks⁹⁸

Every company should strive to anticipate and prepare for any long-term risks that may arise in the future. Although difficult to identify, they can have significant effects. In order to protect our company and customers from such risks, we must act early and effectively to identify and assess risks and develop strategies to mitigate them.

As risks related to environmental, social, and managerial aspects become more complex and are rapidly changing, we need to be more agile and adaptable in our identification and responses to this risk group. We therefore improve the management of risks and opportunities, thus supporting the achievement of sustainability goals and strategies. We use our materiality matrix as a basis for assessing ESG risks and opportunities.

The most significant identified sustainability risks in the telecommunications sector relate to social factors, in particular user behavior, social cohesion, and the management of user security and privacy. All incidents related to data security and system stability in the telecommunications sector are also very visible, given the broad impact of the sector in this segment. Responding to these risks, we are setting up more robust security measures to authenticate, identify, and strengthen and improve the ability to repel cyberattacks. In assessing social risk, we take into account public trust in operators in terms of community engagement, accessibility and social sensitivity, and corporate citizenship. Given the large and diverse user base in the sector, community relations pose low but important risks in terms of social cohesion. We listen to civil society and the communities in which we operate and design programs and activities that respond to their needs. Following the negative trends in the labor outflow and related challenges in the labor market, human resource management is another key social risk. Some of the key issues are human rights and the management of diversity and inclusion issues, and our human resources management strategy is a quality basis on which we base measures to manage this risk.

Although environmental risks have been somewhat lower so far due to the relatively low direct (scope 1 and scope 2) contribution to greenhouse gas emissions, waste and pollution, and low direct and indirect water use in industry, accelerated digitalization and increased emphasis on corporate supply chain due diligence in environmental issues gives more importance to these risks. The use of energy in the telecommunications sector to power communications networks, data centers and operations is less intensive than in other energy-intensive sectors, so we recognize a relatively moderate risk. Exposure to climate change risks is largely based on the impact that extreme weather events would have on telecommunications infrastructure and users. Measures to address this risk group include analysis and forecasting of possible future changes, as well as plans for business continuity and recovery in areas that are particularly vulnerable in the event of severe and frequent natural disasters.

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Risks associated with management mostly relate to regulatory measures and supply chain disruptions. Frequent changes in the regulatory framework in the telecommunications industry are partly due to accelerated technological progress and partly due to economic and social factors. Recently, more and more regulatory changes touch upon climate and environmental protection, the telecommunications sector not being exempted. These changes require constant and concentrated adjustment of business processes, organizational structure, and continuous education of managers and employees on new regulations and ethical business and responsible management in the value chain. HT has a very rich and diversified supply chain, and it is extremely demanding to monitor all the risks that arise in that chain. We strive to check the responsibility and resilience of our suppliers in order to ensure compliance with the management rules we apply in our company. Exposure to the risks of supply chain disruption has proven significant over the past two years. We tackled these challenges with timely planning and flexible access to suppliers.

Transparency and reporting

At Hrvatski Telekom, we are working on the continuous improvement of responsible and ethical business practices, with the implementation of our corporate transparency program. Dedicated to creating a better tomorrow, we have promised ourselves, our customers, partners, and the communities in which we operate that we will build a world of better opportunities. We regularly inform our customers about our values, business, available training, and potential risks that we face as a sector. Therefore, transparency, truthfulness, immediacy, and comparability in publishing information on the financial and non-financial aspect of business are key to measuring our contribution and progress⁹⁹.

HT Group Annual Report presents our business results in detail and gives a complete and true view of assets and liabilities, profit and loss, financial position, and operations of the HT Group. All information is subject to a strict internal control system as well as that of an external auditor. The Supervisory Board continuously monitored the activities of the Management Board in managing the operations of the Company and the Group as a whole. The Management Board regularly and timely informed the Supervisory Board on the corporate strategy, planning, business development of the Company and its various segments, the state of assets and liabilities, revenue, and organizational and other changes related to the Company's business management, risk status and risk management, business compliance, focus areas for innovation, and on any deviations of business development in relation to the original plans and significant business transactions concerning HT d.d. and its subsidiaries¹⁰⁰.

Analyzing the reports of the Company's Management Board and monitoring the development of the main business indicators, it was assessed that the goals set for 2021 were met, even though the challenges related to COVID-19 continued throughout the year. The Company and the Group recorded good financial results, with increased profits, revenues, and EBITDA after leases due to the growth of fixed and mobile telecommunications in the segments of residential and business customers, with the largest investments in the market contributing to continued positive trends and business momentum. HT Group has successfully responded to market challenges and maintained its leading position in the Croatian telecommunications market in all areas of its business in 2021, despite competitive pressures and challenges arising from the Covid-19 pandemic, achieving one of the fastest growing years. In 2021, we remained committed to our

⁹⁹ 103-1

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investment plan of HRK 1.78 billion which supported our business growth while enabling economic and social development in general¹⁰¹. In 2021, the Company continued to apply the Corporate Governance Code adopted by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange d.d. Zagreb, in force since January 1, 2020.

We are actively working on corporate transformation and sustainable development of our business, and our involvement in the entire ecosystem has opened the door to other industries, companies, the economy, and society to take advantage of digitalization and achieve their ambitions in sustainable development. We report on our progress in the environmental, social and governance aspects in the annual report on the sustainability of the HT Group¹⁰². The report covers the period from January 1 to December 31, 2021¹⁰³. The previous report on the sustainability of the HT Group was published in June 2021 covering the period from January 1 to December 31, 2020. This report has been prepared in accordance with GRI standards: core option¹⁰⁴. All previous reports on sustainability, responsible business, and environmental protection are available [here](#).

Contact person for sustainability reporting issues - Igor Vukasović, Corporate Communications Department, igor.vukasovic@t.ht.hr¹⁰⁵.

Anti-corruption activities

At Hrvatski Telekom, we support and nurture a culture of zero tolerance for bribery or corruption in all our activities. The Policy for the Prevention of Corruption and Other Conflicts of Interest, and other policies such as the Accepting and Giving Benefits Policy and the Guidelines for the Prevention of Conflicts of Interest, based on our Code of Conduct, define the scope, forms of corrupt behavior, measures and responsibilities and organizational duties to avoid corruption and other conflicts of interest. The Policies are consistently applied to all employees and executives of HT and to all employees and executives of companies in which HT has a majority share or majority decision-making right, provided that the Management Boards of these companies adopt these Policies. In order to raise awareness and understanding of the policy and the risks arising from illegal, improper and unethical behavior, we conduct mandatory regular training for all employees. The risks of corruption we face are constantly evolving, so to identify them, in addition to classroom courses, which were limited in 2021, we use various e-formats and interactive forms of education to adopt measures to prevent corruption in everyday activities of employees. All employees are regularly reminded via e-mail notifications about their obligations to undergo online training in compliance, including training on anti-corruption. All members of the HT governing body also underwent anti-corruption training. In 2021, a total of 1,634 employees, or 37 percent, received anti-corruption training (including training on the basics of compliance, the Code of Conduct, conflicts of interest...)¹⁰⁶.

The principles defined by the Policy also apply to persons engaged under a separate contract as external associates (consultants, students, agency workers, etc.) by including the principles of this Policy in contracts concluded by HT with these persons, i.e., with companies in which they

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work¹⁰⁷. Before accepting a business relationship with Hrvatski Telekom, our partners must be informed about the Code of Conduct, which includes principles for avoiding corruption. In addition, we ask business partners questions about their compliance management systems as part of the supplier self-assessment process, and our website also offers business compliance training for all our business partners. In 2021, HT also conducted audits of HT Group's business partners, which, in addition to the information security and data protection system, also included the principles of compliance, including anti-corruption and ethical behavior. 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.

Our efforts and measures related to the prevention and detection of corruption and other conflicts of interest in all business areas are monitored by the Management Board of HT. Anti-corruption measures are implemented primarily by the organizational unit responsible for business compliance as key reference points for all issues related to business compliance, which includes conflicts of interest and corruption, but also other organizational units with expertise in this field (legal affairs, accounting, security, audit, data protection). All organizational units at HT are obliged to comply with all applicable legal provisions without restrictions, and to operate in accordance with the internal rules that apply to them. It is necessary to consult HT's Compliance Section in case of ambiguity or doubt regarding the compliance of operations.

During 2021, there were no confirmed cases of corruption in HT, and no legal disputes related to corruption initiated against HT or HT employees¹⁰⁸.

Responsibilities and organizational duties

The Compliance Section assists the Management Board of HT in fulfilling its responsibilities regarding risk management and compliance with anti-corruption policy. The Management Board of HT has therefore assigned a group of tasks to the Compliance Section, which includes the following:

- Responsibility for the business compliance process
- Establishment and implementation of the Compliance Program, which must include a set of rules that must be strictly adhered to in order to achieve the ultimate goal of maintaining a "clean business"
- Initiating proactive campaigns to raise awareness of the need to prevent illegal, unethical or unacceptable behavior
- Coordination and assurance regarding the implementation of appropriate training of employees on anti-corruption
- Advisory portal management (*Pitaj me!*) and reporting portal (*Reci mi!*)
- Analyzing and assessing fraud scenarios and reports of fraud and making decisions on fraud cases
- Providing final interpretations of internal regulations in case of conflict of opinion of individual organizational units within the Company
- Identifying areas of potentially high vulnerability and high risk in terms of business compliance, development, and implementation of corrective measures¹⁰⁹.

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The Compliance Section informs the Management Board of HT and the Audit Committee of the Supervisory Board at regular intervals about all observed cases of business non-compliance and about the corrective measures taken. Any announcements to the public about the identified cases are the sole responsibility of the organizational unit responsible for corporate communications, with prior assessment and agreement with the organizational unit responsible for business compliance and the organizational unit for legal affairs. Based on the received report, the organizational unit responsible for business compliance may conduct research to establish all the facts and gather evidence and examine the merits of the report to avoid adverse effects on the legitimate interests of the persons involved¹¹⁰.

Hrvatski Telekom creates an environment and climate without fear of adverse consequences to encourage all stakeholders to communicate violations of rules and corrupt practices, if necessary. Anyone who has information about illegal or unethical actions of HT or one of the partners can submit a report through several available channels, and all reports are strictly confidential.

Pitaj me! advisory portal

Questions about the Code of Conduct, questions relevant to business compliance and questions about internal policies and rules can be asked on the *Pitaj me* advisory portal. In case of doubt, employees and managers can also contact the Compliance Section in person. The answers to the questions are provided by the Compliance Section independently or after agreement and cooperation with other involved organizational units, depending on the circumstances of the individual case. *Pitaj me!* Advisory portal is available at intranet page: <http://intranet.t.ht.hr/Compliance/hr-HR/AskMe> or e-mail: compliance@t.ht.hr.

Reci mi! reporting portal

Reports related to possible violations of regulations and internal policies and rules can be submitted on the *Reci mi* reporting portal. The Group encourages employees to communicate openly with their superiors and very often problems can be solved in this way. If this is not possible, the report may be sent by mail, telephone, e-mail or dedicated electronic channels for reporting irregularities that fully protect the identity of the person reporting. All reports and related information are treated as strictly confidential, and there is the possibility of submitting an anonymous report. Reporting portal is available at the intranet page.

Irregularities can be reported by third parties (external) in the reporting tools, which are also available on the corporate [website](#).

We share our efforts to spread a corporate culture of high ethics and examples of good practice with partners, suppliers, and society. Our corporate website gives details for all those interested about the HT Group Code of Conduct, our values, and they can undergo training on business compliance and digital ethics there.

Ethical business practices and business compliance

We encourage the development of the knowledge society, open the door to new opportunities for individuals, businesses, and society, while adhering to the highest ethical standards that are part of our corporate culture. We strive to create an environment in which all employees will

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behave ethically in their daily work and strive for standards that are not mere compliance with laws and regulations. Rules are important, compliance is important, but a healthy culture and business ethics are some of the main factors in the success of the HT Group. This was recognized by Ethisphere, a global leader in defining and improving standards of ethical business practices and awarded Hrvatski Telekom recognition as one of the world's most ethical companies. This is the first time that a Croatian company has earned this recognition and met Ethisphere's excellence criteria in five categories including an ethics and compliance program, ethical culture, corporate responsibility, governance, and leadership. Hrvatski Telekom thus found itself in the company of renowned global companies as one of only five global winners in the telecommunications industry.

At HT, compliance means following the rules and acting correctly in all cases. The basis of all our business decisions and activities is integrity, which includes compliance and determines the behavior of all our employees in working with customers, employees, investors, managers, and the general environment¹¹¹. Hrvatski Telekom has a Compliance Management System - CMS whose efficiency is confirmed by the *German Assurance Standard IDW AssS 980* certificate. Our compliance management system is designed to ensure legal and ethical conduct in all areas of business and to successfully address compliance risks. Responsibility for the compliance management system rests with top management, which emphasizes the great importance we attach to this topic. The task of the Compliance Commissioner is to ensure that the compliance management system and our compliance objectives are successfully implemented¹¹². The objectives of our compliance work are:

- Preventing violations of regulations and unethical business decisions
- Integrating compliance into business processes at an early stage and on an ongoing basis
- Reducing risk for the company
- Being identified as a trusted partner by customers and business partners
- Adopting a consistent approach to preventing, identifying, and responding to non-compliance
- Promoting a culture of respect and ethical behavior¹¹³.

Business compliance helps HT comply with legal requirements and internal regulations to prevent liability risks and other legal deficiencies for the company, employees, and management bodies. To this end, we use our risk management system that systematically identifies, assesses, and addresses relevant risks and internal compliance assessment. In addition, the Compliance Risk Assessment (CRA) is conducted annually at the level of the Deutsche Telekom Group to properly assess all compliance risks and develop relevant measures to combat compliance risk, covering the entire company and all business activities. The analysis showed that the risks in 2021 mainly stemmed from the new way of doing business and working from home because of the Covid-19 disease pandemic. The main risks are related to misuse of user data and active corruption. The Management Board is responsible for the results of the assessment of compliance risk in HT. Based on the results, activities, and responsibilities for the harmonization program for the next year are developed. Management then issues an official resolution approving the program, and measures from the compliance program are closely monitored. In 2021, the risk analysis covered 27 key risk categories, including, for example, corruption, competition act violations and violations of the Code of Human Rights and Social Principles.

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ABOUT US

PROFILE OF HT GROUP

HT Group members in Croatia¹¹⁴

Hrvatski Telekom¹¹⁵

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

Hrvatski Telekom d.d. (HT d.d. or the Company) including its subsidiaries is a leading provider of comprehensive information and communication solutions and services throughout the Republic of Croatia. It provides a wide range of products and services for fixed broadband, mobile communications, the internet, IPTV, the Internet of Things (IoT) services, and data transmission services between devices (M2M). HT Group also provides complete information and communication technology (ICT) solutions for business and corporate users and data transmission services (leased lines, Metro-Ethernet, IP/MPLS).

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

Iskon Internet

Iskon is a modern 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 for whom it provides broadband internet access services. In addition to the internet, it provides telephony and digital television (IPTV) services and TV content viewing on mobile devices.

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

Combis

Combis, a regional system integrator, has been a member of the HT Group since 2010 and is wholly owned by Hrvatski Telekom. The company focuses on the development of application, communication, security, and system solutions and the provision of services for the development and integration of ICT solutions, ICT infrastructure management and support, and with the integration of advanced technologies it provides complete business solutions, made according to specific user 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. By adopting the trends of modern European and world business and constantly improving the quality of work and work environment, Combis is today among the leading ICT companies in the region in the segment of service provision and the leading provider of IT services in Croatia.

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¹¹⁵ 102-1; 102-2; 102-3; 102-4; 102-6

HT Produkcija

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

HT Produkcija has been operating since 2011, and since 2019 it has been a member of the HT Group and is fully owned by Hrvatski Telekom.

Changes in the composition of the HT Group¹¹⁶

In July 2021, Hrvatski Telekom d.d. and Zagrebačka banka d.d. signed an agreement with Telemach Hrvatska d.o.o., which is owned by the United Group (United Group B.V., The Netherlands), on the purchase and sale of shares in Optima Telekom d.d. After signing the Share Purchase Agreement, Telemach received all the necessary regulatory approvals, and on January 21, 2022, since all other conditions were met, Hrvatski Telekom and Zagrebačka banka signed a Share Transfer Agreement, transferring their shares in Optima to Telemach.

In September 2021, the Agreement on the transfer of the business share was concluded, which the company HT holding d.o.o. holds in the company Kabelsko distributivni sustav d.o.o. (KDS), between HT holding d.o.o. as the transferring company and HT as the acquiring company. On December 1, 2021, the merged company KDS ceased to exist, and the acquiring company, HT, became the universal legal successor of the merged company.

HT Group members abroad¹¹⁷

Crnogorski Telekom AD

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

Corporate profile¹¹⁸

On December 31, 2021, significant holders of shares in the Company are as follows.

The majority owner of HT is Deutsche Telekom Europe B.V. with a 52.2% stake. Deutsche Telekom Europe B.V. is a wholly owned company of Deutsche Telekom Europe Holding B.V., wholly owned by Deutsche Telekom Europe Holding GmbH (formerly T-Mobile Global Holding Nr.2GmbH). Deutsche Telekom Europe Holding GmbH is wholly owned by Deutsche Telekom AG.

The Fund of Croatian Homeland War Veterans owns 6.8%, while the Center for Restructuring and Sales (CERP)/Republic of Croatia owns 2.9%. The remaining 38.1% of the shares are owned by the citizens of the Republic of Croatia and other domestic and foreign institutional investors.

Raiffeisen pension funds are among the private and institutional investors with the largest stake. On December 31, 2021, Raiffeisen Pension Funds hold 10.8% of the Company's shares.

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

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

A detailed overview of the main features and key financial indicators of the operations is available in our [2021 Annual Report](#)¹¹⁹.

Management Board¹²⁰

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).

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

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

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

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

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

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

Mr. Konstantinos Nempis was reappointed President of the Management Board (CEO), for a new term of office, beginning on April 1, 2022. Ms. Nataša Rapačić was reappointed as a member of the Management Board and Chief Operating Officer Residential starting from February 1, 2022, and Ivan Bartulović as a member of the Management Board and Chief Human Resources Officer starting from March 1, 2022.

Supervisory Board

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

Jonathan Richard Talbot	Chairman	As of April 25, 2017 (Chairman of the Related Party Transactions Committee and Chairman of the Remuneration and Appointments Committee)
Ivica Mišetić, PhD	Deputy Chairman	Member between April 21, 2008 and April 24, 2020. (Deputy chairman since May 8, 2008); as of July 20, 2020 (Member of the

¹¹⁹ 102-7

¹²⁰ 102-18

		Remuneration and Appointments Committee)
Vesna Mamić	Member, employees' representative	As of January 1, 2016
Dolly Predovic	Member	As of September 29, 2014 (Member of the Audit Committee and member of the Related Party Transactions Committee)
Marc Stehle	Member	As of December 16, 2015 (Chairman of the Audit Committee)
Eirini Nikolaidi	Member	Between April 25, 2016 and April 24, 2020; as of July 20, 2020 (Member of the Audit Committee)
Eva Somorjai-Tamassy	Member	As of April 25, 2017 (Member of the Remuneration and Appointments Committee)
Tino Puch	Member	As of April 24, 2018
Prof. Gordan Gledec, PhD	Member	As of July 20, 2020 (Member of the Related Party Transactions Committee)

The Supervisory Board assessed its effectiveness for the business year 2021, led by the Chairman of the Supervisory Board, based on the recommendations from the Corporate Governance Code applied by the Company. All members of the Supervisory Board participated in the survey. The Supervisory Board concluded that the SB and its committees perform their roles and responsibilities in an appropriate and efficient manner. The structure, size and composition of the Supervisory Board and its committees were assessed as appropriate and balanced in an adequate manner, according to knowledge, skills, gender, etc. The Supervisory Board will continue to apply best corporate governance practices and will continue to self-assess its work, striving for even greater efficiency in the future.

External initiatives¹²¹

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.

¹²¹ 102-12; 102-13

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SPECIFIC THEMATIC ANNOUNCEMENT

DIGITALIZATION FOR A BETTER FUTURE

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	GRI 203: Indirect economic impacts	203-1 Assisted investments in infrastructure and services
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	GRI 203: Indirect economic impacts	203-2 Significant indirect economic impacts
Cooperation with local communities	GRI 103: Approach to Management	103-1 Explanation of material topic and its boundaries
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	GRI 413: Local communities	413-1 Activities which involved local community, assessments of Impacts and development programs

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	GRI 203: Indirect economic impacts	203-2 Significant indirect economic impacts
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Creating an engaged and motivating work environment	GRI 103: Approach to Management	<p>103-1 Explanation of material topic and its boundaries</p> <p>103-2 Approach to governance and its elements</p> <p>103-3 Assessment of approach to governance</p>
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